

NORVESTIA ANNUAL REPORT  
*2003*



**NORVESTIA**  
NORVESTIA PLC

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## ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Thursday March 11, 2004 at 12 a.m. at the Adams-hall, Erottajankatu 15–17, Helsinki. Shareholders who wish to attend the Annual General Meeting are kindly requested to register no later than Monday March 8, 2004 either by phone (09) 6226 380, by telefax (09) 6222 080 or by post to the address Norvestia plc, Pohjoisesplanadi 27 C, 00100 Helsinki. Authorizations that allow an authorized representative to exercise the voting right of a shareholder at the Annual General Meeting, are asked to be submitted to the company office before the deadline for registering to attend the Meeting.

## DIVIDEND

The dividend for 2003 will be paid out on March 23, 2004 for shares that are registered in the company's register of shareholders maintained by the Finnish Central Securities Depository Ltd no later than on March 16, 2004.

## INTERIM REPORTS ARE PUBLISHED:

- April 23, 2004
- August 10, 2004
- October 19, 2004

and preliminary figures for the Interim Report January – June on July 28, 2004.

## REPORT OF NET ASSET VALUE

Reports of Net Asset Value are published monthly

The Annual Report and the interim reports are available in Finnish, Swedish and English on the home pages of Norvestia [www.norvestia.fi](http://www.norvestia.fi). All press releases from the past year as well as a selection of earlier releases can also be found on the home pages.

The printed Annual Reports and copies of the interim reports can be ordered by phone (09) 6226 380, by e-mail [info@norvestia.fi](mailto:info@norvestia.fi) or on the home pages. On the home pages readers can also register to receive all stock exchange releases by e-mail.

# NORVESTIA IN BRIEF

- Norvestia plc is an investment company whose shares are quoted on the Helsinki Exchanges. The Norvestia Group mainly invests in Nordic shares, equity funds, hedge funds and on the money market. The subsidiary Neomarkka plc additionally invests in unlisted companies in the telecommunications sector.
- The aim of Norvestia's investment activities is to provide its shareholders with a good risk-adjusted return.
- Norvestia plc, which nowadays is part of Kaupthing Bank, is parent company to Norventures Ltd and to the listed investment company Neomarkka plc.

## THE YEAR 2003

- Net asset value per share after deferred tax liability was EUR 21.02 at year-end (EUR 21.03 in 2002, of which EUR 1.40 per share was distributed as dividend).
- Net asset value per share (dividend adjusted) after deferred tax liability grew 6.6% during the year under review (0.3%).
- The Board of Directors proposes that EUR 1.60 per share be distributed as dividend (EUR 1.40).
- Norvestia obtained a new parent company during the year, when the Swedish Havsfrun Group sold all its shares in Norvestia to the Icelandic Kaupthing Bank.
- Due to the change in principal owner, a new Board was elected in October. The new Board appointed Juha Kasanen as Acting Managing Director of Norvestia plc.
- In the future, Norvestia will seek to raise the return on its investments from the current level.

### KEY FIGURES FOR THE GROUP YEAR 2003

Increase in NAV, dividend adjusted:	MEUR	7.0
Net earnings:	MEUR	4.4
Net turnover:	MEUR	32.1
Shareholders' equity:	MEUR	95.4

### KEY FIGURES PER SHARE YEAR 2003

Increase in NAV, dividend adjusted:	EUR	1.39
Net earnings:	EUR	0.85
NAV per share:	EUR	21.02
Shareholders' equity:	EUR	18.69
Equity ratio:		98.8%



## REVIEW BY THE MANAGING DIRECTOR



*Norvestia  
is keeping a constant eye  
on changes in the market  
and will seize opportunities  
whenever they arise.*

Norvestia's aim has been to guarantee its shareholders a good long-term return at limited risk and to pay a competitive annual dividend. I am pleased to say that in 2003, Norvestia again achieved these targets relatively well. Norvestia's dividend-adjusted net asset value went up by 6.6% and this was achieved with low risk, i.e. volatility. The net asset value volatility was about 3% on an annual basis.

Norvestia's shareholders can also be satisfied with their investment in the long term. With an annual dividend yield of about 10%, Norvestia has been one of the best dividend payers on the Helsinki Exchanges in recent years. During the past five years, the annual return on Norvestia's net asset value, including dividends, has been 8.8%. At the same time, the annual return on HEX portfolio yield index has been 3.2% and the HEX all-share index 1.6%.

### **NEW PRINCIPAL OWNER AND BOARD OF DIRECTORS**

In September, Kaupthing Bank bought Havsfrun S.A.'s entire holding in Norvestia and as a result Norvestia became part of Kaupthing Bank. Kaupthing Bank is the biggest bank in Iceland and it also owns Finnish Kaupthing Sofi plc, which it acquired in 2001. Since then, Kaupthing Sofi has expanded rapidly and it aims to become a major player on the Finnish capital market. As part of a larger group, Norvestia is in a good position to develop its investment activities. Kaupthing Bank has grown substantially during the last few years. Its professional staff and partners on all the important capital markets in the world can assist Norvestia in its investment activities in the future.

The change of the principal owner also led to the election of a new Board of Directors in an Extraordinary General Meeting on October 20, 2003. The members of Norvestia's new Board are corporate professionals who assess competence in capital markets and run large companies and technology businesses. More information about the Board of Directors on the Corporate Governance pages 24–25 in the Annual Report.

### **INVESTMENT ACTIVITIES**

The year 2003 proved to be fairly good in the stock market, despite the negative trend in the beginning of the year, and at year's end most of the world's share indices were higher than 12 months earlier. The rise in share prices was a relief to many investors who had already lost all hope. After all, 2003 was the first year in this decade when there was a rise in the value of the most important share indices.

After more than three years of falling share prices, the values of many shares were at historically low levels in spring 2003. This encouraged Norvestia to put more emphasis on direct share investments in its portfolio from the spring forward, which made it a net buyer of shares for the first time since 1999. The share purchases were well-timed and contributed to a positive performance in net asset value.

#### YEAR 2004: DIVIDENDS AND ELECTIONS

Although share prices have risen substantially since last spring, earning prospects in companies are distinctly less rosy. This has led to a situation in which share prices are generally more buoyant than earning forecasts, which means that share prices should start falling instead of rising. However, there are a number of other factors that may support the stock market and maintain the growth that started last year in 2004. The outlook for the world economy is now brighter than before, at least in the short term, and exceptionally low interest rates are channelling more wealth into the stock market.

The proposed changes to the dividend tax system will probably make 2004 a record dividend year on the Helsinki Exchanges. The changes are also likely to support the prices of high-dividend shares, at least during the early part of the year, but it is difficult to comment about prices after dividends have been paid. It may be that in the future investors are no longer as eager to buy shares regarded as high-dividend stock as before, which may cause their prices to drop more than the dividends and the avoirt fiscal.

The US presidential elections in November 2004 add to the interest of the year. This is because, statistically speaking, election years have usually been good for investors. During the past four decades, the S&P 500 index has dropped only once during an election year. This could be pure coincidence but it may also be that the incumbent president is keen to use all fiscal

stimuli at his disposal to ensure his re-election. This scenario is supported by the observation that the S&P 500 index has often fallen in the years after the election, in fact much more often than pure coincidence would suggest. At the moment it seems that even though election-year optimism may have an impact on share prices in the United States, long-term problems resulting from the uncertainties and imbalances in the US economy are discounted into the dollar exchange rate.

#### FUTURE PROSPECTS

So far, Norvestia has managed to perform relatively well in a fluctuating stock market but there is no guarantee that we can continue to do so, although that is our aim.

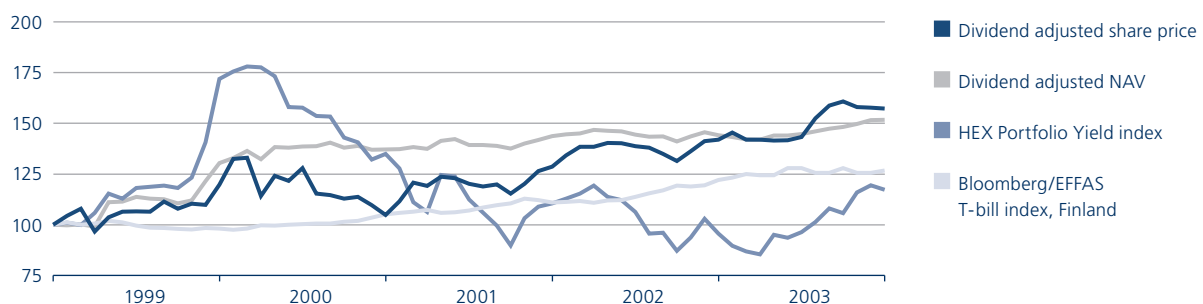
Norvestia is keeping a constant eye on changes in the market and will seize opportunities whenever they arise. The composition of Norvestia's investment portfolio may undergo substantial changes during the year if they seem justified on the basis of the risk-return ratio.

In 2004, Norvestia will probably again increase the volume of direct share investments in its portfolio whenever analytically justified. The number of unlisted shares and various types of private equity investment may also be increased. Such changes would increase the risk level of Norvestia's investment portfolio. The change would also make the return on Norvestia's net asset value more volatile and hopefully also lead to higher long-term return, which would satisfy all our shareholders.



Juha Kasanen  
Acting Managing Director

#### PERFORMANCE OF NET ASSET VALUE AND SHARE PRICE



# SHARE CAPITAL AND OWNERSHIP STRUCTURE

The share capital of Norvestia plc amounted to EUR 17,869,320 on December 31, 2003. The share capital is divided in 300,000 A shares with 10 votes, and 4,805,520 B shares with 1 vote, in all 5,105,520 shares (5,105,520) with the nominal value EUR 3,50 per share (3,50). The ISDN code for the B shares is FI0009000160 and the stock order is 100. The A shares are unlisted.

The market capitalization of the listed shares of Norvestia plc was EUR 72.1 million (68.2). The ten biggest shareholders possessed 49.90% of the shares (49.63%) and 67.23% of the total number of votes (67.06%). 2,000 B shares (-) were in the possession of the members of the Board and the Managing Director. The Board and the Management of Norvestia possess 3,087,298 shares in total of the parent company Kaupthing Bunadarbanki hf. (-).

The average shareholding in Norvestia plc for private individuals was 430 shares (423). The corresponding amount for associations was 13,684 shares (15,835). The number of nominee registered shares amounted to 5.69% of the total number of shares (5.92%) and 3.72% of the votes (3.87%). The number of shareholders amounted on December 31, 2003 to 4,980 (5,021).

## 10 PRINCIPAL SHAREHOLDERS ON 31.12.2003

Shareholder	Amount of A series	% of A shares	Amount of B series	% of B shares	Total amount of shares	% of share-capital	% of votes
Kaupthing Bunadarbanki hf.	300,000	100.00%	1,249,617	26.00%	1,549,617	30.35%	54.44%
Sampo Life Insurance Company Ltd			688,646	14.33%	688,646	13.49%	8.82%
Kaleva Mutual Insurance Company			64,400	1.34%	64,400	1.26%	0.83%
Turun kaupungin vahinkorahasto			53,900	1.12%	53,900	1.06%	0.69%
Laakkonen Reino			53,700	1.12%	53,700	1.05%	0.69%
EQ Pikkujättiläiset/EQ Fund							
Management Company Ltd			35,000	0.73%	35,000	0.69%	0.45%
Immonen Jukka			30,400	0.63%	30,400	0.60%	0.39%
Pasanen Matti			25,500	0.53%	25,500	0.50%	0.33%
Pension Insurance Company Veritas			24,600	0.51%	24,600	0.48%	0.32%
Haapanen Ritva			22,133	0.46%	22,133	0.43%	0.28%
	300,000	100.00%	2,247,896	46.78%	2,547,896	49.90%	67.23%
Nominee registered			290,033	6.04%	290,033	5.69%	3.72%

## SHARES AND VOTING RIGHTS

Share series	Votes/share	No of shares	No of votes	Share capital, EUR
Series A	10	300,000	3,000,000	1,050,000
Series B	1	4,805,520	4,805,520	16,819,320
In total		5,105,520	7,805,520	17,869,320

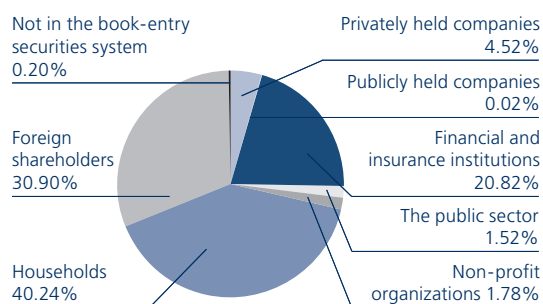
## HOLDINGS BY NUMBER OF SHARES AND OWNERS

Number of shares	Shares	Owners
1-100	2.02%	39.90%
101-1 000	17.36%	51.78%
1 001-5 000	13.93%	6.81%
5 001-10 000	6.88%	0.99%
10 001-	59.61%	0.52%
Not in the system	0.20%	-
In total	100.00%	100.00%

## SHAREHOLDERS BY GROUP

of share capital	
Privately held companies	4.52%
Publicly held companies	0.02%
Financial and insurance institutions	20.82%
The public sector	1.52%
Non-profit organizations	1.78%
Households	40.24%
Foreign shareholders	30.90%
Not in the book-entry securities system	0.20%
	100.00%
Of which nominee-registered	5.69%

## SHAREHOLDERS BY GROUP



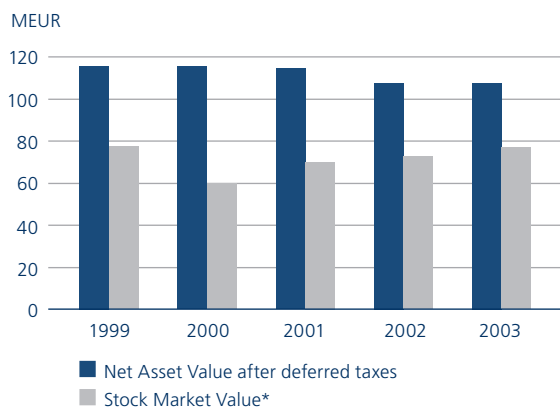
# NORVESTIA'S B-SHARE

	2003	2002	2001	2000	1999
<b>Share capital and number of shares</b>					
Share capital, MEUR	17.9	17.9	17.9	17.9	17.8
Nominal value of shares, EUR	3.50	3.50	3.50	3.50	3.36
Number of shares					
At the end of the year	5,105,520	5,105,520	5,105,520	5,105,520	5,105,520
Average of the year	5,105,520	5,105,520	5,105,520	5,105,520	5,105,520
Share price, EUR					
At the end of the year	15.00	14.20	13.70	11.70	15.10
Year high	16.50	16.19	15.14	18.00	15.60
Year low	12.50	12.50	11.20	11.55	12.01
Year average	14.41	14.54	13.66	14.45	13.70
Market capitalization at the end of the year, MEUR*	76.6	72.5	69.9	59.7	77.1
Trading volume					
Shares traded	937,821	479,112	431,288	622,838	951,926
Shares traded/total amount of shares	18.4%	9.4%	8.4%	12.2%	18.6%
Shares traded/total amount of B shares	19.5%	10.0%	9.0%	13.0%	19.8%
Turnover on the Stock Exchange, MEUR	13.5	7.0	5.9	9.0	13.0
P/E ratio	17.6	neg	9.9	4.1	3.0
Dividend yield	10.7%**	9.9%	10.2%	12.0%	8.3%
Number of shareholders at the end of the year	4,980	5,021	4,967	5,034	5,256

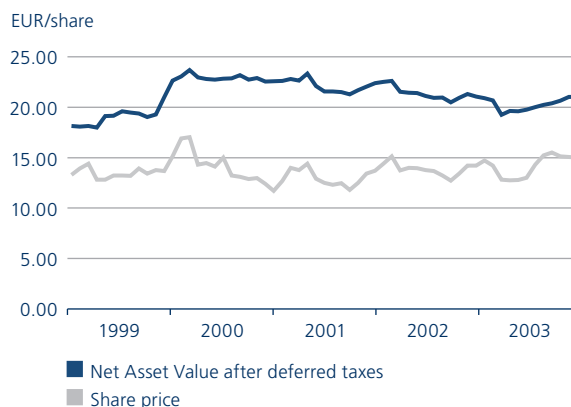
\*) The A shares are unlisted. The A shares are valued according to the quotation of the B share.

\*\*\*) The proposal of the Board of Directors

## GROUP'S NET ASSET VALUE AND STOCK MARKET VALUE\*



## SHARE PRICE AND NET ASSET VALUE PER SHARE



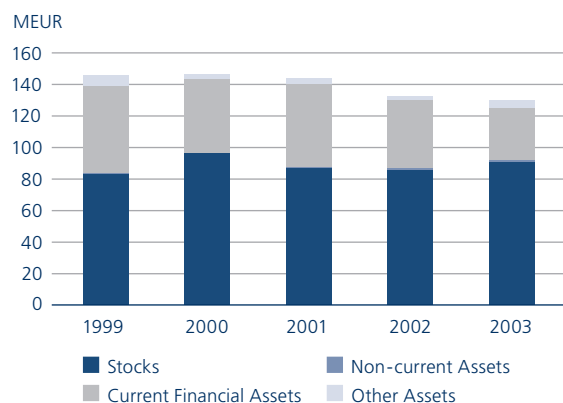
\* The A shares are unlisted. The A shares are valued according to the quotation of the B share.

# KEY FINANCIAL FIGURES

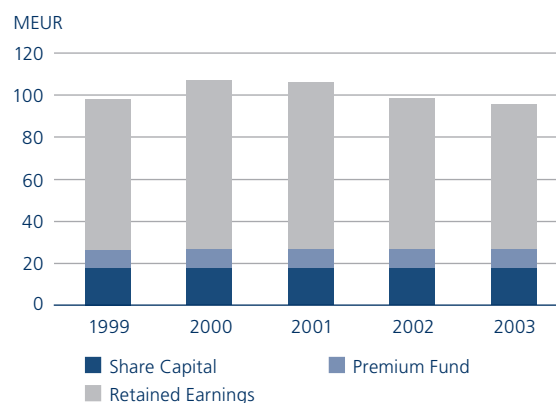
	2003	2002	2001	2000	1999
<b>Result figures for the Group</b>					
Turnover, MEUR	32.1	44.9	74.0	70.6	77.7
Operating profit, MEUR	7.2	-1.7	8.6	18.9	35.6
% of turnover	22.4%	-3.8%	11.6%	26.8%	45.8%
Profit before provisions and taxes, MEUR	7.1	-1.7	8.6	19.1	35.6
% of turnover	22.1%	-3.8%	11.6%	27.1%	45.8%
Return on equity	4.2%	-1.3%	3.8%	9.3%	23.9%
Return on investment	5.5%	-1.2%	6.1%	13.6%	33.3%
<b>Balance figures for the Group</b>					
Equity ratio	98.8%	98.7%	98.2%	97.9%	94.4%
Gross expenditure on non-current assets, MEUR	0.0	0.0	0.0	0.0	0.0
Dividend, MEUR	8.2*	7.1	7.1	7.1	6.4
<b>Key figures per share</b>					
Earnings/share, EUR	0.85	-0.07	1.38	2.82	5.01
Shareholders' equity/share, EUR	18.69	19.22	20.70	20.72	19.16
Net asset value/share before deferred tax, EUR	21.87	21.73	23.02	23.30	23.96
Net asset value/share after deferred tax, EUR	21.02	21.03	22.36	22.56	22.61
Discount on net asset value	28.6%	32.5%	38.7%	48.1%	33.2%
Dividend/share, EUR	1.60*	1.40	1.40	1.40	1.26
Payout ratio	187.3%*	n/a	101.2%	49.7%	25.2%
<b>Personnel</b>					
Number of employees in the Group	10	13	15	18	12

\*) Proposal of the Board

## GROUP ASSETS



## GROUP SHAREHOLDERS' EQUITY





# NET ASSET VALUE OF NORVESTIA GROUP

Net asset value, MEUR	31.12.2003	31.12.2002	31.12.2001	31.12.2000	31.12.1999
<b>Assets</b>					
Non-current assets	0.1	0.1	0.1	0.2	0.1
Current assets					
Stocks	110.0	99.6	99.5	109.6	107.8
Financial assets	38.7	46.7	56.2	50.0	62.1
Cumulative assets	148.8	146.4	155.8	159.8	170.0
Current liabilities	-1.6	-1.7	-2.2	-3.0	-8.1
Gross net asset value	147.2	144.7	153.6	156.8	161.9
Minority Interest	-35.5	-33.8	-36.1	-37.8	-39.6
Net asset value before deferred tax liability	111.7	110.9	117.5	119.0	122.3
Deferred tax liability	-4.4	-3.5	-3.3	-3.8	-6.8
Net asset value after deferred tax liability	107.3	107.4	114.2	115.2	115.5

Net asset value/share, EUR	31.12.2003	31.12.2002	31.12.2001	31.12.2000	31.12.1999
Before deferred tax liability	21.87	21.73	23.02	23.30	23.96
After deferred tax liability	21.02	21.03	22.36	22.56	22.61

Dividend adjusted increase in NAV	2003	2002	2001	2000	1999
Change, MEUR	7.0	0.3	6.1	6.1	28.2
Change per share, EUR	1.39	0.07	1.20	1.21	5.50

## PRINCIPLES FOR CALCULATION

Publicly listed shares, investment funds and derivatives have been valued at the closing price. If the closing price was unavailable, the purchase quotation was used. Unlisted shares have been valued at the acquisition price or the probable selling price when the latter is lower than the acquisition price. The deferred tax receivables constitutes 29% of appreciation, which is the difference between the market value and the book value.

The deferred tax liability refers to the deferred tax on appreciation in Norvestia plc. Unbooked deferred tax receivables are directed against deferred tax liabilities on appreciation with equal amounts in Neomarkka. Amounts in excess of the unbooked deferred tax receivables are not booked as assets. The deferred tax liability on appreciation in Neomarkka amounts to EUR 1.2 million, of which EUR 0.4 million constitute Norvestia's part.

## SHARE PRICE AND NET ASSET VALUE



# INVESTMENTS DECEMBER 31, 2003

	Number of shares/unit	Book value, EUR 1,000	Market value, EUR 1,000	Share of market value
<b>NORVESTIA PLC</b>				
<b>LISTED COMPANIES</b>				
Comptel Corporation	83,975	170	170	0.2%
Elisa Corporation A share	198,987	2,076	2,109	1.9%
Finnair Oyj	100,000	417	530	0.5%
Fortum Corporation	185,000	859	1,513	1.4%
Huhtamäki Oyj	93,500	755	874	0.8%
KCI Konecranes plc	17,100	472	472	0.4%
Lännen Tehtaat plc	99,300	1,115	1,167	1.1%
Metso Corporation	49,000	397	474	0.4%
M-Real Corporation B share	30,000	211	211	0.2%
Nokia Corporation	95,800	1,313	1,313	1.2%
Okmetic Oyj	29,200	45	96	0.1%
Orion Corporation A share	9,300	158	158	0.1%
Orion Corporation B share	69,100	1,171	1,176	1.1%
Outokumpu Oyj A share	125,500	1,006	1,352	1.2%
Perlos Corporation	63,150	264	400	0.4%
Pohjola Group Plc	44,000	933	933	0.8%
Raisio Group plc V share	202,400	178	251	0.2%
Rautaruukki Corporation K share	147,100	518	859	0.8%
Sampo plc	136,700	1,078	1,121	1.0%
Scanfil Oyj	40,800	129	227	0.2%
Tecnomen Corporation	275,000	117	377	0.3%
UPM-Kymmene Corporation	116,000	1,754	1,754	1.6%
Wärtsilä Corporation B share	148,200	2,173	2,253	2.0%
3Com CP Nnm	15,000	63	97	0.1%
Compuware Corp Nnm	10,000	44	48	0.0%
Fiat Spa	33,100	182	201	0.2%
J Sainsbury	67,000	259	297	0.3%
KLM Royal Dutch Airlines	7,000	49	90	0.1%
Nasdaq 100 UTS	29,100	840	840	0.8%
Nordea AB FDR	115,000	569	681	0.6%
Optimum Optik AB	1,886,980	297	405	0.4%
Scottish & Newcastle	38,000	203	204	0.2%
Strålfors share B	39,000	183	219	0.2%
TeliaSonera AB	379,588	1,341	1,572	1.4%
		<b>21,339</b>	<b>24,444</b>	<b>22.2%</b>
<b>PRIVATE EQUITY FUND</b>				
Sponsor Fund I Ky		2,370	2,370	2.2%
		<b>2,370</b>	<b>2,370</b>	<b>2.2%</b>
<b>FUNDS</b>				
Pohjola Euro Value B	17,237	1,203	1,203	1.1%
Pohjola Finland Value B	24,913	1,582	2,164	2.0%
Ramsay & Tuutti Avenir B	2,417	2,523	3,065	2.8%
Brummer & Partners Nektar	25,802	4,230	5,643	5.2%
Brummer & Partners Zenit	2,665	3,337	11,176	10.1%
Didner & Gerge Aktiefond	32,882	2,075	2,153	1.9%
Futuris	18,554	2,733	4,127	3.7%
RAM One	35,432	3,515	3,515	3.2%
		<b>21,198</b>	<b>33,046</b>	<b>30.0%</b>
<b>DERIVATIVES</b>				
Nokia call option	Option contracts 800	19	19	0.0%
<b>NORVESTIA PLC IN TOTAL</b>				
		<b>44,926</b>	<b>59,879</b>	<b>54.4%</b>
<b>NORVENTURES LTD</b>				
<b>UNLISTED COMPANIES</b>				
NSD Products Oy	4,189	0	0	0.0%
Polystar Instruments AB	266	1,717	1,717	1.6%
<b>NORVENTURES LTD IN TOTAL</b>				
		<b>1,717</b>	<b>1,717</b>	<b>1.6%</b>

	Number of shares/unit	Book value, EUR 1,000	Market value, EUR 1,000	Share of market value
<b>NEOMARKKA GROUP</b>				
<b>NEOMARKKA PLC</b>				
<b>LISTED COMPANIES</b>				
OKO Osuuspankkien Keskuspankki Oyj A share	13,000	207	235	0.2%
Aspocomp Group Plc	25,000	194	290	0.3%
Atria Group plc A share	20,000	176	181	0.2%
Finnair Oyj	76,900	330	408	0.4%
Finnlines Plc	9,900	223	285	0.3%
Fiskars Corporation A share	20,000	178	188	0.2%
Fortum Corporation	20,000	112	164	0.1%
HK Ruokatalo Oyj A share	40,000	160	260	0.2%
Huhtamäki Oyj	27,000	209	252	0.2%
Kemira Oyj	35,000	226	322	0.3%
Kesko Corporation B share	25,000	257	347	0.3%
Metso Corporation	15,000	145	145	0.1%
M-Real Corporation B share	43,000	302	302	0.3%
Okmetic Oyj	65,100	188	215	0.2%
Olvi plc A share	10,000	90	132	0.1%
Orion Corporation B share	3,000	47	51	0.0%
Outokumpu Oyj A share	42,700	375	460	0.4%
Pohjola Group Plc	8,000	110	170	0.2%
Polar Real Estate Corporation	600,000	260	462	0.4%
Raisio Group plc V share	185,300	177	230	0.2%
Rautaruukki Corporation K share	40,000	187	234	0.2%
Stora Enso Oyj R share	30,000	307	320	0.3%
Tecnomen Corporation	135,000	58	185	0.2%
UPM-Kymmene Corporation	22,000	311	333	0.3%
Wärtsilä Corporation B share	18,200	238	277	0.3%
3Com CP Nnm	7,000	29	45	0.0%
Compuware Corp Nnm	5,500	24	26	0.0%
Fiat Spa	16,400	90	100	0.1%
KLM Royal Dutch Airlines	3,750	26	48	0.0%
Nordea AB FDR	75,000	332	444	0.4%
J Sainsbury	33,000	128	146	0.1%
Scottish & Newcastle	19,000	101	102	0.1%
Strålfors AB B share	19,700	92	111	0.1%
		<b>5,889</b>	<b>7,470</b>	<b>6.7%</b>
<b>FUNDS</b>				
Brummer & Partners Nektar	11,263	2,293	2,463	2.2%
Brummer & Partners Zenit	304	1,058	1,273	1.2%
E&R Global Markets Sub Fund E	990	1,000	1,011	0.9%
Futuris	12,247	2,203	2,724	2.5%
GLG Market Neutral Fund D	18,336	3,500	4,160	3.8%
Lunden Eikos	142	2,440	2,706	2.5%
Lynx Asset Management	101,662	1,978	2,123	1.9%
Ramsay & Tuutti Avenir B	1,720	2,000	2,181	2.0%
Tanglin	21,746	3,095	3,358	3.0%
Vega Feeder Fund Ltd	276	2,864	2,864	2.6%
		<b>22,431</b>	<b>24,863</b>	<b>22.6%</b>
<b>NOVALIS PLC</b>				
<b>UNLISTED COMPANIES</b>				
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	2.9%
Satakunnan Puhelin Oy	81,700	920	920	0.8%
Tikka Communications Oy	830	822	822	0.7%
Puhelinosuuskunta KPY	7,618	10,667	10,667	9.7%
		<b>16,318</b>	<b>16,318</b>	<b>14.9%</b>
<b>NEOMARKKA GROUP IN TOTAL</b>				
		<b>44,638</b>	<b>48,651</b>	<b>44.2%</b>
Group eliminations		-235	-235	-0.2%
<b>NORVESTIA GROUP IN TOTAL</b>				
		<b>91,046</b>	<b>110,012</b>	<b>100.0%</b>

# REPORT BY THE BOARD OF DIRECTORS FOR

## NEW PRINCIPAL OWNER FOR NORVESTIA

The Icelandic Kaupthing Bank bought Havsfrun S.A.'s entire holding of 300,000 A shares and 1,249,617 B shares in Norvestia on September 29, 2003 and as a result Kaupthing Bank became Norvestia's principal owner. Kaupthing Bank is one of the Nordic region's ten largest banking groups and is listed on Iceland's Stock Exchange and the Stockholm Stock Exchange. The Group has a total of 1,300 employees in ten different countries.

## NORVESTIA'S INVESTMENT STRATEGY

In the future, Norvestia will seek to raise the return on its investments from the current level. This will result in a rise in the current extremely low risk level of the investments. It will primarily be accomplished by decreasing the weight of money market investments and by transferring assets to share investments when there is analytical justification. This might also imply that a greater part of the assets will be invested in unlisted stocks and in different private equity investments.

## STOCK MARKET

The unusually strong downward trend in share prices that lasted for three successive years ended in spring 2003 with an upturn on most of the world's stock exchanges. At the beginning of the year, many signs still indicated that prices would continue to decline in 2003. Share prices fell dramatically in January and February and the S&P 500 index, for instance, had decreased over 15% by the beginning of March. An end to uncertainty concerning the situation in Iraq brought about a quick change in sentiment on the stock market and share prices turned up in the middle of March. The rise was so strong that the decline at the beginning of the year was offset before summer and the annual return for all the main world indices was substantially positive.

The US stock market drove the rise. The yearly return for the S&P 500 index calculated in dollars was 26% and for the Nasdaq technology index as high as 50%. The return was not quite so good for the European investor, as the dollar fell against the euro by nearly 20% during the year.

The HEX general index is tied closely to the price movements of the telecommunications & electronics industry and the forest industry. The financial performances of both industries were modest in 2003. This reduced gains in the HEX general index, even though many individual shares outperformed the index as a whole. In 2003, the return for the HEX general index was 4.4% and the return for the HEX portfolio yield index was 22.7%.

Despite the rise in 2003, most indices are still considerably below the top levels quoted earlier. For instance, the value of the HEX general index at the end of 2003 was approximately at the same level as five years earlier in January 1999. It is good to remember that the HEX general index has to rise by a further 200% to reach its peak in 2000. Many of the share investments

made on the Helsinki Exchanges in 2000 and after are still unprofitable.

Although the prospects of the world economy for the near future have clearly improved according to the latest forecasts, many uncertainty factors are related to long-term development. Unusually low interest rates and the strong fiscal stimulation have supported economic growth in the USA so far, but growth on this basis is unlikely to be lasting. The world economy will not rest on a solid footing until demand picks up so much that companies start to invest and are also profitable in a normal interest environment. At present no certainty considering this matter can be guaranteed. Current account and budget deficits in the United States and other countries are causing anxiety as are the extremely high debts of US private households. These factors may complicate prospects for future growth in the world economy.

The relative strength of the dollar will play a crucial role as economic growth picks up in Europe. If the dollar continues to decline strongly due to the credibility problems of the US economy, many European companies will have to reduce their earning forecasts. This would probably decrease European share prices, at least temporarily.

Index trends on various exchanges in 2003:

Finland/HEX general index	4.4%
Finland/HEX portfolio yield index	22.7%
Sweden/SAX index	29.8%
Norway/OBX index	41.2%
Denmark/KFX index	22.5%
USA/Nasdaq Composite index	50.0%
USA/S&P 500 index	26.4%
Japan/Nikkei 225 index	24.5%
Norvestia's dividend-adjusted share price	15.5%
Norvestia's dividend-adjusted net asset value	6.6%

## NET ASSET VALUE AND SHARE PRICE

On December 31, 2003 Norvestia's net asset value after deferred tax liability stood at EUR 21.02 per share (21.03 at the end of 2002). The net asset value includes 32.5% (31.6%) of Neomarkka's net asset value, which corresponds to Norvestia's holding of the company's total shares.

In March 2003, Norvestia distributed EUR 1.40 per share in dividends. Taking this into account, the company's net asset value went up by EUR 1.39 (0.07) in the year under review, equal to a 6.6% (0.3%) rise. The rise amounted to EUR 0.41 (0.55) per share in the last quarter.

The price of Norvestia's B share went up by 5.6% during the year and stood at EUR 15.00 (14.20) on December 30. The discount in net asset value was 28.6% (32.5%) at year-end.

# JANUARY 1-DECEMBER 31, 2003

## NET TURNOVER AND NET EARNINGS

Norvestia Group's turnover mainly comprises sales of securities, dividends received and interest income.

Net turnover for 2003 was EUR 32.1 (44.9) million and operating expenses EUR 2.5 (2.7) million. The Group's operating expenses were 2.3% (2.5%) of net asset value after deferred tax liability. The profit for the entire year was EUR 4.4 million (loss EUR 0.4 million), while the profit for the last quarter was EUR 2.1 (2.4) million. The parent company's turnover for 2003 was EUR 16.2 (35.9) million and its profit EUR 3.9 (0.0) million.

For an investment company like Norvestia, the crucial figure is the change in net asset value, which indicates the success of investments taking into account both unrealized losses and unrealized gains. The book result includes unrealized losses but not unrealized profits. The change can be significant in different periods.

## INVESTMENTS BY THE PARENT COMPANY

The increase in the company's net asset value after expenses and taxes was 6.6% and was reached with a volatility of 3.0%. The risk-adjusted return on investment activities was thus excellent.

Although the investment portfolio of Norvestia should be considered an entity, it can be roughly divided into five different categories: direct share investments, equity funds, hedge funds, money market investments and investments in the subsidiaries Norventures Ltd and Neomarkka plc. The weights of these different parts are adjusted according to the market view at the time.

Direct share investments generated the highest returns in both absolute and percentage terms. Norvestia's net amount directly invested in shares was increased on a yearly basis for the first time in three years. Share purchases began in the early spring and were gradually continued whenever it was considered analytically justifiable. The timing of the purchases turned out to be good and thus it was possible to benefit from the rising share prices.

The investments in equity funds also generated good returns, which were competitive in relation to the return for the HEX portfolio index. In contrast to previous years, Norvestia's hedge fund portfolio did not match expectations for 2003. However, the return was slightly positive when currency changes were taken into account. The return on money market investments was as expected and corresponded to the return from one month euribor interest. The maturity of money market investments has been kept short, as the level of interest is not expected to decline further.

The largest purchases during the year were made in Nokia's and UPM-Kymmene's shares. The largest sales on the other hand were made in the funds Seligson Phoenix and Taiwan Opals.

## INVESTMENT PORTFOLIO OF THE GROUP

Market value breakdown of the Group's share and holding investments:

	2003		2002	
	MEUR	%	MEUR	%
Listed companies	31.9	29.0	22.7	22.8
Unlisted companies	17.8	16.2	17.9	18.0
Hedge funds	52.4	47.6	45.8	46.0
Other funds	7.9	7.2	13.2	13.2
In total	110.0	100%	99.6	100%

The book value of Norvestia Group's share and holding investment portfolio was EUR 91.0 (85.6) million on December 31, 2003. The market value of the parent company's share and holding investment portfolio was EUR 59.9 (52.8) million and the book value EUR 44.9 (40.5) million. The unrealized appreciation of the parent company after deferred tax liability was EUR 10.6 (8.7) million.

## RISKS IN INVESTMENT ACTIVITIES

The guiding principle of Norvestia's investment activity is to diversify and to reduce overall risks, thereby pursuing steady asset growth.

As in all business operations, there is a risk involved in Norvestia's investment activities. Performance is greatly affected by economic developments and share prices both in Finland and abroad. In addition, changes in exchange rates, especially the ratio between the Swedish krona and the euro, impact the company's performance, since the majority of the company's investments in hedge funds are krona-denominated, so a strengthening of the krona improves Norvestia's returns from Swedish funds. In turn, however, changes in other exchange rates may affect the funds' krona-denominated results.

## NORVESTIA GROUP

Norvestia plc nowadays belongs to the Icelandic Kaupthing Bank and is the parent company to Neomarkka plc and Norventures Ltd. Norvestia's holding in Neomarkka amounts to 32.5% (31.6%) of share capital and 53.1% (52.5%) of votes at year-end. Norvestia has paid an overall acquisition price of EUR 17.2 million (16.9) for the Neomarkka shares.

Norvestia plc invests primarily in Nordic listed shares and funds, in the money market and in other securities. Norvestia plc's B share is quoted on the Helsinki Exchanges Main List and Neomarkka plc's B share on the I List.

No changes occurred in Norventures Ltd during the year and its assets were assessed at almost the same value as they had been at the beginning of the year in Norvestia's net asset value.

## NEOMARKKA

Neomarkka mainly focuses on investments in funds that seek an absolute return, i.e. hedge funds. A smaller part of the net asset value can also be invested in shares, bonds, derivatives and other securities. The company may also increase its investments by borrowing. Neomarkka's wholly owned subsidiary Novalis manages unlisted Finnish telephone companies.

Neomarkka's dividend adjusted net asset value after deferred tax liability rose 7.7%, to EUR 8.74 per share (8.19). Net earnings were EUR 1.6 (-2.1) million. Net earnings of Neomarkka plc were positive for the first time since 1998. Neomarkka's net asset value after expenses increased during the year by about EUR 3.8 million, of which 32.5%, i.e. EUR 1.2 million, were booked as an increase in the net asset value of Norvestia.

## NEOMARKKA'S TELECOM INVESTMENTS

The investment portfolio of Neomarkka's subsidiary Novalis plc consists of shares in unlisted Finnish telephone operators. The total acquisition price of the unlisted companies at the end of 2003 was EUR 16.3 million (EUR 16.3 million). Novalis did not make any new investments or exits during the year. Novalis received EUR 0.5 (0.4) million in dividends excluding avoifiscal, making dividend yield 3.0% (2.7%).

The Neomarkka Board of Directors had an independent external valuation made of Novalis plc's holdings to support their own valuation. According to the statement submitted by FIM Corporate Finance in January 2004, the value of the shares at the time of valuation was at least as much as their acquisition price. The value assessment is based on assumptions and therefore it does include uncertainty factors. In the future, Novalis' telecom holdings may go up or go down in relation to their book values.

## LIQUIDITY AND SOLVENCY

Norvestia Group's liquid assets including money market investments totalled EUR 36.1 million (44.8). The equity ratio stood at 98.8% (98.7%). Shareholders' equity totalled 95.4 million (98.1). Norvestia has entered EUR 1.1 million (1.1) of its remaining commitment to invest in Sponsor Fund Ky as a liability.

## PERSONNEL AND INVESTMENTS

In 2003, Norvestia Group employed an average of 10 (13) people, and the parent company 7 (8).

No investments were made in machines and equipment during the year (-).

## SHAREHOLDERS

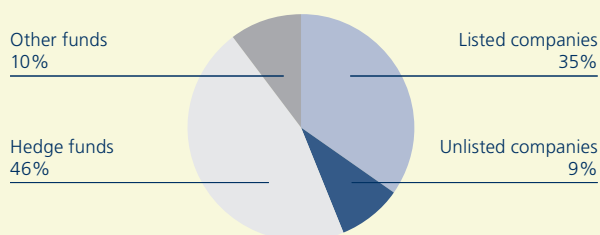
At the end of 2003, Norvestia's shareholders numbered 4,980 (5,021). 30.9% of the shares were in foreign ownership (30.9%).

The biggest shareholder is the Icelandic Kaupthing Bank, which had a 30.4% (-) holding at year-end, which corresponds to 54.4% (-) of votes. Norvestia's second biggest shareholder, Sampo Life Insurance Company Ltd, had a 13.5% (14.6%) holding of shares and 8.8% (9.5%) of the votes at year-end. The ten major shareholders held a total of 49.9% (49.6%) of shares and 67.2% (67.1%) of the votes.

## COMPLIANCE WITH IFRS RULES

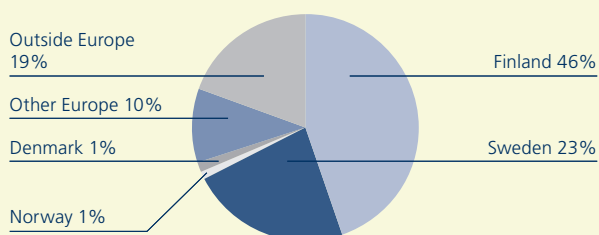
By January 1, 2005, all listed companies in EU countries must comply with the IFRS Rules in accounting and financial statements. The familiar IAS Financial Statements are now called IFRS Financial Statements. In the Norvestia Group, compliance was initiated during the year and the first financial statements

## NORVESTIA GROUP'S\* INVESTMENTS DECEMBER 31, 2003



\* including Norvestia's capital share (32.5%) of Neomarkka's investments

## GEOGRAPHIC BREAKDOWN OF NORVESTIA GROUP'S\* INVESTMENTS DECEMBER 31, 2003



\* including Norvestia's capital share (32.5%) of Neomarkka's investments

according to IFRS will be published in the first interim report for 2005. For the Group this will mainly mean that financial instruments will be entered at market value instead of their acquisition or lowest value. Deferred tax assets will also be recorded on a scale appropriate in terms of established prudence principles.

In Norvestia's monthly published net asset value calculations, investments are already at market value. This means that the IAS Income Statement will mainly be a calculation of the change between the reported net asset values taking the dividends into account. According to IAS, Norvestia Group's net earnings for year 2003 amounted to MEUR 7.0 and the balance at December 31, 2003 to MEUR 148.8. Shareholders' equity of the Norvestia Group according to the IAS corresponds to the net amount of the net asset value, which totalled EUR 107.3 million at year-end. It is perhaps good to point out that the difference in shareholders' equity, i.e. the unrealized gains, totalled EUR 11.9 million compared with the current accounting principles. More specific information concerning the annual change in net asset value and the net asset value is on page 7 of the annual report.

#### **NEW MANAGEMENT FOR THE COMPANY**

The Annual General Meeting (AGM) on March 19, 2003, re-elected Olle Isaksson as chairman, Bo C E Ramfors as vice chairman and Stig-Erik Bergström, Håkan Gartell and Claes Werkell as members of the Board.

The AGM decided to amend section 9 of the Articles of Association concerning the number of auditors in the company. It was decided that the company will have one regular auditor and one personal deputy. Carl Gustaf af Hällström, CPA was re-elected as auditor and Ernst & Young Ltd as deputy auditor.

The AGM unanimously decided to release the Managing Director and the Board of Directors from liability for 2002. The AGM authorized the Board of Directors to acquire up to 255,276 of the company's B shares. The Board was authorized to make these acquisitions in the company's name by March 18, 2004. The Board is entitled to use assets available for profit distribution to acquire B shares equivalent to as much as five per cent of the total on the date of the AGM. The shares may be acquired for the purpose of improving the company's capital structure, for use in the company's incentive system, as payment in company acquisitions or the like, or for invalidation, for which a separate decision by the AGM is required. The Board has made no acquisitions.

When Norvestia's biggest shareholder Havsfrun S.A. sold all its shares in Norvestia to Kaupthing Bank an Extraordinary General Meeting was held on October 20, 2003, where a new Board was elected.

The following members were elected to the new Board:

Sigurdur Einarsson, chairman

Mika Lehto, vice chairman

J.T. Bergqvist, member

Stig-Erik Bergström, member

Hreidar Már Sigurdsson, member.

The new Board appointed Juha Kasanen as acting Managing Director on October 20, 2003 when Claes Werkell resigned due to the change in main owner.

#### **SUGGESTED DIVIDEND DISTRIBUTION**

The Board proposes that EUR 8.2 (7.1) million be distributed to shareholders in dividends, corresponding to EUR 1.60 (1.40) per share.

#### **FUTURE PROSPECTS**

It is highly likely that dividend taxation will change in Finland after year 2004. According to the proposal, the dividend tax for private individuals will be 19.6% as of the beginning of next year, while dividend income will remain in practice tax-free this year.

There may be some consequences of the reform on the Finnish stock market. The valuation of companies that have usually paid good dividends may decrease, as dividend income is not as interesting to investors. On the other hand, the dividend policy of Finnish companies may change; they may purchase more of their own shares instead of directly paying dividends. In any case, it appears that 2004 will be an exceptional year for dividends on the Helsinki Exchanges. Many listed companies will probably distribute accumulated retained earnings as extra dividends during the year, when this is still possible within the scope of the present tax law.

The situation on the stock market remains hard to interpret. In the light of the latest earning forecasts, share valuations are neutral or high rather than low. Based on valuation, share prices should not rise, at least in the near future.

Unfortunately the matter is not quite so simple. Share prices are not based on mathematics alone and it is also possible that the current upward trend on the stock market will continue. In 2003, a clear change in trend occurred on the stock market, and trends of this type tend to reinforce themselves, even when they lack analytical justification. Moreover, the historically low interest rates increase investors' interest in allocating more assets to the stock market, which also tends to raise share prices.

Investment levels and the ratio between listed shares, unlisted securities, funds and interest-yielding investments will be assessed as the situation at any given time dictates.



# INCOME STATEMENTS

EUR 1,000	Note	Group		Parent company	
		1.1.-31.12.2003	1.1.-31.12.2002	1.1.-31.12.2003	1.1.-31.12.2002
NET TURNOVER	1)	32,056	44,906	16,248	35,872
Purchases of securities		-27,854	-42,854	-13,783	-21,328
Change in stock		5,408	-1,421	4,423	-12,921
Personnel expenses	2)	-1,116	-1,237	-716	-786
Planned depreciation		-25	-39	-16	-18
Negative goodwill depreciation	3)	105	394	-	-
Other operating expenses		-1,329	-1,478	-760	-846
OPERATING PROFIT/LOSS		7,245	-1,729	5,396	-27
Financial income and expenses	4)	-125	18	89	167
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS		7,120	-1,711	5,485	140
Group contribution	5)	-	-	-	-112
PROFIT BEFORE TAX AND MINORITY SHARE		7,120	-1,711	5,485	28
Income tax	6)	-1,703	-111	-1,601	-8
Minority share		-1,055	1,439	-	-
PROFIT/LOSS FOR THE FINANCIAL YEAR		4,362	-383	3,884	20
Earnings per share basic, EUR		0.85	-0.07	0.76	0.00
Earnings per share diluted, EUR		0.85	-0.07	0.76	0.00
Number of shares		5,105,520	5,105,520	5,105,520	5,105,520



# BALANCE SHEETS

EUR 1,000	Note	Group		Parent company	
		31.12.2003	31.12.2002	31.12.2003	31.12.2002
<b>Assets</b>					
<b>NON-CURRENT ASSETS</b>					
Tangible assets	7)	59	83	31	46
Shares in associated companies	8)	-	-	17,406	17,153
Other investments	9)	10	10	10	10
		69	93	17,447	17,209
<b>CURRENT ASSETS</b>					
Stocks	10)	91,046	85,638	44,926	40,503
Deferred tax receivables	11)	595	1,625	156	1,186
Current receivables	12)	1,973	177	1,743	1,648
Current financial assets		33,528	43,744	32,418	40,390
Cash in hand and at bank		2,614	1,061	1,658	686
		129,756	132,245	80,901	84,413
		129,825	132,338	98,348	101,622
<b>Liabilities and shareholders' equity</b>					
<b>SHAREHOLDERS' EQUITY</b>					
Restricted shareholders' equity	13)	17,869	17,869	17,869	17,869
Premium fund		8,691	8,691	8,691	8,691
Retained earnings		64,494	71,929	66,546	73,674
Profit/loss for the financial year		4,362	-383	3,884	20
		95,416	98,106	96,990	100,254
<b>MINORITY SHARE</b>					
		32,793	32,520	-	-
<b>CURRENT LIABILITIES</b>					
	14)	1,616	1,712	1,358	1,368
		129,825	132,338	98,348	101,622

# CASH FLOW STATEMENTS

EUR 1,000	Group		Parent company	
	1.1.–31.12.2003	1.1.–31.12.2002	1.1.–31.12.2003	1.1.–31.12.2002
<b>OPERATING ACTIVITIES</b>				
Operating profit/loss before financial items	7,120	-1,711	5,485	140
Planned depreciation	25	39	16	18
Liquidation of subsidiaries	-	-	-	47
Avoir Fiscal	-659	-1,271	-557	-1,193
Negative goodwill depreciation	-105	-394	-	-
	6,381	-3,337	4,944	-988
<b>Changes in working capital</b>				
Increase (-) or decrease (+) in stocks	-5,408	1,421	-4,423	12,921
Increase (-) or decrease (+) in current receivables	-1,796	639	-95	2,277
Increase (-) or decrease (+) in financial assets	10,216	9,630	7,972	-4,500
Increase (-) or decrease (+) in current liabilities	-96	-510	-11	-2,071
	2,916	11,180	3,443	8,627
Received and paid taxes	-14	237	-14	237
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>9,283</b>	<b>8,080</b>	<b>8,373</b>	<b>7,876</b>
<b>INVESTMENT ACTIVITIES</b>				
Acquisition of shares in Group companies	-253	-825	-253	-1,000
Investments in tangible assets	-	5	-	-1
Sale of shares in Group companies	-	-	-	53
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>	<b>-253</b>	<b>-820</b>	<b>-253</b>	<b>-948</b>
<b>FINANCIAL ACTIVITIES</b>				
Dividends paid	-7,477	-7,488	-7,148	-7,148
Received and paid Group contributions	-	-	-	-112
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>	<b>-7,477</b>	<b>-7,488</b>	<b>-7,148</b>	<b>-7,260</b>
<b>CASH FLOW FOR THE YEAR</b>	<b>1,553</b>	<b>-228</b>	<b>972</b>	<b>-332</b>
Liquid assets 1.1.	1,061	1,289	686	1,018
Liquid assets 31.12.	2,614	1,061	1,658	686
Increase or decrease in liquid assets	1,553	-228	972	-332

# NOTES TO THE FINANCIAL STATEMENTS

## **PRINCIPLES OF THE FINANCIAL STATEMENTS**

The Annual Financial Statements have been prepared in accordance with provisions of the Companies Act, Accounting Act and the Decree on Accounting. In addition, the rules and recommendations concerning companies listed on the Helsinki Exchanges have been taken into account.

## **CONSOLIDATION PRINCIPLES OF THE GROUP FINANCIAL STATEMENTS**

The consolidated financial statements include the parent company and its directly or indirectly owned subsidiaries and associated undertakings. Subsidiaries are companies in which the parent company owns more than 50% of the voting rights or the share capital. Companies of whose equity voting rights the Group owns 20–50% have been treated as associated undertakings. Companies acquired during the financial year have been consolidated as from the date of acquisition.

The financial results of subsidiaries are included in the consolidated financial statements in proportion to the Group's ownership of the company. The acquisition method is used in the consolidated financial statements, which implies that the shareholders' equity of the subsidiary is entirely eliminated at the acquisition. Only the proportion of the shareholders' equity in subsidiaries added after the acquisition will thus be included in the shareholders' equity of the Group. Goodwill arising during the year has been eliminated through the income statement as a whole. All internal transactions as well as assets and liabilities have been eliminated.

Norventures owns more than 20% of the equity in one of its target companies. However, the company is not considered an associated company, and is instead valued at Norventures' share of shareholders' equity, as venture capital investments constitute the main business of Norventures. No other associated companies belong to the Group.

## **VALUATION PRINCIPLES**

Stocks are reported according to the principle of lower market cost and by applying the fifo-principle. Listed shares, other securities, investment funds and bonds are valued either at the purchase price or at the share price of the closing date, depending on which is lower. Unlisted shares and holdings are entered at the acquisition cost or a lower probable selling price.

Current receivables are valued at the estimated total amount to be received. Financial securities are valued at the acquisition cost or at the market value, if the latter is lower.

Assets and liabilities in foreign currencies are valued at the closing rate on the balance date. All amounts in the notes are given in EUR 1,000, unless otherwise specified.

## **TAXES**

Deferred tax receivables arising from avoir fiscal are entered separately in the balance sheet as long-term receivables. Due to the prudence principle, deferred tax receivables arising from losses have not been entered as receivables. In the subsidiary Neomarkka, deferred tax receivables due to avoir fiscal have not been booked since 2001.

## NOTES TO THE INCOME STATEMENT

### 1. Net turnover

Net turnover turnover mainly comprises sales of securities, dividends received and interest income.

	Group		Parent company	
	2003	2002	2003	2002
Sale of securities	27,396	38,502	13,239	30,656
Dividend income	2,624	3,696	1,657	2,822
Avoir fiscal and tax at source credits	659	1,271	494	1,136
Interest income	1,021	1,379	855	1,200
Other income	356	58	3	58
	32,056	44,906	16,248	35,872

### 2. Personnel and Board expenses

	Group		Parent company	
	2003	2002	2003	2002
Salaries	854	941	542	607
Pension expenses	94	120	51	59
Other supplementary personnel expenses	168	176	123	120
	1,116	1,237	716	786
where of				
Managing Directors	179	161	92	74
Board of Directors	126	122	72	68
	305	283	164	142

The Managing Director has no other pension benefits than the statutory benefits. No bonus was paid to the company's personnel (68). Fees to the Chairman of the Board of Norvestia amounted in the group to 29 (27), of which 18 (17) were in the parent company. Salaries and fees to the Managing Directors of Norvestia plc amounted in the group to 109 (92), and to 102 (83) in the parent company. In Norvestia plc the term of notice for the Managing Director is 1 month and the compensation for notice corresponds to a salary of 8 months.

### 3. Negative goodwill depreciation

The negative goodwill is the difference between the acquisition cost and the share of shareholder's equity of the acquired shares in Neomarkka during the year. The amount 105 (394) has been entirely depreciated in the income statement.

### 4. Financial income and expenses

	Group		Parent company	
	2003	2002	2003	2002
Dividend income from Group companies	-	-	217	201
Share of subsidiaries' profits	-	-	-	-47
Interest income	43	29	40	22
Interest income from Group companies	-	-	-	2
Interest expenses	-15	-11	-15	-11
Exchange rate differences	-153	0	-153	0
	-125	18	89	167

## 5. Group contribution

Norvestia plc has not granted any group contributions this year (last year Norventures was granted 112).

## 6. Income taxes

The tax expenses in the Group amount to 1,703 (111), of which 1,601 (8) belong to Norvestia plc.

## NOTES TO THE BALANCE SHEET

### Fixed assets

The depreciation according to plan of the tangible fixed assets meets the maximum amounts regulated in the tax law and corresponds to 25% of the remaining residual value.

### 7. Tangible assets

	Group		Parent company	
	2003	2002	2003	2002
Acquisition cost 1.1	267	317	170	187
Additions	-	1	-	-
Disposals	-32	-51	-32	-17
Net carrying amount 31.12	235	267	138	170
Opening accumulated depreciation	-184	-190	-124	-123
Depreciation for the year	-25	-39	-16	-18
Accumulated depreciation in disposals	33	45	33	17
Net carrying amount 31.12	-176	-184	-107	-124
Residual value according to plan 31.12	59	83	31	46

### 8. Shares in Group companies

	Business ID	Share capital EUR 1,000	Number of shares	Share of stocks, %	Share of votes, %	Book value EUR 1,000
Norventures Ltd, Helsinki	1604596-7	200	200,000	100.0	100.0	221
Neomarkka plc, Helsinki	0693494-7	24,148	1,955,787	32.5	53.1	17,185
Novalis plc, Helsinki	1642820-4	2,000	-	-	-	-
Alnus Oy, Helsinki	0762281-4	168	-	-	-	-

The A share of Neomarkka is not listed. The share price of the B share was EUR 6.45 on December 31, 2003. At this point Norvestia possessed 139,400 A shares and 1,816,387 B shares. If all shares were valued at the share price of the B share, the calculated value would thus be EUR 12.6 million. If they were valued at Norvestia's share of Neomarkka's net asset value, the calculated value would be EUR 17.1 million.

### 9. Other investments

	Amount of shares	Book value
OKR-Liikkeeseenlaskijat Osuuskunta	3	10

## 10. Securities that constitute stocks

	Group		Parent company	
	31.12.2003	31.12.2002	31.12.2003	31.12.2002
Market value	110,012	99,609	59,879	52,755
Book value	91,046	85,638	44,926	40,503
Unrealized gain	18,966	13,971	14,953	12,252

## Unlisted investments of the Group

	Period	Share of share capital	Book value	Share of adjusted shareholders' equity	Share of earnings
<b>Novalis plc</b>					
Kymen Puhelin Oy	1.1–31.12.2002	0.6%	111	228	22
Lännen Puhelin Oy	1.1–31.12.2002	0.8%	717	817	54
Oulun Puhelin Oyj	1.1–31.12.2002	2.0%	3,081	2,115	104
Satakunnan Puhelin Oy	1.1–31.12.2002	1.8%	920	787	42
Tikka Communications Oy	1.1–31.12.2002	3.3%	822	960	94
Puhelinosuuskunta KPY	1.1–31.12.2002	13.7%	10,667	11,800	168
			16,318	16,707	484
<b>Norventures Ltd</b>					
Polystar Instruments AB	1.5.2002–30.4.2003	12.6%	1,717	832	51
NSD Products Oy	1.1–31.12.2002	27.0%	0	24	-78
			1,717	856	-27
<b>Unlisted investments of the Group in total</b>			<b>18,035</b>	<b>17,563</b>	<b>457</b>

All information is collected from the latest published financial statements. Adjusted shareholders' equity refers to shareholders' equity plus untaxed reserves reduced by calculated tax.

## 11. Deferred tax receivables

	Group		Parent company	
	31.12.2003	31.12.2002	31.12.2003	31.12.2002
Deferred tax receivables, long-term	595	1,625	156	1,186

The deferred tax receivables are a result of avoir fiscal receivables. Unrecorded deferred tax receivables on avoir fiscal since 2001 and the deficit deduction for 1999–2002, netted with unrecorded deferred tax liability, amount in Neomarkka plc to 789 (1,749).

## 12. Current receivables

	Group		Parent company	
	31.12.2003	31.12.2002	31.12.2003	31.12.2002
Accounts receivable	1,621	21	118	15
Accounts receivable from Group companies	-	-	5	6
Loan receivables from Group companies	-	-	1,532	1,532
Accrued income	352	156	88	95
	1,973	177	1,743	1,648

### 13. Changes in shareholders' equity

Group	Share capital	Premium fund	Retained earnings	Profit for the year	Total
Opening balance	17,869	8,691	71,929	-383	98,106
Allocations			-383	383	0
Dividends			-7,148		-7,148
Invalidation of company shares in subsidiary			96		96
Profit for the year				4,362	4,362
	17,869	8,691	64,494	4,362	95,416

Parent company	Share capital	Premium fund	Retained earnings	Profit for the year	Total
Opening balance	17,869	8,691	73,674	20	100,254
Allocations			20	-20	0
Dividends			-7,148		-7,148
Profit of the year			0	3,884	3,884
	17,869	8,691	66,546	3,884	96,990

### 14. Current liabilities

	Group		Parent company	
	31.12.2003	31.12.2002	31.12.2003	31.12.2002
Accounts payable	86	169	19	98
Accounts payable to Group companies	-	19	-	16
Other current liabilities	1,317	1,415	1,172	1,201
Accrued liabilities and deferred income	213	109	167	53
	1,616	1,712	1,358	1,368

### OTHER SUPPLEMENTARY INFORMATION

#### Derivatives

The market value of the derivatives as well as the underlying value are given below. All amounts are gross amounts. The premium for the derivative contracts purchased is booked as stocks, for which the principle of lower market cost is applied.

Stock derivatives	31.12.2003	31.12.2002
Option contracts		
Bought call options		
Underlying value	330	-
Market value	19	-
Derivative contracts in subsidiaries, EUR million	31.12.2003	31.12.2002
Foreign-exchange derivatives		
Nominal value	15.6	10.1
Market value	0.2	0.1

The exchange rate differences are booked as accruals to the extent that the futures protect investments. The nominal value of the currency futures refers to the amount of currency that is subject to the agreed currency trades.

Pledges, EUR million	31.12.2003	31.12.2002
As security for the limit of the cheque account, EUR 3.0 million (EUR 3.0 million), which was unused as at 31.12.2003		
Money market investment	3.0	3.0
Cheque account	0.0	0.1
Other pledges		
Shares at market value	0.4	0.3
Pledges in total	3.4	3.4

# PROPOSAL FOR DISTRIBUTION OF PROFIT

On December 31, 2003 the Group's distributable funds amounted to EUR 68,855,921. The parent company's distributable funds amounted to EUR 70,430,018. The General Meeting has EUR 68,855,921 at its disposal.

The Board of Directors proposes that the distributable profits will be used as follows:

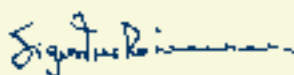
- EUR 1.60/share will be distributed as dividend for 5,105,520 shares	EUR	8,168,832
- the remainder of the profit will be left in retained earnings	EUR	60,687,089
	EUR	68,855,921

If the proposal of the Board is accepted, Norvestia plc will have the following shareholders' equity after the dividend:

- share capital	EUR	17,869,320
- premium fund	EUR	8,690,527
- retained earnings	EUR	60,687,089
	EUR	87,246,936

The payment record date for the dividend is on March 16, 2004. The stipulated dividend will be paid out after the end of the record period, on March 23, 2004.

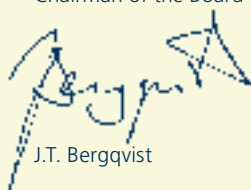
Helsinki, February 11, 2004



Sigurdur Einarsson  
Chairman of the Board



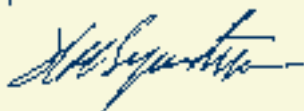
Mika Lehto  
Vice Chairman of the Board



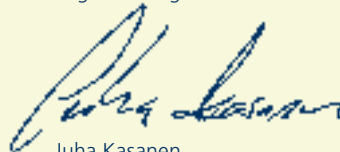
J.T. Bergqvist



Stig-Erik Bergström



Hreidar Már Sigurdsson



Juha Kasanen  
Acting Managing Director



## TO THE SHAREHOLDERS OF NORVESTIA PLC

I have audited the accounting, the financial statements, the consolidated financial statements and the administration of Norvestia Plc for the accounting period 1.1. – 31.12.2003. The financial statements, which include the report of the Board of Directors, the income statements, balance sheets, cash flow statements 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 my audit I express an opinion on these financial statements and on the administration.

I have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require, that the audit is performed to obtain reasonable assurance about whether the financial statements are free of material misstatement. The 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 the audit of the administration is to examine that the members of the Board of Directors and the Managing Directors have legally complied with the rules of the Companies Act.

In my opinion, the financial statements for the financial period, showing a profit for the parent company amounting to EUR 3,884,312.85, 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 can be adopted and the members of the Board of Directors and the Managing Directors can be discharged from liability for the period examined by me. The proposal by the Board of Directors regarding the handling of the result is in compliance with the Companies Act.

Helsinki, February 12, 2004



Carl Gustaf af Hällström  
Authorized Public Accountant

# CORPORATE GOVERNANCE



Hallituksen jäsenet  
Sigurdur Einarsson



Mika Lehto



J.T. Bergqvist



Stig-Erik Bergström



Hreidar Mar Sigurdsson

## ELECTION OF BOARD MEMBERS

According to Norvestia's Articles of Association the Board of Directors comprises 3 to 8 regular members and at most 4 vice members. The Board of Directors comprises five regular members at the moment. The General Meeting of the Shareholders elects Board Members every year for a term lasting up to the following General Meeting. The Meeting also appoints a chairman and a vice chairman from among the 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 complies with laws and other regulations. The Board supervises the book-keeping and also makes proper arrangements for the asset management.

## BOARD OF DIRECTORS' WORK PROCEDURES

Each year, generally at the meeting usually held after the Shareholders' 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 convenes at a minimum four times a year, usually between five and eight times a year. In 2003, the Board met ten times with a participation activity of 96%.

## 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. In 2003, the Auditing Committee met two times.

## INTERNAL CONTROL

The Managing Director is responsible for seeing that the company and its subsidiaries have effective internal control. The parent company examines its own book-keeping and reporting and the Financial Statements, market values and portfolio reports of the subsidiaries. The basic idea behind this internal control is that another party always checks the work. The parent company reports for the whole Norvestia Group to Kaupthing Bank.

## INSIDER REGULATION

As a publicly listed company the company complies with the guidelines for insiders issued by the Helsinki Exchanges. The company's Board of Directors as well as the personnel are included in the insider register. Also, those persons in the Group who regularly receive insider information are registered as insiders.

More information about the company and its administration on our homepages at [www.norvestia.fi](http://www.norvestia.fi).

### **CHAIRMAN OF THE BOARD**

Master of Science (Economics) Sigurdur Einarsson, Iceland  
Year of Birth 1960

Executive Chairman in Kaupthing Bunadarbanki hf.

Primary working experience: Leading positions in Kaupthing Investment Bank, Kaupthing hf., Islandsbanki hf., Den Danske Bank and Assistant Professor at University of Iceland

Chairman of the Board in Kaupthing Bunadarbanki hf., Arion Custody Services, Fjárfestingarfélagið Skeljar ehf., Kirna hf., Kaupthing Bank A/S, Kaupthing Bank Luxembourg S.A., Kaupthing Föroyar Virðisbrevamæklarafelag, Kaupthing New York and Neomarkka plc

Member of the Board in Kaupthing Bank Sweden and Kaupthing Sofi plc

Board Membership in Norvestia began: 20.10.2003

Shareholdings in Kaupthing Bunadarbanki: 988,005 shares including shares owned by financially related parties

Shareholdings in Norvestia: -

### **VICE CHAIRMAN OF THE BOARD**

MBA Mika Lehto, Helsinki

Year of Birth 1966

Executive Chairman of the Board in Kaupthing Sofi plc

Primary working experience: Co-founder and Managing Director in Sofi Oy

Chairman of the Board in: Kaupthing Sofi plc and Norventures Oy

Member of the Board in Alnus Oy, Huurre Group Oy, Neomarkka plc and Novalis plc

Board Membership in Norvestia began: 20.10.2003

Shareholdings in Kaupthing Bunadarbanki: 1,422,377 shares

Shareholdings in Norvestia plc: -

### **OTHER MEMBERS OF THE BOARD**

Doctor of Science (Technology) J.T. Bergqvist, Helsinki

Year of Birth 1957

Executive Vice President, Nokia Networks

Primary working experience: Various marketing and business manager positions in Nokia Networks since 1988. Member of the Nokia Executive Board since 2002. Taught at the Helsinki University of Technology and served as Associate Professor at Helsinki School of Economics in computer science.

Board Membership in Norvestia began: 20.10.2003

Shareholdings in Kaupthing Bunadarbanki: 95,393 shares

Shareholdings in Norvestia plc: -

Doctor of Science (Economics) Stig-Erik Bergström, Espoo

Year of Birth 1941

Primary working experience: Deputy Managing Director of Stockmann plc, Managing Director for Midland Montagu Aktiebank and Deputy Managing Director for Rauma Repola Oy.

Chairman of the Board in Citycon Oyj

Vice Chairman of the Board in Svenska Handelsbanken, region bank of Finland

Member of the Board in Neomarkka plc, Swedish School of Economics and Business Administration, Foundation of Swedish School of Economics and Business Administration and in The Finnish Association of Professional Board Members

Board Membership in Norvestia began: 27.3.2001

Shareholdings in Kaupthing Bunadarbanki: -

Shareholdings in Norvestia: 2,000 B shares

Master of Science (Economics) Hreidar Már Sigurdsson, Iceland

Year of Birth 1970

CEO of Kaupthing Bunadarbanki

Primary working experience: Dep. CEO, Kaupthing Bank hf. and Managing Director, Kaupthing New York

Chairman of the Board in GIR Fund Management

Member of the Board in Arion Custody Service, Fjárfestingarfélagið Skeljar ehf., Fjárfestingarfélagið Vogar, Kaupthing Advisory Company, Kaupthing New York, Kaupthing Securities, Kirna, Ráðgjöf Kaupþings, Sparisjóður Kaupþings hf., Uppspretta Icelandic Capital Venture and Neomarkka plc

Board Membership in Norvestia began: 20.10.2003

Shareholdings in Kaupthing Bunadarbanki: 581,523 shares including shares owned by financially related parties

Shareholdings in Norvestia: -

### **ACTING MANAGING DIRECTOR**

Master of Science (Technology), Licentiate of Science (Economics)

Juha Kasanen, Espoo

Year of Birth 1957

Primary working experience: Norvestia plc 2000–2003: Investment Manager; Bank of Finland and Financial Supervision 1991–2000: Supervision, development and research of capital markets; 1989–1991: Stock Broker and Analyst

Managing Director and Member of the Board in Norventures Ltd

Date of inception in Norvestia plc 1.2.2000

Acting Managing Director since 20.10.2003

Shareholdings in Kaupthing Bunadarbanki: -

Shareholdings in Norvestia: -

### **AUDITOR**

Master of Science (Economics), Authorized Public Accountant  
Carl Gustaf af Hällström

Ernst & Young Ltd, deputy auditor

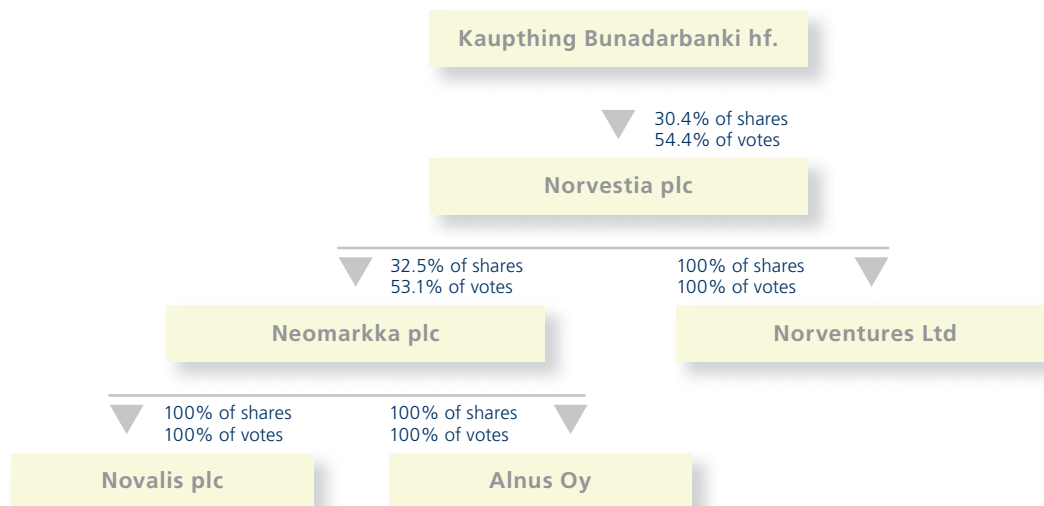
### **AUDITING COMMITTEE**

Stig-Erik Bergström

Mika Lehto



# STRUCTURE OF THE GROUP



## KAUPTHING BANK

Kaupthing Bank is a listed Nordic Bank. The Group's strategic ambition is to become a leading Nordic investment bank. The Bank offers services in Brokerage, Asset Management and Corporate Finance in addition to traditional banking services.

Kaupthing Bank operates in Reykjavik, Torshavn, Stockholm, Helsinki, Copenhagen, Oslo, Luxembourg, Geneva, London and New York. The Bank is listed on the Iceland Stock Exchange and on the Stockholm Stock Exchange and employs 1,300 people in ten different countries. The Norvestia Group became a part of the Kaupthing Bank in the last quarter of the year 2003. The Group owns in addition to the ownership in Norvestia also Kaupthing Sofi plc in Finland.

## NORVESTIA PLC'S PERSONNEL



**Juha Kasanen**  
Acting Managing Director

**Minna Andberg**  
Investor relations & Finance

**Jonna Berg**  
Financial Manager

**Joanna Gädda**  
Assistant

Norvestia plc's personnel from the left:  
Jonna Berg, Minna Andberg, Juha Kasanen and Joanna Gädda.

# KEY TERMS

## NET ASSET VALUE

Net asset value is of central importance to an investment company such as Norvestia. A 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 taking into account unrealized profits and losses. The company's profit and loss statement merely shows unrealized losses but not unrealized profits.

In the net asset value report, publicly listed securities, investment funds and derivatives are valued at their closing rate for the time-period. If no such rate exists, their buying rate is used instead. Unlisted shares and holdings are at 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. The size of the holding was 32.5% on December 31, 2003. Both Norvestia and Neomarkka calculate and publish their net asset values each month.

Discounts in net asset value, often expressed as percentages, are the difference between net asset value per share and the price of the B share.

## TAXATION

The monthly published net asset value is calculated both before and after deferred tax liability. Net asset value before deferred tax liability is calculated after 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 gains, i.e. the value figure that is the difference between the exceeding market value of the company's portfolio to its book value. The computational tax liability for 2003 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 on appreciation. As an investment company, Norvestia takes the impacts of taxation fully into account in its reports on net asset value.

There are also differences between investment companies and investment funds regarding the taxation of dividends distributed. Simplified, this means that the tax on dividends has been paid by investment companies prior to dividend distribution, while the receiver of dividends from an investment fund pays the tax after distribution.

## VOLATILITY

Volatility measures statistically the extent of daily fluctuations in the value of a placement or portfolio and thus indicates the risk level associated with it. Generally it can be stated that the higher the volatility, or the larger the fluctuations, the higher the risk and vice versa.

The average volatility of the HEX portfolio yield index was 15% in 2003. Norvestia's volatility in dividend-adjusted net asset value was 3% on the other hand. 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.



# BASIS FOR CALCULATION OF KEY TERMS

$$\text{Return on equity} = \frac{\text{Profit before extraordinary items and taxes} - \text{taxes}}{\text{Shareholders' equity} + \text{minority interest (average of the year)}}$$

$$\text{Return on investment} = \frac{\text{Profit before extraordinary items and taxes} + \text{interest expenses and other financial expenses}}{\text{Balance sheet total} - \text{interest-free debt (average of the year)}}$$

$$\text{Equity ratio} = \frac{\text{Shareholders' equity} + \text{minority interest}}{\text{Balance sheet in total} - \text{advances received}}$$

$$\text{Earnings per share} = \frac{\text{Profit before extraordinary items and taxes} -/+ \text{minority's share} - \text{taxes}}{\text{Average number of shares}}$$

$$\text{Earnings per share after dilution} = \frac{\text{Profit before extraordinary items and taxes} -/+ \text{minority's share} - \text{taxes}}{\text{Average number of shares} + \text{possible share options and loans that can be transformed into shares}}$$

$$\text{Shareholders' equity per share} = \frac{\text{Shareholders' equity} + \text{minority interest}}{\text{Number of shares on the balance sheet date}}$$

$$\text{Effective dividend yield} = \frac{\text{Dividend/share}}{\text{Closing price on the balance sheet date}}$$

$$\text{P/E ratio} = \frac{\text{Closing price on the balance sheet date}}{\text{Earnings/share}}$$

$$\text{Discount in net asset value} = \frac{\text{Net asset value} - \text{closing price on the balance sheet date}}{\text{Net asset value}}$$

$$\text{Market capitalization} = \text{Number of shares} * \text{closing price on the balance sheet date}$$

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