



*2004*

NORVESTIA ANNUAL REPORT



**NORVESTIA**  
NORVESTIA PLC

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## **ANNUAL GENERAL MEETING**

The Annual General Meeting will be held on Thursday March 10, 2005 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 7, 2005 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 2004 will be paid out on March 22, 2005 for shares that are registered in the company's register of shareholders maintained by the Finnish Central Securities Depository Ltd on March 15, 2005.

## **INTERIM REPORTS ARE PUBLISHED:**

- April 20, 2005
- August 9, 2005
- October 19, 2005

and preliminary figures for the Interim Report January – June on July 27, 2005.

## **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 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 share is quoted on the Helsinki Stock Exchange. The Norvestia Group mainly invests in Nordic shares, share funds, hedge funds, in the money market and in other securities. The subsidiary Neomarkka additionally has holdings 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 is part of the Kaupthing Bank Group, is parent company to Norventures Ltd and to the listed investment company Neomarkka plc.

## YEAR 2004

- Net asset value per share after deferred tax liability was EUR 9.60 at year-end (EUR 10.51 in 2003, adjusted with the coefficient of the bonus issue)
- Net asset value per share (dividend-adjusted) grew 10.8% during the year under review (6.6%).
- The Board of Directors proposes that EUR 0.30 per share be distributed as dividend (EUR 2.05 in 2004, adjusted with the coefficient of the bonus issue).
- Juha Kasanen was appointed Managing Director for Norvestia plc.
- An Extraordinary General Meeting in December 2004 decided on an extra dividend, an increase of the share capital through a bonus issue, and an authorization of the Board to decide on a rights issue.
- The rights issue was arranged in January 2005. Two subscription rights entitled to subscribe to one new share at a price of EUR 5.00.

### KEY FIGURES FOR THE GROUP YEAR 2004

Increase in NAV, dividend-adjusted:	MEUR 11.6
Net earnings:	MEUR 6.6
Net turnover:	MEUR 72.4
Shareholders' equity:	MEUR 81.0
Equity ratio:	73.6%

### KEY FIGURES PER SHARE YEAR 2004

Increase in NAV, dividend-adjusted:	EUR	1.14
Net earnings:	EUR	0.64
NAV per share:	EUR	9.60
Shareholders' equity:	EUR	7.94

## REVIEW BY THE MANAGING DIRECTOR



*In 2004, Norvestia increased its direct share investments and the company was a net buyer of shares for the second consecutive year.*

2004 was a good year for Norvestia. The company's dividend-adjusted net asset value increased by 10.8% during the year and this was achieved with low risk, or volatility. The volatility of Norvestia's monthly return in 2004 was about 4%, which was less than half that of the HEX portfolio yield index.

Norvestia's aim is to guarantee its shareholders good long-term returns at limited risk and to pay a competitive annual dividend, and indeed, the company has largely succeeded in this regard. The graph on the following page shows the returns on the HEX portfolio yield index, the EFFAS bond index, and Norvestia's shares and returns on net asset value from the year 2000. The time period includes years in which the stock market fluctuated somewhat, however, Norvestia's net asset value has returned fairly well throughout. The return on the HEX portfolio yield index, on the other hand, has been rather volatile and its total return for the period, relatively weak.

In many respects 2004 was a special year for Norvestia's shareholders. In 2004, the company paid out record-high dividends. The dividend yield was more than 27%. In addition, the company offered a bonus issue and decided to launch a rights issue in accordance with shareholders' pre-emptive subscription rights. These measures were intended to serve Norvestia's shareholder's interests in the best possible way, and to enable the company to put its future operations on a sound footing. The rights issue, which was arranged in January 2005, was a success and benefited all shareholders, regardless of whether they participated in the rights issue or sold their subscription rights on the stock market.

Most of Norvestia's shareholders made use of their subscription rights, enabling each of them to purchase one new share for each

two existing shares at a price of EUR 5. The share issue was oversubscribed, which meant that shareholders in the secondary subscription were only able to purchase a very small proportion of the shares they had planned to buy. The issue was a great success and I would again like to thank Norvestia's shareholders for the confidence they have shown in the company and its management.

### THE STOCK MARKET IN 2004

In overall terms, 2004 was a good year for the Helsinki Stock Exchange, even though the share price of Nokia, the most important company quoted on the exchange, continued its downward trend. The return on the HEX portfolio yield index was 21.4% during the year, and more than two-thirds of the shares listed on the index increased in value. The rise in share prices accelerated towards the end of the year. Dividends accounted for a large proportion of the high index yield, as listed companies prepared for changes in Finnish tax legislation by paying a total of EUR 6.3 billion in dividends to their shareholders. This was almost 30% more than in 2003, and a new record. From 2005, most dividends paid out by listed companies to their shareholders will bear taxable income. It will be interesting to see how dividend-paying practices will change in Finland in the coming years. Listed companies may, for example, increasingly opt for purchases of their own shares instead of direct payments of dividends.

In 2004, Norvestia increased its direct share investments and the company was a net buyer of shares for the second consecutive year. Norvestia was successful in share picking, which can be seen as a positive development in its net asset value.

### NORVESTIA'S SHAREHOLDERS AND TRADING

Most of Norvestia's more than 5000 shareholders have been owners for many years, several of them since the establishment of the company. This largely explains the low turnover of Norvestia's shares on the Helsinki Stock Exchange.

Nevertheless, the liquidity of Norvestia's shares improved significantly in 2004, to the advantage of all its shareholders. The number of Norvestia's shares tripled as a result of the bonus and rights issue, and it is hoped that this will maintain the liquidity in the company's shares also in the future.

### LOW INTEREST RATES

The interest rates in the euro zone remain unusually low. In the United States interest rates are still at historically low levels even though there has been some rise since the lows of 2003. Theoretically speaking, low interest rates should be a good thing for the stock market. However, in the present climate, the persistently low interest rates give cause for concern and may indicate gloomy economic prospects, particularly in the euro zone. The absence of inflationary pressures has allowed interest rates to be used as an economic stimulus, but as many of the problems in western countries are not solely a question of monetary policy, the results have been negligible.

One consequence of low interest rates has been the rapid rise in the stock of housing loans in many countries. For example, in Finland the total has almost doubled since the year 2000 and the annual increase is still about 15%. A similar increase has been recorded in housing prices. The upward trend on the housing loan market will come to an end at some point and it is difficult to predict how this will affect the housing market. However, banks granting housing loans are benefiting from the boom as the system of collateral makes them largely immune to credit losses even if there were a substantial drop in housing prices.

### FUTURE PROSPECTS

Shares are valued at a fairly high level at the moment. Many companies saw increases in share prices last year and these already include strong growth expectations. In relative terms, share prices on the Helsinki Stock Exchange are in many cases clearly higher now than two years ago. High liquidity and a shortage of alternative investment opportunities may, however, continue to boost share prices.

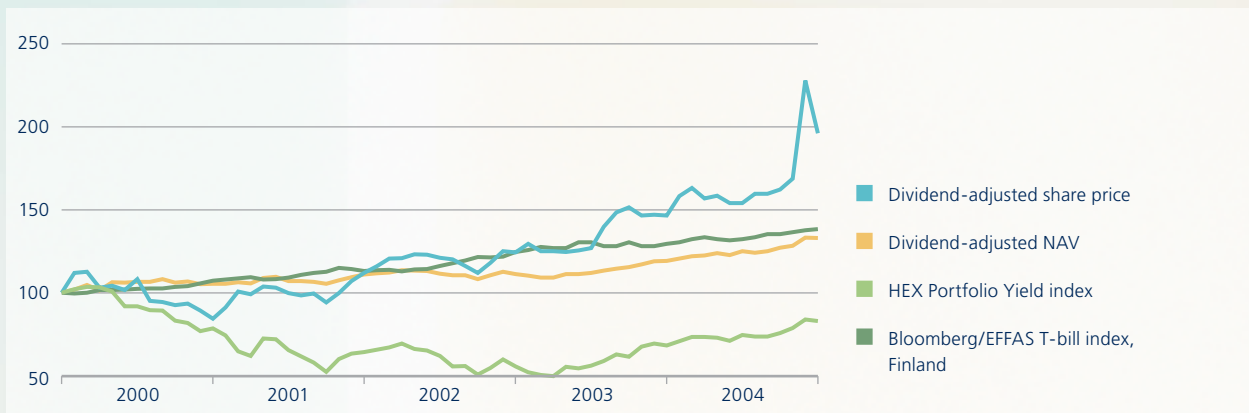
Few shares traded on the Helsinki Stock Exchange remain priced below shareholder's equity. This is in sharp contrast to the situation two years ago when there were still several such companies. In fact, the shares of many companies are now traded close to their highest ever P/B value, the ratio of a company's market price to its equity. This is only one way of measuring the valuation of a share but it nevertheless gives a fairly clear picture of its long-term valuation.

Since the spring of 2003, Norvestia's emphasis has increasingly been on direct share investments and the company is likely to continue on the same path in 2005, whenever analytically justified. Increasing equity risk is not an end in itself but hopefully yield even higher net asset value returns in the future.

Norvestia's investment activities have been relatively successful over the past years. Nevertheless, past returns are no guarantee of future returns. Norvestia's shareholders may, however, rest assured that we will do our utmost to achieve optimum risk-adjusted long-term returns also in the future.

Juha Kasanen  
Managing Director

### PERFORMANCE OF NET ASSET VALUE AND SHARE PRICE



# SHARE CAPITAL AND OWNERSHIP STRUCTURE

The share capital of Norvestia plc amounted to EUR 35,738,640 on December 31, 2004. The share capital was divided in 600,000 A shares with 10 votes, and 9,611,040 B-shares with 1 vote, in all 10,211,040 shares (5,105,520) with the nominal value of 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 62.8 million (72.1) on December 31, 2004. The ten biggest shareholders possessed 45.85% of the shares (49.90%) and 64.59% of the total number of votes (67.23%). 6,000 B-shares (4,000\*) were in the possession of the members of the Board and the Managing Director. The Board and the Management of Norvestia possess 4,630,461 shares in total of the parent company Kaupthing Bunadarbanki hf. (3,087,298).

The average shareholding in Norvestia plc for private individuals was 908 shares (860\*). The corresponding amount for associations was 23,871 shares (27,368\*). The number of nominee registered shares amounted to 5.65% of the total number of shares (5.69%) and 3.70% of the votes (3.72%). The amount of shareholders amounted on December 31, 2004 to 5,353 (4,980).

\*Adjusted by the coefficient of the bonus issue (2)

## 10 PRINCIPAL SHAREHOLDERS ON DECEMBER 31, 2004

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.	600,000	100.00%	2,499,234	26.00%	3,099,234	30.35%	54.44%
Sampo Life Insurance Company Ltd			1,044,992	10.87%	1,044,992	10.23%	6.69%
Kaleva Mutual Insurance Company			128,800	1.34%	128,800	1.26%	0.83%
Laakkonen Reino			109,000	1.13%	109,000	1.07%	0.70%
Immonen Jukka			75,700	0.79%	75,700	0.74%	0.48%
Pasanen Matti			47,800	0.50%	47,800	0.47%	0.31%
Oyj Leo Longlife Plc			46,400	0.48%	46,400	0.45%	0.30%
Haapanen Ritva			44,266	0.46%	44,266	0.43%	0.28%
Köresaar Kiinteistöt Oy			43,500	0.45%	43,500	0.43%	0.28%
Oy Finnbulk Ab			43,364	0.45%	43,364	0.42%	0.28%
	600,000	100.00%	4,083,056	42.47%	4,683,056	45.85%	64.59%
Nominee registered			576,966	6.00%	576,966	5.65%	3.70%

## SHARES AND VOTING RIGHTS

Share series	Votes/share	No of shares	No of votes	Share capital, EUR
Series A	10	600,000	6,000,000	2,100,000
Series B	1	9,611,040	9,611,040	33,638,640
In total		10,211,040	15,611,040	35,738,640

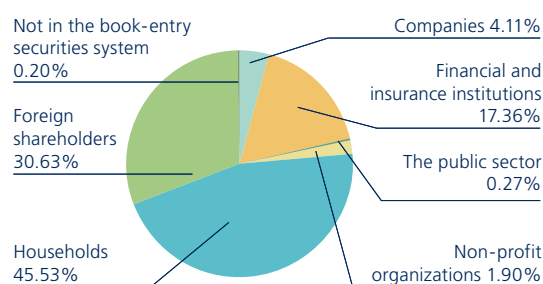
## HOLDINGS BY NUMBER OF SHARES AND OWNERS

No of shares	Shares	Owners
1-100	0.60%	20.24%
101-1 000	13.40%	61.54%
1,001-5,000	17.48%	15.09%
5,001-10,000	6.57%	1.74%
10,001-	61.75%	1.39%
Not in the book-entry securities system	0.20%	-
	100.00%	100.00%

## SHAREHOLDERS BY GROUP

Of share capital	
Companies	4.11%
Financial and insurance institutions	17.36%
The public sector	0.27%
Non-profit organizations	1.90%
Households	45.53%
Foreign shareholders	30.63%
Not in the book-entry securities system	0.20%
	100.00%
of which nominee registered	5.65%

## SHAREHOLDERS BY GROUP





# NORVESTIA'S B SHARE

	2004	2003	2002	2001	2000
<b>Share capital and number of shares</b>					
Share capital, MEUR	35.7	17.9	17.9	17.9	17.9
Nominal value of shares, EUR	3.50	3.50	3.50	3.50	3.50
Number of shares, issue-adjusted					
At the end of the year*	10,211,040	10,211,040	10,211,040	10,211,040	10,211,040
Average of the year*	10,211,040	10,211,040	10,211,040	10,211,040	10,211,040
<b>Share price, EUR</b>					
At the end of the year*	6.53	7.50	7.10	6.85	5.85
The calculated value for the subscription right	0.77	-	-	-	-
Year high*	9.85 ****	8.25	8.10	7.57	9.00
Year low*	5.93 ****	6.25	6.25	5.60	5.78
Year average*	7.88	7.21	7.27	6.83	7.23
Market capitalization at the end of the year, MEUR**	66.7	76.6	72.5	69.9	59.7
Market capitalization, including subscription rights, at the end of the year, MEUR**	74.5	76.6	72.5	69.9	59.7
<b>Trading volume</b>					
Shares traded*	4,753,010	1,875,642	958,224	862,576	1,245,676
Shares traded/total amount of shares	46.5%	18.4%	9.4%	8.4%	12.2%
Shares traded/total amount of B shares	49.5%	19.5%	10.0%	9.0%	13.0%
Turnover on the Stock Exchange, MEUR	40.1	13.5	7.0	5.9	9.0
P/E ratio	10.2	17.6	neg	9.9	4.1
Dividend yield	4.6% ***	27.3%	9.9%	10.2%	12.0%
Number of shareholders at the end of the year	5,353	4,980	5,021	4,967	5,034

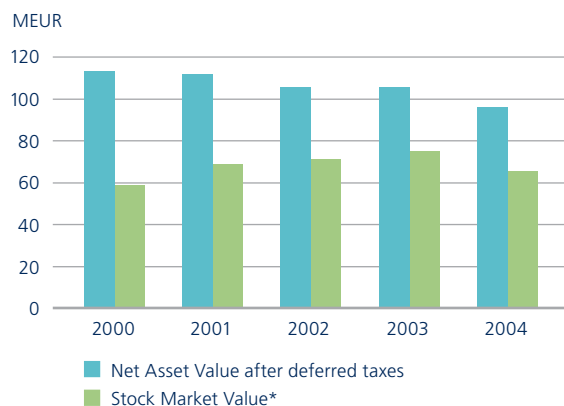
\*) Adjusted with the coefficient of the bonus issue (2)

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

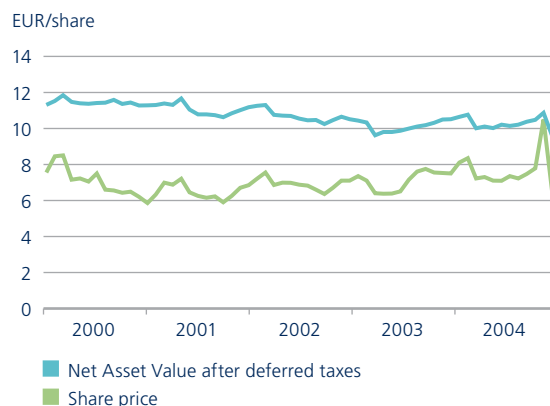
\*\*\*\*) The proposal of the Board of Directors

\*\*\*\*\*) Adjusted with the calculated value for the subscription right

## GROUP 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.

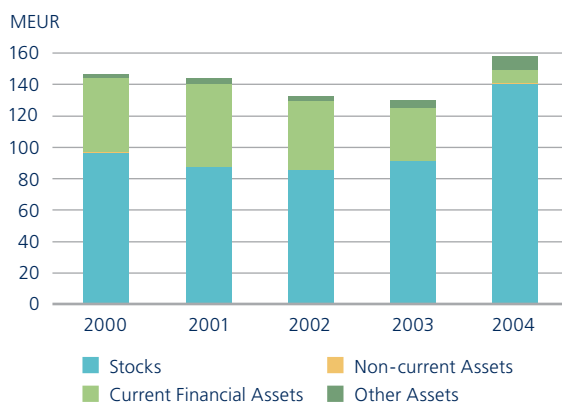
# KEY FINANCIAL FIGURES

	2004	2003	2002	2001	2000
<b>Result figures of the Group</b>					
Turnover, MEUR	72.4	32.1	44.9	74.0	70.6
Operating profit, MEUR	10.8	7.2	-1.7	8.6	18.9
% of turnover	14.9%	22.4%	-3.8%	11.6%	26.8%
Profit before provisions and taxes, MEUR	10.8	7.1	-1.7	8.6	19.1
% of turnover	14.9%	22.1%	-3.8%	11.6%	27.1%
Return on equity, %	7.5%	4.2%	-1.3%	3.8%	9.3%
Return on investment, %	7.6%	5.5%	-1.2%	6.1%	13.6%
<b>Balance figures of the Group</b>					
Equity ratio, %	73.6%	98.8%	98.7%	98.2%	97.9%
Gross expenditure on non-current assets, MEUR	0.0	0.0	0.0	0.0	0.0
Dividend, MEUR	4.6 **	20.9	7.1	7.1	7.1
<b>Key figures per share</b>					
Earnings/share, EUR*	0.64	0.43	-0.04	0.69	1.41
Shareholders' equity/share, EUR*	7.94	9.35	9.61	10.35	10.36
Net asset value/share before deferred tax, EUR*	10.30	10.94	10.87	11.51	11.65
Net asset value/share after deferred tax, EUR*	9.60	10.51	10.52	11.18	11.28
Discount on net asset value, %	24.0%	28.6%	32.5%	38.7%	48.1%
Dividend/share, EUR*	0.30 **	2.05	0.70	0.70	0.70
Dividend/Earnings, %	46.9%	479.9%	n/a	101.2%	49.7%
<b>Personnel</b>					
Number of employees in the Group in average	7	10	13	15	18

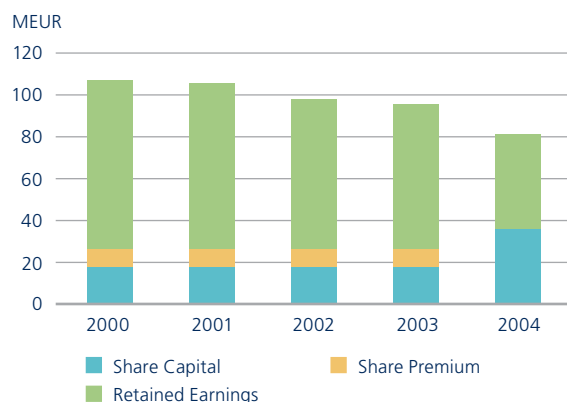
\*) Adjusted with the coefficient of the bonus issue (2)

\*\*) Proposal of the Board of Directors

## GROUP ASSETS



## GROUP SHAREHOLDERS' EQUITY





# NET ASSET VALUE OF NORVESTIA GROUP

Net asset value, EUR million	31.12.2004	31.12.2003	31.12.2002	31.12.2001	31.12.2000
<b>Assets</b>					
Non-current assets	0.0	0.1	0.1	0.1	0.2
Current assets					
Stocks	167.5	110.0	99.6	99.5	109.6
Financial assets	17.3	38.7	46.7	56.2	50.0
Cumulative assets	184.8	148.8	146.4	155.8	159.8
Current liabilities	-41.5	-1.6	-1.7	-2.2	-3.0
Gross net asset value	143.3	147.2	144.7	153.6	156.8
Minority Interest	-38.2	-35.5	-33.8	-36.1	-37.8
Net asset value before deferred tax liability	105.1	111.7	110.9	117.5	119.0
Deferred tax liability	-7.1	-4.4	-3.5	-3.3	-3.8
Net asset value after deferred tax liability	98.0	107.3	107.4	114.2	115.2

Net asset value/share, EUR*	31.12.2004	31.12.2003	31.12.2002	31.12.2001	31.12.2000
Before deferred tax liability	10.30	10.94	10.86	11.51	11.65
After deferred tax liability	9.60	10.51	10.52	11.18	11.28

Dividend-adjusted increase in NAV	2004	2003	2002	2001	2000
Change, EUR million	11.6	7.0	0.3	6.1	6.1
Change per share, EUR*	1.14	0.69	0.04	0.60	0.60

\* Adjusted with the coefficient of the bonus issue (2)

## PRINCIPLES FOR CALCULATION

Publicly listed shares, investment funds and derivatives have been valued to closing price. In case a closing price has been unavailable, the purchase quotation has been used. Unlisted shares have been valued to the acquisition price or the probable selling price when the latter is lower than the acquisition price. The deferred tax liability constitute 26% of appreciation, which is the difference between the market value and the book value.

Since December 31, 2001 to October 31, 2004 deferred tax receivables have not been booked in Neomarkka. Simultaneously deferred tax liabilities have been deducted from unbooked tax receivables.

# INVESTMENTS DECEMBER 31, 2004

	Number of shares/units	Book value, EUR 1,000	Market value, EUR 1,000	Share of market value
<b>NORVESTIA PLC</b>				
<b>LISTED COMPANIES</b>				
Comptel Corporation	73,975	138	138	0.1%
Elisa Corporation A share	93,487	667	1,109	0.7%
Finnair Oyj	84,600	397	470	0.3%
Fortum Corporation	213,200	1,604	2,904	1.7%
Huhtamäki Oyj	193,100	2,013	2,292	1.4%
KCI Konecranes plc	15,400	453	501	0.3%
Kesko Oyj B share	143,800	2,454	2,581	1.5%
Lännen Tehtaat plc	99,300	1,115	1,221	0.7%
Metso Corporation	34,000	349	396	0.2%
M-Real Corporation B share	45,000	212	212	0.1%
Nokia Corporation	166,750	1,938	1,938	1.2%
Okmetic Oyj	29,200	45	71	0.0%
OKO Osuuspankkien Keskuspankki Oyj A share	291,600	2,847	3,038	1.8%
Orion Corporation A share	18,600	175	224	0.1%
Orion Corporation B share	144,400	1,604	1,720	1.0%
Outokumpu Oyj A share	180,000	1,949	2,367	1.4%
Perlos Corporation	149,900	1,382	1,764	1.1%
Pohjola Group Plc	171,560	1,457	1,457	0.9%
Raisio Group plc V share	1,334,900	2,240	2,536	1.5%
Rautaruukki Corporation K share	278,500	1,551	2,434	1.5%
Sampo plc	190,700	1,601	1,938	1.2%
Scanfil Oyj	25,800	74	118	0.1%
Stora Enso Oyj R share	248,000	2,636	2,795	1.7%
Tecnomen Corporation	137,500	59	183	0.1%
Tietoenator Oyj	11,000	257	257	0.2%
UPM-Kymmene Corporation	174,000	2,669	2,847	1.7%
Wärtsilä Corporation B share	182,400	2,154	2,860	1.7%
YIT Corporation	56,650	881	1,040	0.6%
3Com CP Nnm	65,000	199	199	0.1%
AT&T Corporation	6,500	91	91	0.1%
Bayer AG	3,500	77	87	0.1%
Compuware Corp Nnm	72,000	300	339	0.2%
Nasdaq 100 UTS	29,100	853	853	0.5%
Nordea AB FDR	481,000	2,666	3,593	2.1%
Röttneros AB	230,000	185	193	0.1%
Skandia Försäkrings AB	120,000	404	440	0.3%
Strålfors B share	39,000	183	257	0.2%
Sun Microsystems Inc	100,000	307	396	0.2%
TDC A/S	7,500	231	234	0.1%
TeliaSonera AB	464,588	1,588	2,035	1.2%
Valeo SA	5,200	144	160	0.1%
Winn-Dixie Stores Inc	13,500	45	45	0.0%
		<b>42,194</b>	<b>50,333</b>	<b>30.1%</b>
<b>PRIVATE EQUITY FUND</b>				
Sponsor Fund I Ky		1,062	1,062	0.6%
		<b>1,062</b>	<b>1,062</b>	<b>0.6%</b>
<b>FUNDS</b>				
Pohjola Euro Value B	17,294	1,311	1,311	0.8%
Pohjola Finland Value B	24,913	1,582	2,699	1.6%
Ramsay & Tuutti Avenir B	2,424	2,523	3,212	1.9%
Brummer & Partners Nektar	27,493	4,570	5,622	3.4%
Brummer & Partners Zenit	2,674	3,337	11,076	6.6%
Didner & Gerge Aktiefond	33,277	2,104	2,615	1.6%
Futuris	18,818	2,733	4,397	2.6%
RAM One	35,432	3,707	3,707	2.2%
		<b>21,867</b>	<b>34,639</b>	<b>20.7%</b>
<b>DERIVATIVES</b>				
Nokia call option	Option contracts 3,000	45	45	0.0%
<b>NORVESTIA PLC IN TOTAL</b>		<b>65,168</b>	<b>86,079</b>	<b>51.4%</b>
<b>NORVENTURES LTD</b>				
<b>UNLISTED COMPANIES</b>				
Polystar Instruments AB	266	1,717	1,717	1.0%
<b>NORVENTURES LTD IN TOTAL</b>		<b>1,717</b>	<b>1,717</b>	<b>1.0%</b>

	Number of shares/units	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>				
Aspocomp Group Plc	28,000	94	136	0.1%
Atria Group plc A share	24,000	211	271	0.2%
Elisa Oyj	23,400	209	278	0.2%
Finnair Oyj	50,000	226	278	0.2%
Finnlines Plc	16,000	184	205	0.1%
Fiskars Corporation A share	21,000	135	166	0.1%
Fortum Corporation	40,000	330	545	0.3%
HK Ruokatalo Oyj A share	40,000	172	294	0.2%
Honkarakenne Oyj	10,000	55	55	0.0%
Huhtamäki Oyj	25,000	193	297	0.2%
Kemira Oyj	25,000	165	254	0.1%
Kemira Growhow Oyj	10,050	53	57	0.0%
Kesko Corporation B share	6,000	68	108	0.1%
Metso Corporation	12,000	140	140	0.1%
M-Real Corporation B share	75,165	353	353	0.2%
Okmetic Oyj	65,100	145	159	0.1%
OKO Osuuspankkien Keskuspankki Oyj A share	23,000	184	240	0.1%
Olvi plc A share	8,000	45	105	0.1%
Outokumpu Oyj A share	30,000	314	394	0.2%
Pohjola Group Plc	15,000	67	127	0.1%
Raisio Group plc V share	279,800	326	532	0.3%
Rautaruukki Corporation K share	25,000	116	218	0.1%
Stora Enso Oyj R share	38,000	400	428	0.3%
Tecnomen Corporation	67,500	29	90	0.1%
UPM-Kymmene Corporation	30,000	366	491	0.3%
3Com CP Nnm	48,500	148	148	0.1%
AT&T Corporation	3,200	45	45	0.0%
Bayer AG	3,700	81	92	0.1%
BE Semiconductor Industry	27,532	109	111	0.1%
Compuware Corp Nnm	52,500	218	247	0.1%
Nordea AB FDR	75,000	347	560	0.3%
Rottneros AB	170,000	136	142	0.1%
Strålfors AB B share	19,700	92	130	0.1%
Sun Microsystems Inc	75,000	231	297	0.2%
TDC A/S	6,000	178	187	0.1%
Teliasonera AB	145,000	496	635	0.4%
Valeo SA	3,850	106	119	0.1%
Winn-Dixie Stores Inc	6,800	23	23	0.0%
		<b>6,790</b>	<b>8,957</b>	<b>5.5%</b>
<b>FUNDS</b>				
Ashmore Emerging Markets	801,752	4,232	4,399	2.6%
Brummer & Partners Nektar Bermuda	3,889	4,230	4,356	2.6%
Clinton Multistrategy Opportunity	2,978	3,232	3,232	1.9%
ER Global Markets XL Euro D	1,466	1,466	1,590	0.9%
Fourton Odysseus A	18,430	2,000	2,184	1.3%
Futuris	18,837	3,603	4,401	2.6%
GLG Market Neutral Fund D	18,336	3,500	4,433	2.6%
Greylock Global Opportunity	10,255	2,677	2,677	1.6%
Halcyon Offshore E-D Strategies CL	3,515	3,314	3,314	2.0%
Latitude Bermuda	2,000	2,000	2,000	1.2%
Lunden Eikos	229	3,931	4,536	2.7%
Lynx Bermuda	3,222	3,200	3,496	2.1%
Morley Alternative Investments Strategy	165,198	3,000	3,000	1.8%
Tanglin	31,917	4,191	5,080	3.0%
Thames River EDO	2,353	2,990	3,041	1.8%
Vega Feeder Fund	375	3,671	3,671	2.2%
		<b>51,237</b>	<b>55,410</b>	<b>32.9%</b>
<b>NOVALIS PLC</b>				
<b>UNLISTED COMPANIES</b>				
Kymen Puhelin Oy	135	111	111	0.1%
Oulun Puhelin Oyj	746,250	3,081	3,081	1.8%
Satakunnan Puhelin Oy	81,700	920	920	0.5%
Tikka Communications Oy	830	822	822	0.5%
Puhelinosuuskunta KPY	7,618	10,667	10,667	6.4%
		<b>15,601</b>	<b>15,601</b>	<b>9.3%</b>
<b>NEOMARKKA GROUP IN TOTAL</b>				
		<b>73,628</b>	<b>79,968</b>	<b>47.7%</b>
Group eliminations		-235	-235	-0.1%
<b>NORVESTIA GROUP IN TOTAL</b>				
		<b>140,278</b>	<b>167,529</b>	<b>100.0%</b>

# REPORT BY THE BOARD OF DIRECTORS FOR

## EXTRAORDINARY GENERAL MEETING

The Board of Directors of Norvestia summoned an Extraordinary General Meeting on December 2, 2004. The General Meeting approved the following, at the proposal of the Board:

- it was decided to distribute an extra dividend of EUR 2.50 per share (before the bonus issue)
- it was decided to amend the Articles of Association 3§ regarding minimum and maximum share capital
- it was decided to double the company's share capital by means of a bonus issue. In the bonus issue each A share would give entitlement to one A share without payment and each B share would give entitlement to one B share without payment. A total of 5,105,520 new shares were issued. The bonus issue was implemented by transferring the amount to share capital primarily from the premium fund and secondarily from the free shareholders' equity
- it was decided to authorize the Board of Directors to increase share capital by means of a rights issue in accordance with the shareholders' pre-emptive subscription rights by a maximum of EUR 25,527,600. The shareholders were offered subscriptions to a maximum of 428,571 new series A shares and 6,865,029 new series B shares of a nominal value of EUR 3.50. The Board was also authorized to decide on determining the basis for the subscription price, the actual subscription price and other conditions of the rights issue.

## RIGHTS ISSUE

On December 20, 2004 the Board of Directors of Norvestia decided to launch the rights issue based on the authorization of the Extraordinary General Meeting. In the share offering, Norvestia offered its shareholders subscriptions based on the pre-emptive subscription right of shareholders, to a maximum of 300,000 new A shares and a maximum of 4,805,520 new B shares at a subscription price of EUR 5.00 per A share and B share. Through the share offering the company's share capital may be increased by a maximum of EUR 17,869,320.

In the rights issue, Norvestia's shareholders were entitled to one freely transferable A subscription right for every A share held on the record date of December 23, 2004 and/or one B subscription right for every B share held on that date. During the subscription period the possessor of the subscription right was entitled to subscribe for one new A share for every two A subscription rights and/or one new B share for every two B subscription rights as pursuant to the primary subscription right. The subscription, which expired on January 21, 2005, was oversubscribed.

## STOCK MARKET

2004 was a satisfactory year on the stock market. Although share prices fluctuated strongly during the year, and thereby emphasized the market timing, the upward trend that began in spring 2003 continued also during 2004. The Bloomberg European 500 index rose by 9.4% during the year. The S&P 500 index, representing the

development of share prices in the US, grew by 9.0%. However, because of the weakening of the dollar, the return on the S&P 500 index to a European investor would have been only 1% without a currency hedge.

The return on the HEX portfolio yield index was 21.4%, although many shares developed more strongly than this. The scale of the rise is well illustrated by the fact that 13 out of 16 sector indices on the Helsinki Stock Exchange yielded positively. The energy sector was the most successful, which effectively results from the share development of Fortum. Fortum's share price rose 66% during the year and its rise was the most important individual factor in the total return on the HEX portfolio index. The weakest sector was the telecommunications & electronics sector with a decline of 12.2%.

2004 was the fourth successive year of decline for Nokia's share price. After different phases of share price development the Nokia share has now returned to approximately the same level it was at the beginning of 1999, having lost about 80% of its top quotation in 2000. Despite the decline in share price, the market value of Nokia is still higher than for example the combined market values of the Finnish forestry companies and Fortum. Hence, the share development of Nokia still plays a major role on the Helsinki Stock Exchange.

2004 was a record dividend year on the Helsinki Stock Exchange. Listed companies distributed altogether some EUR 6.3 billion in dividends. The dividend sum grew by almost 30% from the previous year. The substantial dividend distribution was no surprise. According to the change in the tax law, which was confirmed in 2004, dividend income received will be subject to tax from the beginning of 2005. It is probable that this will change companies' dividend distribution to a more moderate direction, and that 2004 will remain in the statistics as an exceptional year.

The change in the tax law will not affect dividends received by Norvestia. The dividends received by listed companies from other listed companies will remain tax-free, except for some companies. In future, Norvestia's shareholders will be obliged to pay tax on dividends received according to the new tax law.

Index trends on various exchanges in 2004:

Finland/HEX general index	3.3%
Finland/HEX portfolio yield index	21.4%
Sweden/SAX index	17.6%
Norway/OBX index	31.3%
Denmark/KFX index	17.3%
USA/Nasdaq Composite index	8.6%
USA/S&P 500 index	9.0%
USA/Bloomberg European 500 index	9.4%
Japan/Nikkei 225 index	7.6%

Norvestia's dividend and subscription right -adjusted share price	24.7%
Norvestia's dividend-adjusted net asset value	10.8%

# JANUARY 1 – DECEMBER 31, 2004

## NET ASSET VALUE AND SHARE PRICE

On December 31, 2004 Norvestia's net asset value after deferred tax liability stood at EUR 9.60 per share (EUR 10.51\* at the end of 2003). The net asset value includes 32.5% (32.5%) of Neomarkka's net asset value, which corresponds to Norvestia's holding of the company's total shares.

In March 2004, Norvestia distributed EUR 0.80\* in dividends and in December 2004 an extra dividend of EUR 1.25\*. Taking this into account, the company's net asset value went up by EUR 1.14 (0.70\*) in the year under review, equal to a 10.8% (6.6%) rise. The dividend-adjusted rise in the net asset value amounted to EUR 0.47 (0.21\*) per share in the last quarter.

The price of Norvestia's dividend and subscription right adjusted B share went up by 24.7% during the year and stood at EUR 6.53 (7.50\*) on December 30, 2004. The discount in net asset value was 24.0% (28.6%) at year-end.

## NET TURNOVER AND NET EARNINGS

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

Net turnover for 2004 was EUR 72.4 (32.1) million and operating expenses EUR 2.5 (2.5) million. The Group's operating expenses were 2.5% (2.3%) of net asset value after deferred tax liability. The profit for the entire year was EUR 6.6 million (4.4), while the profit for the last quarter was EUR 2.3 (2.1) million. The parent company's turnover for 2004 was EUR 54.4 (16.2) million and its profit EUR 5.5 (3.9) million.

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

## INVESTMENTS BY THE PARENT COMPANY

The increase in the company's net asset value after expenses and taxes was 10.8% and was achieved with a volatility of 4.2%. The risk-adjusted return on investment activities was thus excellent.

The investment portfolio of Norvestia can be roughly divided into five categories: direct share investments, equity funds, hedge funds, money market investments and investments in subsidiaries Norventures and Neomarkka. The emphasis on these different categories is adjusted according to prevailing market view.

The parent company's investments were distributed as follows: Direct share investments 53% (26%), equity funds 8% (8%), hedge funds 30% (29%), money market investments 7% (35%) and cash and bank 2% (2%). 71% of Norvestia plc's investments were in euros, 25% in Swedish krona and 4% in other currencies.

Direct share investments generated the highest returns in both absolute and percentage terms. Norvestia's net amount directly invested in shares was increased also during 2004.

Investments in equity funds also generated good returns and exceeded returns on the HEX portfolio index generally. Norvestia's hedge fund portfolio did not match expectations for 2004. However, the return was slightly positive when variations in exchange rates were taken into account. The return on money market investments was as expected and corresponded to the return from one month's euribor interest. The maturity of money market investments has been kept short, as interest rates are not expected to decline.

The largest purchases and sales during the year were made in Nokia and Sampo shares.

## INVESTMENT PORTFOLIO OF THE GROUP

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

	2004		2003	
	MEUR	%	MEUR	%
Listed companies	59.3	35.4	31.9	29.0
Unlisted companies	17.1	10.2	17.8	16.2
Hedge funds	81.2	48.5	52.4	47.6
Other funds	9.9	5.9	7.9	7.2
In total	167.5	100%	110.0	100%

The book value of Norvestia Group's share and holding investment portfolio was EUR 140.3 (91.0) million on December 31, 2004. The market value of the parent company's share and holding investment portfolio was EUR 86.1 (59.9) million and the book value EUR 65.2 (44.9) million. The unrealized gain of the Group before deferred tax liability was EUR 27.3 (19.0) million. The minority's share of unrealized gains was EUR 4.3 (2.7) million. The deferred tax liability on unrealized gains was EUR 7.1 (4.4) million, of which the minority share was EUR 1.1 (-) million.

## NORVESTIA GROUP

Norvestia plc, which is a part of the Kaupthing Bank Group, is the parent company of Neomarkka plc and Norventures Ltd. Norvestia's holding in Neomarkka amounts to 32.5% (32.5%) of share capital and 53.1% (53.1%) of votes at year-end. Norvestia paid an overall acquisition price of EUR 17.2 million (17.2) 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 and Neomarkka plc's B share are quoted on the Helsinki Stock Exchange's Main List.

No changes occurred in Norventures Ltd, a wholly owned subsidiary, during the year and its assets were valued at cost and at the same level as at the beginning of the year in Norvestia's net asset value statement.

Master of Science (Technology), Licentiate of Science (Economics) Juha Kasanen was appointed Managing Director of Norvestia on October 19, 2004. He has worked for the company since 2000, initially as Investment Manager and from October 2003 as Acting Managing Director.

\* adjusted by the offering ratio of the bonus issue (2)

## NEOMARKKA

Neomarkka's investing will focus mainly on hedge funds, run by investors who seek absolute return and have proven to be successful. Hedge funds usually target at professional investors and the minimum allowed investment can be fairly substantial. A smaller part of the net asset value may also be invested directly or indirectly in shares, bonds, derivatives and other securities. The company adjusts its leverage 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 8.5%, to EUR 9.40 per share (8.74). Net earnings were EUR 3.8 (1.6) million. Neomarkka's dividend-adjusted net asset value increased during the year by about EUR 4.5 million, of which 32.5%, i.e. EUR 1.5 million, were booked as an increase in the net asset value of Norvestia.

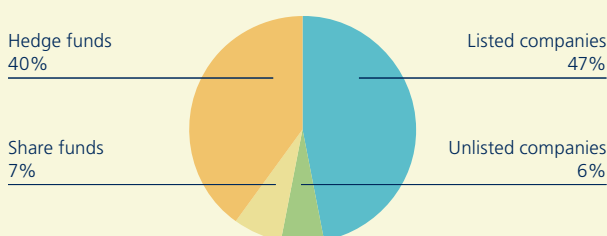
## NEOMARKKA'S UNLISTED INVESTMENTS

The investment portfolio of Novalis Plc, a wholly owned Neomarkka subsidiary, comprised investments in unlisted Finnish telephone operators. The acquisition value of unlisted investments at the end of 2004 was EUR 15.6 million (16.3). During the year, Novalis sold its shares in Lännen Puhelin Oyj for EUR 0.8 million. The shares were acquired by the Neomarkka Group during 1999 and 2001. The total return including dividends from this investment amounted to approximately 30% for the holding period. Novalis did not make any new investments.

In 2004, Novalis Plc received dividends worth EUR 0.6 million (0.5) excluding avoiron fiscal. The dividend yield on the private equity investments was 3.5% (3.0%).

The balance sheet values for unlisted investments are based on the original acquisition cost, while the probable selling price is estimated to be at least equal to the acquisition cost. The value assessment includes uncertainty factors. To support the valuation of Novalis' holdings, the Board of Directors commissioned an independent statement from FIM Corporate Finance Oy. In the statement issued in December 2004, it was noted that at the time of assessment, the value of Novalis' current assets was at least as much as their acquisition price.

## NORVESTIA GROUP'S\* INVESTMENTS DECEMBER 31, 2004



## LIQUIDITY AND SOLVENCY

Norvestia Group's liquid assets including money market investments totalled EUR 11.3 million (36.1). The equity ratio stood at 73.6% (98.8%). The Group had short-term loans amounting to EUR 40.0 (-) million at year-end. Shareholders' equity totalled 81.0 million (95.4).

## PERSONNEL AND INVESTMENTS

In 2004, Norvestia Group employed an average of 7 (10) people, and the parent company 4 (7).

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

## SHAREHOLDERS

At the end of 2004, Norvestia's shareholders numbered 5,353 (4,980). 30.6% of the shares were in foreign ownership (30.9%).

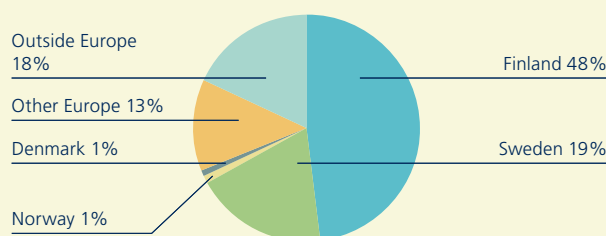
The biggest shareholder is Kaupthing Bank, which had a 30.4% (30.4) holding in Norvestia plc at year-end, which corresponds to 54.4% (54.4) of votes. Norvestia's second biggest shareholder, Sampo Life Insurance Company Ltd, had a 10.2% (13.5%) holding of shares and 6.7% (8.8%) of the votes at year-end. The ten major shareholders held a total of 45.9% (49.9%) of shares and 64.6% (67.2%) of the votes.

## COMPLIANCE WITH IFRS RULES

The Norvestia Group ceased using the Finnish accounting standards (FAS) in favor of the international accounting standard (IFRS) as of January 1, 2005. The company will publish its first interim report in 2005 in accordance with the IFRS and comparison figures for 2004 according to IFRS will be published February 25, 2005.

Implementation of IFRS will have a significant effect on the presentation of the company's and Group's result and balance in the future. The use of the IFRS will affect the company's profit, balance, and key figures as well as the equity recorded on the balance sheet. From the Group's perspective, the new regulations mean that financial instruments will be recorded at fair value and not at the acquisition price or according to the lowest value principle. This will affect the result positively, as it will be possible

## GEOGRAPHIC BREAKDOWN OF NORVESTIA GROUP'S\* INVESTMENTS DECEMBER 31, 2004



\* including Norvestia's capital share (32,49%) of Neomarkka's investments



to record also the unrealized overvalue from financial instruments reduced with deferred tax liability. The Group's equity will mainly correspond to its net asset value. In accordance with the IFRS, the shareholders' equity in the opening balance will therefore be significantly higher, because of the addition of overvalue. In the net asset value statements, which are published monthly, investments are already at market value. This means that the IFRS income statement will mainly be a calculation of the change in the reported net asset values, taking dividends into account.

### **ANNUAL GENERAL MEETING**

The Annual General Meeting (AGM) on March 11, 2004, re-elected Sigurdur Einarsson as chairman, Mika Lehto as vice chairman and J.T. Bergqvist, Stig-Erik Bergström, and Hreidar Már Sigurdsson as members of the Board. Mika Lehto resigned from Norvestia's Board on September 2, 2004.

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 2003. 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 10, 2005. 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 scheme, as payment in company acquisitions or similar, or for invalidation, for which a separate decision by the AGM is required. The Board has made no acquisitions.

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

Norvestia's investment decisions are assessed as market circumstances dictate. Currently, the following can be stated about the company's investment strategy:

Norvestia continues to increase direct share investments when analytically justifiable. This increases the current low level of risk of investments, but the aim is to keep the total risk level lower than the stock market risk generally.

Interest investments will be kept relatively low by transferring assets into share investments, when stock market development justifies this. Assets may also be transferred from the hedge fund portfolio into share investments.

It is also possible that a greater part of assets than before will be invested in unlisted securities and in various private equity investments.

### **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. Occasionally a significant part of investments may be focused

on certain types of investments and securities, whose negative development may substantially decrease Norvestia's result.

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, particularly 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. Any strengthening of the krona would improve returns from Norvestia's Swedish funds. In turn, however, changes in other exchange rates may affect the funds' krona-denominated results.

### **DIVIDEND POLICY**

Norvestia aims to distribute a steady annual dividend in excess of the Finnish stock market average. The long-term objective is to distribute about half of profit after tax.

### **SUGGESTED DIVIDEND DISTRIBUTION**

The Board proposes that EUR 0.30 (2.05\*) per share be distributed to shareholders in dividends, corresponding to EUR 4.6 (20.9) million.

### **FUTURE PROSPECTS**

The global economic environment has barely changed from last year. Economic growth in the US is predicted to be relatively stable. The main threats to growth remain the country's continuing current account and budget deficits.

According to the latest available forecasts, growth of the European economy is less than 2% on an annual level. This is an extremely modest growth rate and it particularly complicates the operations of companies whose main markets are in Europe. The economic growth of China has been very strong, but has stabilized during the past few months.

In a historical context shares are not particularly inexpensive. Along with the rise in share prices in 2004, there are only a few undervalued shares at the time being. Share prices of many companies already assume strong growth expectations. The oil price and the dollar rate are two factors that most probably, in addition to company-specific key figures, will determine the direction of the stock market in 2005.

In accordance with the chosen strategy, Norvestia continues to focus mainly on value shares, i.e. shares that are offered at prices that are low, both historically and in relation to a company's net asset value and performance expectations. Nevertheless, Norvestia may also invest in growth companies if this is analytically justifiable. Investment levels and the ratio between listed shares, unlisted securities, funds and interest-yielding investments will be assessed as circumstances dictate. The amount of direct share investments in Norvestia's portfolio increased during the year, and so Norvestia's net asset value is now more tightly bound to the general performance of the stock market than before.

\* adjusted by the offering ratio of the bonus issue (2)

# INCOME STATEMENTS

EUR 1,000	Note	Group		Parent company	
		1.1.-31.12.2004	1.1.-31.12.2003	1.1.-31.12.2004	1.1.-31.12.2003
NET TURNOVER	1)	72,419	32,056	54,423	16,248
Purchases of securities		-107,811	-27,854	-65,736	-13,783
Change in stock		49,232	5,408	20,243	4,423
Personnel expenses	2)	-833	-1,116	-496	-716
Planned depreciation		-15	-25	-8	-16
Negative goodwill depreciation	3)	-	105	-	-
Other operating expenses		-1,605	-1,329	-878	-760
<b>OPERATING PROFIT</b>		<b>11,387</b>	<b>7,245</b>	<b>7,548</b>	<b>5,396</b>
Financial income and expenses	4)	-553	-125	139	89
<b>PROFIT BEFORE TAX AND MINORITY SHARE</b>		<b>10,834</b>	<b>7,120</b>	<b>7,687</b>	<b>5,485</b>
Income tax	5)	-1,714	-1,703	-2,232	-1,601
Minority share		-2,561	-1,055	-	-
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>6,559</b>	<b>4,362</b>	<b>5,455</b>	<b>3,884</b>
Earnings per share basic, EUR		0.64	0.43	0.53	0.38
Earnings per share diluted, EUR		0.64	0.43	0.53	0.38
Number of shares, issue-adjusted		10,211,040	10,211,040	10,211,040	10,211,040

# BALANCE SHEETS

EUR 1,000	Note	Group		Parent company	
		31.12.2004	31.12.2003	31.12.2004	31.12.2003
<b>Assets</b>					
<b>NON-CURRENT ASSETS</b>					
Tangible assets	6)	44	59	23	31
Shares in associated companies	7)	-	-	17,406	17,406
Other investments		-	10	-	10
		44	69	17,429	17,447
<b>CURRENT ASSETS</b>					
Stocks	8)	140,278	91,046	65,168	44,926
Deferred tax receivables	9)	2,050	595	43	156
Current receivables	10)	3,967	1,973	1,564	1,743
Current financial assets		8,640	33,528	6,855	32,418
Cash in hand and at bank		2,622	2,614	1,599	1,658
		157,557	129,756	75,229	80,901
		157,601	129,825	92,658	98,348
<b>Shareholders' equity and liabilities</b>					
<b>SHAREHOLDERS' EQUITY</b>					
Share capital	11)	35,739	17,869	35,739	17,869
Share premium		-	8,691	-	8,691
Retained earnings		38,744	64,494	40,318	66,546
Profit for the financial year		6,559	4,362	5,455	3,884
		81,042	95,416	81,512	96,990
MINORITY SHARE		35,028	32,793	-	-
CURRENT LIABILITIES	12)	41,531	1,616	11,146	1,358
		157,601	129,825	92,658	98,348

# CASH FLOW STATEMENTS

EUR 1,000	Note	Group		Parent company	
		1.1.-31.12.2004	1.1.-31.12.2003	1.1.-31.12.2004	1.1.-31.12.2003
<b>OPERATING ACTIVITIES</b>					
Operating profit before financial items		10,834	7,120	7,687	5,485
Planned depreciation		15	25	8	16
Avoir Fiscal		-3,173	-659	-2,123	-557
Negative goodwill depreciation		-	-105	-	-
		7,676	6,381	5,572	4,944
Changes in working capital					
Increase (-) or decrease (+) in stocks		-49,232	-5,408	-20,242	-4,423
Increase (-) or decrease (+) in current receivables		-1,994	-1,796	179	-95
Increase (-) or decrease (+) in financial assets		24,887	10,216	25,563	7,972
Increase (+) or decrease (-) in current liabilities		39,915	-96	9,788	-11
		13,576	2,916	15,288	3,443
Received and paid taxes		4	-14	4	-14
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>21,256</b>	<b>9,283</b>	<b>20,864</b>	<b>8,373</b>
<b>INVESTMENT ACTIVITIES</b>					
Acquisition of shares in Group companies		-	-253	-	-253
Sales income from other investments		10	-	10	-
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>		<b>10</b>	<b>-253</b>	<b>10</b>	<b>-253</b>
<b>FINANCIAL ACTIVITIES</b>					
Dividends paid		-21,258	-7,477	-20,933	-7,148
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>		<b>-21,258</b>	<b>-7,477</b>	<b>-20,933</b>	<b>-7,148</b>
<b>CASH FLOW FOR THE YEAR</b>		<b>8</b>	<b>1,553</b>	<b>-59</b>	<b>972</b>
Liquid assets 1.1.		2,614	1,061	1,658	686
Liquid assets 31.12.		2,622	2,614	1,599	1,658
Increase or decrease in liquid assets		8	1,553	-59	972

# 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 Stock Exchange 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 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 shareholders' equity of the Group. Goodwill arisen 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.

## **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 to the purchase price or to the share price at 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, if nothing else is mentioned.

## **TAXES**

Deferred tax receivables arising from avoir fiscal and confirmed losses are separately entered in the balance sheet. Deferred tax receivables have been booked to the part that is estimated to be used in the future. From December 31, 2001 to October 31, 2004 no deferred tax receivables have been booked in Neomarkka.

## NOTES TO THE INCOME STATEMENT

### 1. Net turnover

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

	Group		Parent company	
	2004	2003	2004	2003
Sales of securities	61,983	27,396	46,646	13,239
Dividend income	6,931	2,624	5,443	1,657
Avoir fiscal and tax at source credits	3,173	659	2,059	494
Interest income	326	1,021	269	855
Other income	6	356	6	3
	72,419	32,056	54,423	16,248

### 2. Personnel and Board expenses

	Group		Parent company	
	2004	2003	2004	2003
Salaries	692	854	415	542
Pension expenses	88	94	58	51
Other supplementary personnel expenses	53	168	23	123
	833	1,116	496	716
where of				
Managing Directors	355	179	243	92
Board of Directors	111	126	69	72
	466	305	312	164

The Managing Director has no other pension benefits than the statutory benefits. Bonus was paid to the company's personnel 28 (-). Fees to the Chairman of the Board of Norvestia amounted in the group to 29 (29), of which 18 (18) in the parent company. Salaries and fees to the Managing Director of Norvestia plc amounted in the group to 243 (109), of which 243 (102) in the parent company. In Norvestia plc the term of notice for the Managing Director is 1 month and the compensation for notice corresponds 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 2003. The amount 105 has been entirely depreciated in the income statement. In 2004 no acquisitions were made.

### 4. Financial income and expenses

	Group		Parent company	
	2004	2003	2004	2003
Dividend income from Group companies	-	-	220	217
Interest income	34	43	27	40
Interest expenses	-496	-15	-18	-15
Exchange rate differences	-91	-153	-90	-153
	-553	-125	139	89

### 5. Income taxes

The tax expenses in the Group amount to 1,714 (1,703), of which 2,232 (1,601) belong to Norvestia plc.



## NOTES TO THE BALANCE SHEET

### Fixed assets

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

### 6. Tangible assets

	Group		Parent company	
	2004	2003	2004	2003
Acquisition cost 1.1	235	267	138	170
Disposals	-	-32	-	-32
Net carrying amount 31.12	235	235	138	138
Opening accumulated depreciation	-176	-184	-107	-124
Depreciation for the year	-15	-25	-8	-16
Accumulated depreciation in disposals	-	33	-	33
Net carrying amount 31.12	-191	-176	-115	-107
Residual value according to plan 31.12	44	59	23	31

### 7. 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	24,081	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 7.35 on December 30, 2004. At this point Norvestia possessed 139,400 A shares and 1,816,387 B shares in Neomarkka. If all shares are valued to the share price of the B share, the calculated value will thus be EUR 14.4 million. If they are valued to Norvestia's share of Neomarkka's net asset value, the calculated value will be EUR 18.4 million.

### 8. Securities that constitute stocks

	Group		Parent company	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Market value	167,529	110,012	86,079	59,879
Book value	140,278	91,046	65,168	44,926
Unrealized gain	27,251	18,966	20,911	14,953

### 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	1.1–31.12.2003	0.6%	111	240	9
Oulun Puhelin Oyj	1.1–31.12.2003	2.0%	3,081	2,175	168
Satakunnan Puhelin Oy	1.1–31.12.2003	1.7%	920	882	117
Tikka Communications Oy	1.1–31.12.2003	3.3%	822	1,081	152
Puhelinosuuskunta KPY	1.1–31.12.2003	13.7%	10,667	11,987	655
			15,601	16,365	1,101
<b>Norventures Ltd</b>					
Polystar Instruments AB	1.5.2003–30.4.2004	12.6%	1,717	871	57
			1,717	871	57
<b>Unlisted investments of the Group</b>			<b>17,318</b>	<b>17,236</b>	<b>1,158</b>

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

## 9. Deferred tax receivables

	Group		Parent company	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Deferred tax receivables, losses	685	-	-	-
Deferred tax receivables, avoір fiscal	1,365	595	43	156
	2,050	595	43	156

From December 31, 2001 to October 31, 2004 no deferred tax receivables have been booked in Neomarkka. On December 31, 2003 Neomarkka had 2,108 unbooked tax receivables.

## 10. Current receivables

	Group		Parent company	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Accounts receivable	2,295	1,621	9	118
Accounts receivable from Group companies	-	-	5	5
Loan receivables from Group companies	-	-	1,532	1,532
Accrued income	1,672	352	18	88
	3,967	1,973	1,564	1,743

## 11. Changes in shareholders' equity

Group	Share capital	Share premium	Retained earnings	Profit for the year	Total
Opening balance	17,869	8,691	64,494	4,362	95,416
Allocations			4,362	-4,362	0
Dividends			-20,933		-20,933
Bonus issue	17,870	-8,691	-9,179		0
Profit for the year				6,559	6,559
	35,739	0	38,744	6,559	81,042

Parent company	Share capital	Share premium	Retained earnings	Profit for the year	Total
Opening balance	17,869	8,691	66,546	3,884	96,990
Allocations			3,884	-3,884	0
Dividends			-20,933		-20,933
Bonus issue	17,870	-8,691	-9,179		0
Profit for the year				5,455	5,455
	35,739	0	40,318	5,455	81,512

## 12. Current liabilities

	Group		Parent company	
	31.12.2004	31.12.2003	31.12.2004	31.12.2003
Accounts payable	126	86	58	19
Accounts payable to Group companies	116	-	116	-
Loans	10,000	-	10,000	-
Loans from Group companies	30,000	-	-	-
Other current liabilities	647	1,317	533	1,172
Accrued liabilities and deferred income	448	213	439	167
Accrued liabilities to Group companies	194	-	-	-
	41,531	1,616	11,146	1,358

## OTHER SUPPLEMENTARY INFORMATION

### Derivatives

Norvestia has used standardized derivatives to make the portfolio management more efficient. The market value of the derivatives as well as the underlying value are given below. The market values have been adjusted for the corresponding share's dividend income. 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	31.12.2004	31.12.2003
Option contracts		
Bought call options		
Underlying value	724	330
Market value	45	19
<b>Derivative contracts in subsidiaries, EUR million</b>	<b>31.12.2004</b>	<b>31.12.2003</b>
Foreign-exchange derivatives		
Nominal value	32.1	15.6
Market value	0.7	0.2

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.

<b>Pledges, EUR million</b>	31.12.2004	31.12.2003
As security for the limit of the cheque account, EUR 2.0 million (EUR 3.0 million), which was unused as at 31.12.2004		
Shares at market value	6.0	-
Money market investment	-	3.0
Cheque account	0.0	0.0
As security for short-term loan, EUR 10.0 million		
Shares at market value	20.4	-
Other pledges		
Shares at market value	0.4	0.4
Pledges in total	26.8	3.4

# PROPOSAL FOR DISTRIBUTION OF PROFIT

On December 31, 2004 the Group's distributable funds amounted to EUR 45,303,338. The parent company's distributable funds amounted to EUR 45,773,161. The General Meeting has EUR 45,303,338 at its disposal.

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

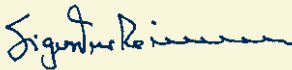
- EUR 0.30/share will be distributed as dividend for 15,316,560 shares	EUR	4,594,968
- the remainder of the profit will be left in retained earnings	EUR	40,708,370
	EUR	45,303,338

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

- share capital	EUR	35,738,640
- retained earnings	EUR	40,708,370
	EUR	76,447,010

The payment record date for the dividend is on March 15, 2005. The stipulated dividend will be paid out after the end of the record period, on March 22, 2005.

Helsinki, January 25, 2005



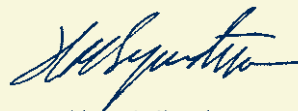
Sigurdur Einarsson  
Chairman of the Board



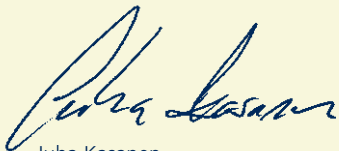
J.T. Bergqvist



Stig-Erik Bergström



Hreidar Már Sigurdsson



Juha Kasanen  
Managing Director

# AUDITOR'S REPORT

## 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. – 31.12.2004. 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 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 Director 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 5.454.569,28, have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of the 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 me. The proposal by the Board of Directors regarding the handling of the result is in compliance with the Companies Act.

Helsinki, January 26, 2005



Carl Gustaf af Hällström  
Authorized Public Accountant

# BOARD OF DIRECTORS AND MANAGEMENT

## CHAIRMAN OF THE BOARD

Master of Science (Economics) **Sigurður Einarsson**, London  
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, Kaupthing Bank A/S, Kaupthing Bank Luxembourg S.A., Kaupthing Föroyar Virðisbrevamæklarafelag, Kaupthing Ltd., Kaupthing New York, Kaupthing Securities, Kaupthing Bank Oyj, Kirna hf. and Neomarkka plc  
Member of the Board in FIH, Kaupthing Bank Sverige and Kaupthing Norge  
Board Membership in Norvestia began: 20.10.2003  
Shareholdings in Kaupthing Bank: 2,506,127 shares including shares owned by financially related parties  
Shareholdings in Norvestia: -

## OTHER MEMBERS OF THE BOARD

Doctor of Science (Technology) **J.T. Bergqvist**, Helsinki  
Year of Birth 1957  
Primary working experience: Various business and marketing executive positions in Nokia Networks 1988–2005. Member of the Nokia Executive Board 2002–2005. Worked i.a. as teacher at Helsinki University of Technology and as Associate Professor at Helsinki School of Economics in computer science.  
Board Membership in Norvestia began: 20.10.2003  
Shareholdings in Kaupthing Bank: 119,243 shares  
Shareholdings in Norvestia: -

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 European Renaissance Fund, 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 Bank: -  
Shareholdings in Norvestia: 6,000 B shares

Master of Science (Economics) **Hreidar Már Sigurdsson**, Reykjavik  
Year of Birth 1970  
CEO of Kaupthing Bank  
Primary working experience: Dep. CEO, Kaupthing Bank and Managing Director, Kaupthing New York  
Chairman of the Board in The Bankers' and Securities Dealers' Association of Iceland  
Vice Chairman in Lýsing hf.  
Member of the Board in Arion Custody Service, Eik fasteignafélag hf., FIH, Kaupthing Advisory Company, Kaupthing New York, Kaupthing Securities, Meiður ehf, Kaupthing Bank Sverige, Kaupthing Bank Luxembourg S.A. and Neomarkka plc.  
Board Membership in Norvestia began: 20.10.2003  
Shareholdings in Kaupthing Bunadarbanki: 2,005,091 shares including shares owned by financially related parties  
Shareholdings in Norvestia: -

## 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  
Employment in Norvestia began 1.2.2000  
Acting Managing Director since 20.10.2003  
Managing Director since 19.10.2004  
Shareholdings in Kaupthing Bank: -  
Shareholdings in Norvestia: -

## AUDITOR

Master of Science (Economics), CPA **Carl Gustaf af Hällström**  
Ernst & Young Ab, deputy auditor

## AUDIT COMMITTEE

J.T. Bergqvist  
Stig-Erik Bergström



# CORPORATE GOVERNANCE



Board members  
from left to right:  
Sigurdur Einarsson,  
J.T. Bergqvist,  
Stig-Erik Bergström and  
Hreidar Már Sigurdsson.

## SHAREHOLDERS' GENERAL MEETING

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 Norvestia Articles of Association, e.g. approves the financial statements, discharges the Board of Directors and the Managing Director from liability and decides on dividend distribution and on 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. The ordinary general meeting was held on March 11, 2004 and the extraordinary general meeting was held on December 2, 2004.

## SHARES

Norvestia plc's B share is quoted on the Helsinki Stock Exchange's Main list. The company has two share series: the unlisted A shares and the listed B shares. The A share carries 10 votes and the B share one vote.

## ELECTION OF BOARD MEMBERS

According to Norvestia's Articles of Association the Board of Directors comprises 3–8 regular members and at most 4 vice members. The Board of Directors comprised four regular members at year end 2004. A fifth Board member will be elected at the shareholders' general meeting in 2005. The general meeting of the shareholders elects every year Board members for a term lasting up to the following general meeting. The Meeting also appoints a chairman and a vice chairman from among the Board members.

## INDEPENDENCE OF BOARD MEMBERS

Due to the ownership structure of the company, it has been considered important that the main owner has a strong position in the Board. Sigurdur Einarsson and Hreidar Már Sigurdsson represent the main owner Kaupthing Bank. J.T. Bergqvist and Stig-Erik Bergström are independent members.

## DUTIES OF THE BOARD OF DIRECTORS

The Board of Directors is in charge of organizing the company's management and operations in a rational manner, and of ensuring that it follows laws and other regulations. The Board shall supervise the book-keeping and also make the proper arrangements for the asset management. The Board complies with the Corporate Governance Recommendation for Listed Companies issued by the Helsinki Stock Exchange, The Central Chamber of Commerce in Finland and the Confederation of Finnish Industry and Employers.

## BOARD OF DIRECTORS' WORK PROCEDURES

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

## INFORMATION TO THE BOARD

The Board receives twice a month the company's portfolio report, which includes detailed information about the company's investments and their performance. The company performance is presented at every Board meeting. The Board also receives the drafts of the interim reports and annual reports before the corresponding Board meetings.

## MEETINGS

The Board of Directors convenes at a minimum four times a year, usually between five and eight times a year. In 2004, the Board met 11 times with a participation activity of 94%.

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.

#### **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. The Managing Director is not a member of the Board.

#### **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 internal supervision is practised by the company's management as well as the whole personnel. The Board carries the ultimate responsibility for supervision of the book-keeping and financial management, and the Managing Director is in charge of practical organization of the supervision system and risk management. The Board of Directors and the Managing Director are responsible of the company's risk management and decides upon the risk-taking.

#### **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 the internal control is that another part always examines the accomplished job. The parent company reports for the whole Norvestia Group to Kaupthing Bank.

#### **REMUNERATION**

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

In accordance with the decision of the Annual General Meeting on March 11, 2004, the Board members are remunerated as follows:

- The chairman of the Board is paid an annual fee of EUR 18,300,
- the vice chairman is paid an annual fee of EUR 14,600 and
- other regular members are paid an annual fee of EUR 12,800.

In addition, a meeting fee of EUR 350 is paid for work on Board committees. Board members are paid all travel and accommodation expenses according to bill.

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 eight months.

#### **AUDIT COMMITTEE**

The primary duty of the audit committee elected by the Board of Directors is to monitor the work of the auditors and any issues that may appear in that context. It is further responsible for evaluating the adequacy and appropriateness of internal supervision and risk management, evaluating compliance with laws and regulations, maintaining contact with the auditor, examining the auditor's reports and evaluating any advisory services supplied by the auditor. The committee reports to the Board regularly. In year 2004, the Audit Committee met 3 times. The audit committee comprises two members, which deviates from the recommendation. The Board considers the number of members to be sufficient due to the relatively small size of the company.

#### **INDEPENDENCE OF THE AUDIT COMMITTEE MEMBERS**

J.T. Bergqvist and Stig-Erik Bergström are independent audit committee members.

#### **EXTERNAL AUDIT**

According to the Articles of Association, the company has at least one regular auditor who must be an authorized public accountant by the Central Chamber of Commerce. The general meeting of shareholders elects the auditor, and his/their term ends at the close of the following AGM. In connection with the annual financial statements, the auditor/auditors make the auditor's 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 book-keeping, financial statements and administration of the company.

The auditors invoice for their expenses. TEUR 68 was paid for the audit work to the auditor in 2004 in Norvestia Group and TEUR 43 in Norvestia plc.

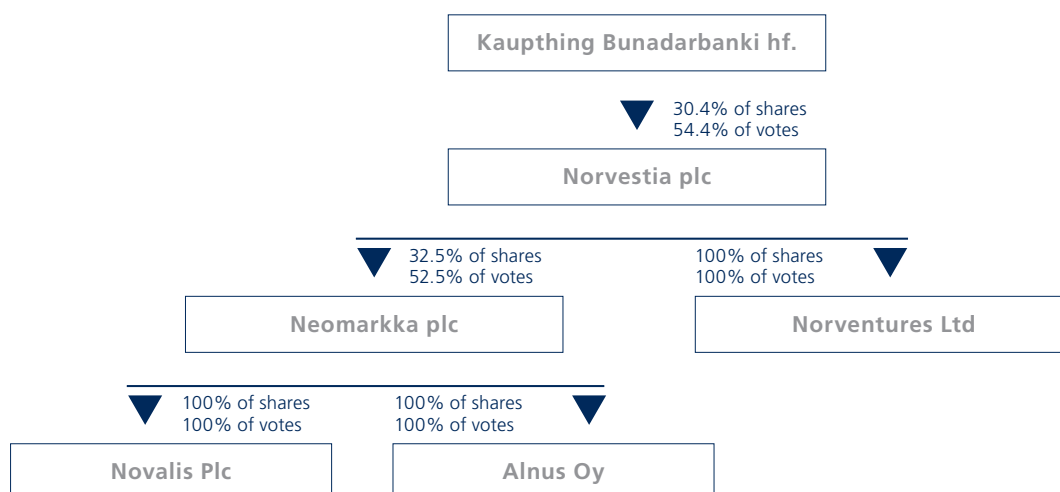
#### **INSIDER REGULATION**

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

#### **CORPORATE GOVERNANCE DESCRIPTION**

The company's corporate governance description is updated on the company's home pages [www.norvestia.fi](http://www.norvestia.fi) as changes in it occurs.

# STRUCTURE OF THE GROUP



## KAUPTHING BANK

Kaupthing Bank is a Nordic Bank listed on the Iceland Stock Exchange and on the Stockholm Stock Exchange. Kaupthing Bank is Iceland's biggest bank and is among the eight largest financial groups in the Nordic region. The Group's strategic ambition is to become a leading Nordic investment bank. The bank will focus on growth especially in Finland, Great Britain and Norway in the near future. The Bank offers services in Brokerage, Asset Management and Corporate Finance in addition to traditional banking services.

Kaupthing Bank operates in Reykjavík, Torshavn, Stockholm, Helsinki, Copenhagen, Oslo, Luxembourg, Geneva, London and New York. The Bank employs 1,300 people in ten different countries. The Norvestia Group became a part of the Kaupthing Bank Group in the last quarter of year 2003. In addition to the ownership in Norvestia the Group owns also Kaupthing Bank Oyj in Finland, that was granted a banking license in December 2004.

## NORVESTIA PLC'S PERSONNEL

**Juha Kasanen**  
Managing Director

**Jonna Berg**  
Financial Manager

**Joanna Gädda**  
IR assistant

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## 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 unrealised 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 have been valued 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, 2004. Both Norvestia and Neomarkka calculate and publish their net asset values each month.

Discount in net asset value, often expressed as percentages, is the difference between net asset value per share and the price of the B share. In 2004 the calculated value of the subscription right was added to the share price when calculating the discount in net asset value.

### **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 2004 has been calculated at a 29% tax rate, the tax rate for 2005 is 26%.

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. According to the change in the tax law, which was confirmed in 2004, dividend income received will be subject to tax from the beginning of 2005. Dividends received by Norvestia from listed companies will remain tax-free.

### **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 10% in 2004. Norvestia's volatility in dividend-adjusted net asset value was 4% 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 OF CALCULATION OF THE KEY TERMS

Return on equity	=	$\frac{\text{Profit before extraordinary items and taxes - taxes}}{\text{Shareholders' equity + minority interest (average of the year)}}$
Return on investment	=	$\frac{\text{Profit before extraordinary items and taxes + interest expenses and other financial expenses}}{\text{Balance sheet total - interest-free debt (average of the year)}}$
Equity ratio	=	$\frac{\text{Shareholders' equity + minority interest}}{\text{Balance sheet in total - advances received}}$
Earnings per share	=	$\frac{\text{Profit before extraordinary items and taxes -/+ minority's share - taxes}}{\text{Issue-adjusted average number of shares}}$
Earnings per share after dilution	=	$\frac{\text{Profit before extraordinary items and taxes -/+ minority's share - taxes}}{\text{Issue-adjusted average number of shares + possible share options and loans that can be transformed into shares}}$
Shareholders' equity per share	=	$\frac{\text{Shareholders' equity + minority interest}}{\text{Issue-adjusted number of shares on the balance sheet date}}$
Dividend/Earnings	=	$\frac{\text{Issue-adjusted dividend per share}}{\text{Earnings per share}}$
Dividend yield	=	$\frac{\text{Issue-adjusted dividend per share}}{\text{Issue-adjusted closing price on the balance sheet date}}$
P/E ratio	=	$\frac{\text{Issue-adjusted closing price on the balance sheet date}}{\text{Earnings per share}}$
Discount in net asset value	=	$\frac{\text{Net asset value - closing price on the balance sheet date - calculated value for subscription right}}{\text{Net asset value}}$
Market capitalization	=	Number of shares * closing price on the balance sheet date

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