

NORVESTIA
ANNUAL REPORT
2005



NORVESTIA
NORVESTIA PLC

CONTENTS

Norvestia in brief.....	1
Managing Director's Review	2
Share capital and ownership structure.....	4
Norvestia's B share	5
Key financial figures.....	6
Net Asset Value of the Group.....	7
Investments December 31, 2005.....	8
Report by the Board of Directors	10
Financial Statements year 2005	
IFRS Income statement, Norvestia Group.....	14
IFRS Balance sheet, Norvestia Group.....	15
IFRS Cash flow statement, Norvestia Group.....	16
IFRS Changes in shareholders' equity, Norvestia Group.....	17
IFRS Notes to the Financial Statements, Norvestia Group	18
Transition to IFRS reporting	26
FAS Income statement, Norvestia plc.....	29
FAS Balance sheet, Norvestia plc	30
FAS Cash flow statement, Norvestia plc.....	31
FAS Notes to the Financial Statements, Norvestia plc.....	32
Proposal for distribution of profit	36
Auditor's Report.....	37
Board of Directors and management.....	38
Corporate Governance.....	39
Structure of the Group and Norvestia plc's personnel	41
Key terms	42
Basis of calculation of key terms.....	43

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Monday March 6, 2006 at 1 p.m. at the Diana auditorium, Erottajankatu 5, Helsinki. Shareholders who wish to attend the Annual General Meeting are kindly requested to register no later than Thursday March 2, 2006 either by phone (09) 6226 380, by telefax (09) 6222 080 or by post to the address Norvestia plc, Pohjoisesplanadi 35 E, 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 2005 will be paid out on March 16, 2006 for shares that are registered in the company's register of shareholders maintained by the Finnish Central Securities Depository Ltd on March 9, 2006.

INTERIM REPORTS ARE PUBLISHED:

- April 25, 2006
- July 21, 2006
- October 19, 2006

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. All press releases from the past year as well as a selection of earlier releases can also be found on the home pages.

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 aim of Norvestia's investment activities is to provide its shareholders with a good risk-adjusted return.
- Norvestia plc, which is a part of the Kaupthing Bank Group, is parent company to Norventures Ltd.

YEAR 2005

- Net asset value per share was EUR 9.78 at year-end (EUR 8.02 in 2004, issue-adjusted).
- The profit amounted to MEUR 31.4 (11.8)
- Net asset value per share (dividend-adjusted) grew 26.5% during the year under review (10.8%).
- The Board of Directors proposes that EUR 0.60 per share be distributed as dividend (EUR 0.30).
- Norvestia implemented its rights issue in January 2005, where two old Norvestia shares entitled subscription of one new share at a price of EUR 5.
- Norvestia sold all its shares of its subsidiary Neomarkka plc to Reka Oy. The sales price was about EUR 30.4 million, which Norvestia received in cash. Norvestia's return on the sale amounted to EUR 10.6 million, which is included in this year's net profit in the Group's financial statements.

KEY FIGURES FOR THE GROUP YEAR 2005

Increase in NAV, dividend-adjusted:	MEUR 31.4
Net earnings, IFRS:	MEUR 31.4
Shareholders' equity:	MEUR 149.8
Equity ratio:	92.0%

KEY FIGURES PER SHARE YEAR 2005

Increase in NAV, dividend-adjusted:	EUR 2.05
Net earnings:	EUR 2.05
NAV per share:	EUR 9.78
Shareholders' equity, IFRS:	EUR 9.78

MANAGING DIRECTOR'S REVIEW



The Group's return on net asset value was MEUR 31.4, which is the best result in the Group's 21-year history, and almost three times last year's figure.

2005 was a year of records for Norvestia. The Group's return on net asset value was MEUR 31.4, which is the best result in the Group's 21-year history, and almost three times last year's figure.

The company's net asset value rose to MEUR 149.8 at year-end. Due to the rights issue in accordance with the shareholders' pre-emptive subscription right, that was arranged in January and a strong return on investment, Norvestia's net asset value increased by about 50% during the year.

Norvestia's net asset value grew by 9.7% in November. This is a new one-month return record. The strong November figure was due to Norvestia selling its shares in subsidiary Neomarkka plc. Norvestia profited by approximately MEUR 10.6 from the sale. Selling Neomarkka was the best solution for Norvestia's shareholders; in addition to a significant sales profit it eliminated overlapping operations, and assets were released to other investment activities.

Over the years, Norvestia has made its mark as a good dividend distributor. The result accordant dividend for year 2005 is in line with this. Norvestia's Board of Directors will propose a dividend of EUR 0.60 per share to the Annual General Meeting. This is double last year's dividend, and corresponds to a dividend yield of approximately 7% calculated on the basis of the closing price at year's end.

NEW ACCOUNTING STANDARDS

Norvestia's consolidated financial statements for 2005 is the first statement prepared according to IFRS standards. The new standards clarify Norvestia's financial statements in terms of both return on

net asset value and net asset value itself. According to the new standards, Norvestia's net asset value in euros is synonymous with the profit for the year. The Group's profit is therefore no longer linked to realized trading gains. The new accounting standards are clearly a change for the better in this aspect, and will facilitate analysis of Norvestia's results by investors.

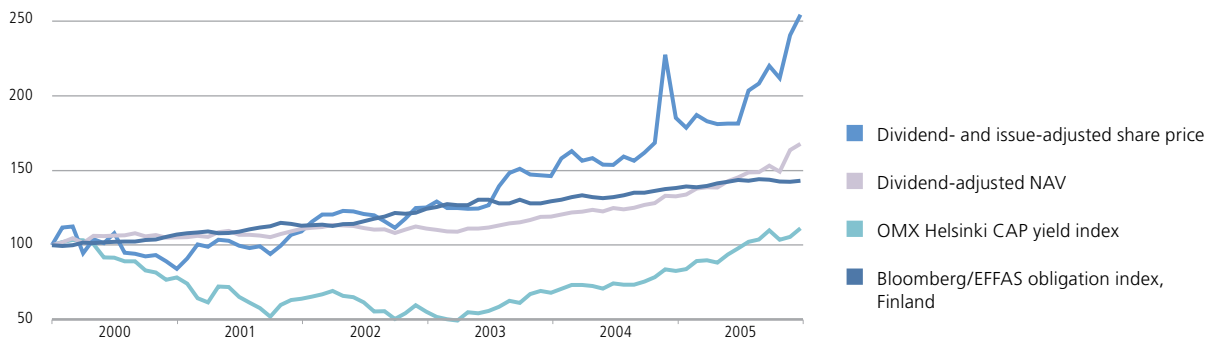
Analysis of Norvestia's balance sheet is now facilitated as net asset value and shareholders' equity are synonymous according to the new accounting standards. This facilitates comparison with other listed companies in this respect. Measured in terms of shareholders' equity, Norvestia is already above the Helsinki Stock Exchange average. Norvestia is in practice totally debt-free, which together with a strong balance sheet enables the company to take advantage of any different company arrangements that may present themselves.

DISCOUNT IN NET ASSET VALUE

The market value of all Norvestia's shares was MEUR 131.0 at year-end, if the company's unlisted A shares are assumed to have the same value as the listed B shares. The shareholders' equity was respectively MEUR 149.8.

The difference in market value and shareholders' equity is known as the discount in net asset value. For almost all Norvestia's history, the company's shares have traded at below net asset value, as have the shares of many investment companies worldwide. This persistent discount in net asset value of investment companies has been the subject of much academic research, but as yet, an unambiguous interpretation of the phenomenon proves elusive.

PERFORMANCE OF NET ASSET VALUE AND SHARE PRICE



The shareholders, however, have benefited from the steady decrease in Norvestia's discount, especially over the past two years. At year-end the discount was 12.6%, which is fairly small in comparison with that of many other investment companies.

Norvestia publishes net asset value figures monthly. The company's balance is very transparent and both return and dividend history have been stable. Against this background it is peculiar that Norvestia's share generally trades at below its net asset value.

LONG-TERM RETURN

Norvestia's aim is to guarantee its shareholders a good long-term risk-adjusted return. One successful month has little effect on the whole when trying to achieve this, and even an exceptionally good year does not guarantee success in the long run. In order to achieve a good long-term return, investment activities need to provide higher than average returns month after month for several years.

In the diagram above Norvestia's return on net asset value and its share price development are compared to the development of the OMX Helsinki CAP yield index and the Bloomberg/EFFAS obligation index. The OMX Helsinki CAP yield index has been the most successful of the big indices measuring the return on the Helsinki Stock Exchange, which due to a strong return in 2005, rose above its 2000 level for the first time in five years.

During the same period obligations performed notably better than the OMX Helsinki CAP yield index. Investors in obligations have therefore received a fairly good return on their investment due to declining interest rates.

The development of Norvestia's net asset value and share price has in the long-term been notably stronger than the aforementioned indices, despite the fact that Norvestia pays taxes on its sales profit. In addition, the risk in Norvestia's net asset value development has been markedly smaller than the risk in the index development. Over the past six years, or 72 months, Norvestia's net asset value has decreased in 19 months, or 26% of the observations. The OMX Helsinki CAP yield index, however, has decreased in 36 months over the same period, or 50% of the observations. As the diagram shows, these monthly figures add up to a significant difference in total return.

Norvestia's investment activities have always been based on thorough share analysis, a fundament-based investment philosophy, and astute market timing. Other important factors include a professional personnel, the opportunity to use external experts, reliable market intelligence from various sources, courage to act differently than investors in average when necessary, and a readiness to take advantage of open opportunities. The company will continue to base its activities on these factors in the future.

Juha Kasanen
Managing Director

SHARE CAPITAL AND OWNERSHIP STRUCTURE

The share capital of Norvestia plc amounted to EUR 53,607,960 on December 31, 2005. The share capital was divided in 900,000 A shares with 10 votes, and 14,416,560 B shares with 1 vote, in all 15,316,560 shares (10,211,040) 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 123.3 million (62.8) on December 31, 2005. The ten biggest shareholders possessed 48.11% of the shares (45.85%) and 66.06% of the total number of votes (64.59%). 9,089 B shares (6,000) were in the possession of the members of the Board and the Managing Director. The Board and the Management of Norvestia possess 5,862,905 shares in total of the parent company Kaupthing Bank hf. (4,630,461).

The average shareholding in Norvestia plc for private individuals was 1,201 shares (908). The corresponding amount for associations was 13,126 shares (23,871). The number of nominee registered shares amounted to 38.25% of the total number of shares (5.65%) and 59.61% of the votes (3.70%). These numbers also include Kaupthing Bank's shares. The amount of shareholders amounted on December 31, 2005 to 5,579 (5,353).

10 PRINCIPAL SHAREHOLDERS ON DECEMBER 31, 2005

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 Bank hf. (nominee reg.)	900,000	100.00%	3,785,869	26.26%	4,685,869	30.59%	54.60%
Sampo Life Insurance Company Ltd			1,789,538	12.41%	1,789,538	11.68%	7.64%
Kaleva Mutual Insurance Company			193,200	1.34%	193,200	1.26%	0.83%
Immonen Jukka			162,424	1.13%	162,424	1.06%	0.69%
Laakkonen Reino			143,600	1.00%	143,600	0.94%	0.61%
Sijoitusrahasto Mandatum Suomi Kasvuosake			142,980	0.99%	142,980	0.93%	0.61%
Pasanen Matti			74,500	0.52%	74,500	0.49%	0.32%
Köresaar Kiinteistöt Oy			65,894	0.46%	65,894	0.43%	0.28%
Oy Finnbulk Ab			58,246	0.40%	58,246	0.38%	0.25%
Turpeinen Urho			54,000	0.37%	54,000	0.35%	0.23%
	900,000	100.00%	6,470,251	44.88%	7,370,251	48.11%	66.06%
Nominee registered	900,000		4,958,177	34.40%	5,858,177	38.25%	59.61%

SHARES AND VOTING RIGHTS

Share series	Votes/share	No of shares	No of votes	Share capital, EUR
Series A	10	900,000	9,000,000	3,150,000
Series B	1	14,416,560	14,416,560	50,457,960
In total		15,316,560	23,416,560	53,607,960

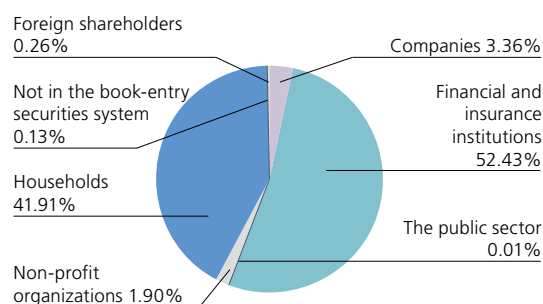
HOLDINGS BY NUMBER OF SHARES AND OWNERS

Shareholding	Shares	Owners
1-100	0.30%	14.37%
101-1,000	9.58%	60.10%
1,001-5,000	16.19%	20.94%
5,001-10,000	6.44%	2.51%
10,001-	67.36%	2.08%
Not in the system	0.13%	-
	100.00%	100.00%

SHAREHOLDERS BY GROUP

Of share capital	
Companies	3.36%
Financial and insurance institutions	52.43%
The public sector	0.01%
Non-profit organizations	1.90%
Households	41.91%
Foreign shareholders	0.26%
Not in the book-entry securities system	0.13%
	100.00%
of which nominee registered	38.25%

SHAREHOLDERS BY GROUP



NORVESTIA'S B SHARE

	2005 IFRS	2004 IFRS	2003 FAS	2002 FAS	2001 FAS
Share capital and number of shares					
Share capital, MEUR	53.6	35.7	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*	15,316,560	15,316,560	15,316,560	15,316,560	15,316,560
Average of the year*	15,316,560	15,316,560	15,316,560	15,316,560	15,316,560
Share price, EUR					
At the end of the year*	8.55	6.53	6.71	6.36	6.13
The calculated value for the subscription right	-	0.77	-	-	-
Year high*	8.70	9.85 ****	7.39	7.25	6.78
Year low*	5.90	5.93 ****	5.60	5.60	5.01
Year average*	6.94	7.88	6.46	6.51	6.11
Market capitalization, including subscription rights, at the end of the year, MEUR**	131.0	74.5	76.6	72.5	69.9
Trading volume					
Shares traded*	3,047,223	4,753,010	1,875,642	958,224	862,576
Shares traded/total amount of shares	19.9%	46.5%	18.4%	9.4%	8.4%
Shares traded/total amount of B shares	21.1%	49.5%	19.5%	10.0%	9.0%
Turnover on the Stock Exchange, MEUR	21.2	40.1	13.5	7.0	5.9
P/E ratio	4.2	10.2	17.6	neg	9.9
Dividend yield	7.0% ***	4.6%	27.3%	9.9%	10.2%
Number of shareholders at the end of the year	5,579	5,353	4,980	5,021	4,967

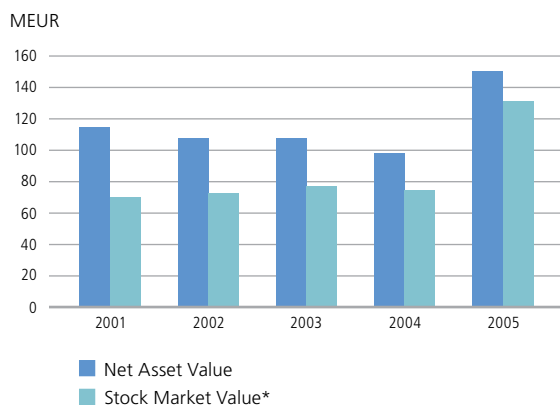
*) Adjusted with the coefficient of the bonus issue (2) and with the coefficient of the rights issue (1.116956)

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

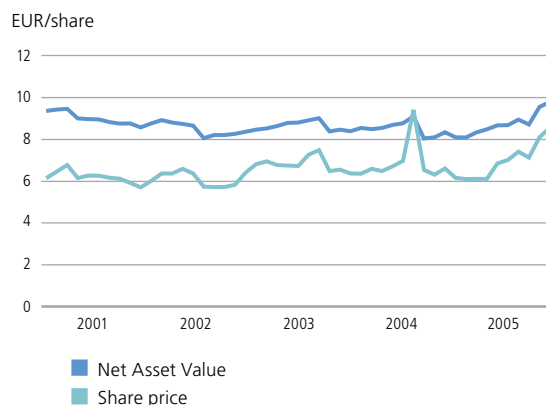
****) The proposal of the Board of Directors

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

GROUP'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

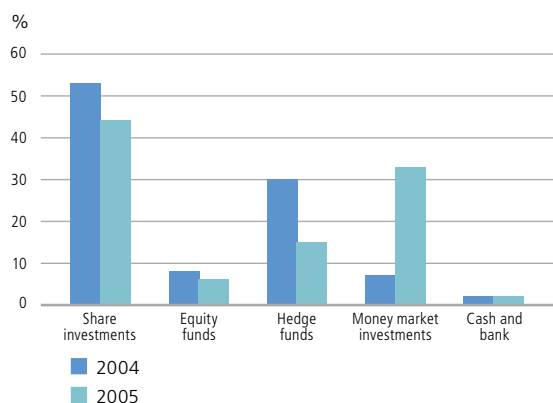
KEY FINANCIAL FIGURES

	2005 IFRS	2004 IFRS	2003 FAS	2002 FAS	2001 FAS
Result figures of the Group					
Turnover, MEUR	-	-	32.1	44.9	74.0
Operating profit, MEUR	29.5	19.9	7.2	-1.7	8.6
% of turnover	-	-	22.4%	-3.8%	11.6%
Profit before provisions and taxes, MEUR	28.7	19.4	7.1	-1.7	8.6
% of turnover	-	-	22.1%	-3.8%	11.6%
Return on equity, %	23.4%	10.6%	4.2%	-1.3%	3.8%
Return on investment, %	23.9%	12.1%	5.5%	-1.2%	6.1%
Balance figures of the Group					
Equity ratio, %	92.0%	74.5%	98.8%	98.7%	98.2%
Gross expenditure on non-current assets, MEUR	0.1	0.0	0.0	0.0	0.0
Dividend, MEUR	9,2 **	4.6	20.9	7,1	7.1
Key figures per share					
Earnings/share, EUR*	2.05	0.77	0.38	-0.04	0.62
Shareholders' equity/share, EUR*	9.78	8.04	8.37	8.60	9.27
Net asset value/share, EUR (issue-adjusted)	9.78	8.02	8.79	8.80	9.35
Discount on net asset value, %	12.6%	24.0%	28.6%	32.5%	38.7%
Dividend/share, EUR*	0,60 **	0.30	1.84	0.63	0.63
Dividend/earnings, %	29.3%	46.9%	479.9%	n/a	101.2%
Personnel					
Number of employees in the Group in average	7	7	10	13	15

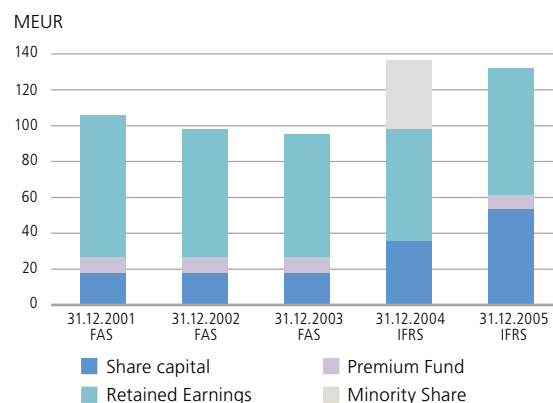
*) Adjusted with the coefficient of the bonus issue (2) and with the coefficient of the rights issue (1.116956)

***) Proposal of the Board of Directors

INVESTMENTS OF THE PARENT COMPANY



SHAREHOLDERS' EQUITY OF THE GROUP



NET ASSET VALUE OF NORVESTIA GROUP

Net asset value, MEUR	31.12.2005	31.12.2004	31.12.2003	31.12.2002	31.12.2001
Assets					
Non-current assets					
Tangible assets	0.1	0.0	0.1	0.1	0.1
Deferred tax receivables	-	0.3	-	-	-
Current assets					
Stocks	-	-	110.0	99.6	99.5
Shares held for trading	71.4	59.3	-	-	-
Other financial assets at fair value	31.8	91.8	-	-	-
Other investments	2.2	17.8	-	-	-
Cash and receivables	57.3	13.5	38.7	46.7	56.2
Cumulative assets	162.8	182.7	148.8	146.4	155.8
Current liabilities	-6.7	-41.2	-1.6	-1.7	-2.2
Deferred tax liability	-6.3	-5.3	-4.4	-3.5	-3.3
Net asset value before minority interest	149.8	136.2	142.8	141.2	150.3
Minority interest	-	-38.2	-35.5	-33.8	-36.1
Net asset value	149.8	98.0	107.3	107.4	114.2

Net asset value/share, EUR*	31.12.2005	31.12.2004	31.12.2003	31.12.2002	31.12.2001
	9.78	8.02	8.79	8.80	9.35

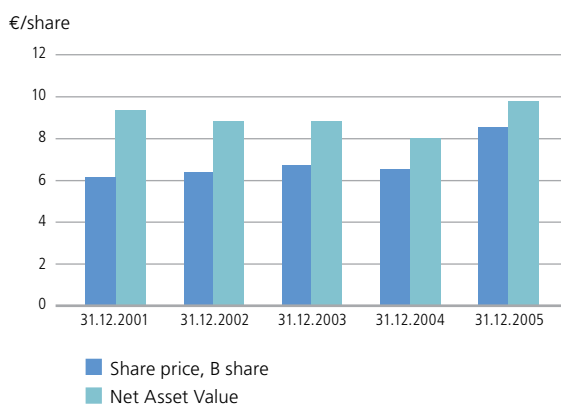
Dividend-adjusted increase in NAV	2005	2004	2003	2002	2001
Change, MEUR	31.4	11.6	7.0	0.3	6.1
Change per share, EUR*	2.05	0.77	0.46	0.03	0.40

* Issue-adjusted

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 fair value using discounted cash flow analysis.

SHARE PRICE AND NET ASSET VALUE



INVESTMENTS DECEMBER 31, 2005

	Number of shares/unit	Book value EUR 1,000	Market value EUR 1,000	Share of market value
NORVESTIA PLC				
Financial assets held for trading				
LISTED COMPANIES				
Amer Sports Corporation	76,250	1,082	1,199	1.1%
Aspocomp Group Oyj	28,000	112	105	0.1%
Atria Group plc	52,000	812	935	0.9%
Cargotec Corporation	49,200	1,118	1,441	1.4%
Comptel Corporation	163,975	299	269	0.3%
Elisa Corporation A share	21,987	100	344	0.3%
Finnair plc	74,600	349	894	0.8%
Fortum Corporation	189,200	2,865	2,997	2.8%
Huhtamäki Oyj	186,000	2,282	2,587	2.6%
KCI Konecranes plc	25,350	830	1,055	1.0%
Kemira Oyj	45,000	604	607	0.6%
Kemira Growhow Oyj	352,300	2,273	2,107	2.0%
Kesko Oyj B share	83,100	1,525	1,990	1.9%
Kone Corporation	28,400	574	952	0.9%
Lännen Tehtaat plc	58,150	653	1,047	1.0%
Metso Corporation	53,000	624	1,225	1.2%
M-Real Corporation B share	383,000	1,581	1,616	1.5%
Neste Oil Corporation	54,800	1,293	1,309	1.2%
Nokia Corporation	316,750	4,481	4,894	4.6%
Nokian Tyres plc	10,000	106	106	0.1%
Okmetic Oyj	29,200	45	52	0.0%
OKO Osuuspankkien Keskuspankki Oyj A share	358,755	3,088	4,255	4.0%
Orion Corporation A share	18,600	175	290	0.3%
Orion Corporation B share	105,200	1,394	1,645	1.6%
Outokumpu Oyj A share	251,200	3,008	3,153	3.0%
Perlos Corporation	195,950	1,644	1,754	1.7%
Pohjola Group plc	80,000	1,062	1,068	1.0%
Raisio Group plc V share	691,900	1,313	1,564	1.5%
Rautaruukki Corporation K share	92,300	985	1,897	1.8%
Sampo plc A share	305,700	3,566	4,500	4.3%
Stora Enso Oyj R share	242,600	2,576	2,775	2.6%
Tecnomen Corporation	137,500	59	337	0.3%
UPM-Kymmene Corporation	161,300	2,557	2,671	2.5%
Wärtsilä Corporation B share	91,000	1,674	2,275	2.2%
YIT Corporation	40,650	929	1,469	1.4%
3Com CP NNM	79,700	250	243	0.2%
AT&T Corporation	3,000	61	62	0.1%
BE Semiconductor Industries	26,200	101	109	0.1%
Benetton Group	11,800	89	114	0.1%
Compuware Corp Nnm	32,300	131	246	0.2%
Cooper Tire & Rubber Company	5,100	60	66	0.1%
Dana Corporation	10,000	60	61	0.1%
DAXEX GR	17,000	894	884	0.8%
Deutsche Lufthansa AG	50,000	562	626	0.6%
Eastman Kodak Company	3,200	61	63	0.1%
Electronic Data Systems Corporation	3,000	61	61	0.1%
Ford Motor Company	9,600	66	63	0.1%
General Motors Corporation	2,900	62	48	0.0%
Infineon Technologies AG	61,000	458	471	0.4%
Merck & Co. Inc.	2,400	61	65	0.1%
Nasdaq 100 UTS	29,100	1,123	997	0.9%
Nordea AB FDR	531,000	3,381	4,689	4.4%
Norske Skogindustrier ASA	11,571	135	155	0.1%
Röttneros AB	230,000	185	169	0.2%
Strålfors B share	39,000	183	332	0.3%
Sun Microsystems Inc	100,000	307	355	0.3%
TeliaSonera AB	880,000	3,566	4,004	3.8%
Valeo SA	4,710	130	148	0.1%
		59,625	71,415	67.7%
DERIVATIVES				
	Option contracts			
S&P500 call option	32	51	22	0.0%
		51	22	0.0%
Financial assets held for trading in total		59,676	71,437	67.7%

	Number of shares/unit	Book value EUR 1,000	Market value EUR 1,000	Share of market value
Other financial assets at fair value				
FUNDS				
Pohjola Euro Value B	17,351	1,699	1,756	1.7%
Pohjola Finland Value B	24,913	1,582	3,401	3.2%
Ramsay & Tuutti Avenir B	2,446	2,523	3,804	3.6%
Brummer & Partners Nektar	27,801	4,570	5,966	5.6%
Brummer & Partners Zenit	934	0	4,001	3.8%
Didner & Gerge Aktiefond	33,779	2,144	3,360	3.2%
Futuris	19,424	2,733	5,000	4.7%
RAM One	38,118	3,991	4,066	3.9%
		19,242	31,354	29.7%
OBLIGATIONS				
KO VIII/2004 Pharma 6	4,280	440	473	0.5%
		440	473	0.5%
Other financial assets at fair value in total		19,682	31,827	29.7%
Other investments				
PRIVATE EQUITY FUND				
Sponsor Fund I Ky		523	523	0.5%
		523	523	0.5%
NORVESTIA PLC IN TOTAL		79,881	103,787	98.4%
NORVENTURES LTD				
Other investments				
UNLISTED COMPANIES				
Polystar Instruments AB	266,000	1,717	1,717	1.6%
NORVENTURES LTD IN TOTAL		1,717	1,717	1.6%
NORVESTIA GROUP IN TOTAL		81,598	105,504	100.0%

REPORT BY THE BOARD OF DIRECTORS FOR

SALE OF SUBSIDIARY NEOMARKKA

Norvestia sold all its shares in its subsidiary Neomarkka plc on November 30, 2005 to Reka Oy. Reka, a Finnish industry Group which is over 100 years old, operates in the cable- and rubber industry and owns and refines properties.

The sale price was about EUR 30.4 million, which Norvestia received in cash. The sale price was preliminary, and will be adjusted up or down depending on changes between September 30, 2005 - March 31, 2006 in the market price of the hedge funds owned by Neomarkka. It is not expected that this will have a substantial effect on the final sale price. Norvestia's return on the sale amounted to EUR 10.6 million, which is included in this year's net profit in the Group's financial statements. The sale will streamline the structure of the Norvestia Group, but will not affect the company's operations in other ways.

Neomarkka became part of the Norvestia Group in 1999. The original focus of Neomarkka was on infrastructural investments. However, when this strategy proved difficult to realize and real returns proved weaker than expected, the direction of Neomarkka's activities was changed. For the last few years most of Neomarkka's assets have been invested in hedge funds.

Although Neomarkka's investment activities partly complemented those of Norvestia, many activities also overlapped. Selling Neomarkka was the best solution for Norvestia's shareholders. In addition to a significant sales profit it clarified the structure of Norvestia Group and eliminated the overlapping operations.

RIGHTS ISSUE

The rights issue in accordance with the shareholders' pre-emptive subscription right that was arranged in January 2005 was successful. In the rights issue, two old Norvestia shares entitled holders to subscribe for one new share at a price of EUR 5. The total amount of the rights issue after costs was about EUR 24.5 million.

The final result of the rights issue shows that 99% of all shares offered were subscribed on the basis of the primary subscription right. Over 1,000 shareholders participated in the secondary subscription and subscriptions were given for about 3 million B shares, which exceeded the number of distributable shares in the secondary subscription 57 times over. This was a sure sign of confidence in the company. Calculated on the basis of the share's closing price in 2005, the return of the new shares subscribed in the rights issue was about 70% for the year.

STOCK MARKET

2005 was a good year on the stock market. The index development was bullish on almost all European stock exchanges. The Nikkei 225 index, which measures development on the Tokyo Stock Exchange, rose for the third successive year and saw its strongest rise for 18 years. In the US, development was notably weaker than in Europe, although in the US the central share indices saw some positive development during the year.

In addition to improved earnings prospects, the substantial amount of cash in the economy can be seen as the most important single factor behind the favourable share price development. In Europe in particular, the key interest rate has been at a historically low level for two and a half years now, which has increased debt-taking. Liquidity is high in the euro-zone and the growth of the money supply accelerated still further during the second half of 2005. As a result of expectations of poor returns on money market investments, investors continuously seek new investment objects on the stock market, and this has pushed up the price of many shares.

Household liquidity has been increased by heavy borrowing and there has been a strong increase in domestic mortgages in particular. This has pushed up property prices, although there are some signs of stabilisation in prices, at least in some European countries.

The OMX Helsinki CAP yield index, which broadly measures development on the Helsinki Stock Exchange, rose 34.5% during the year, its strongest rise in six years. Stronger growth figures on the Helsinki Stock Exchange were last seen in 1999, when the OMX Helsinki index rose a record 161%.

The main similarity between 1999 and 2005 was that the share price of Nokia rose clearly in both years. This was the most important individual factor behind the strong index development. In 2001–2004 Nokia's share price decreased on a yearly level and in 2000 it rose by only 6%. The OMX Helsinki index experienced weak development during all those years. In 2005 it rose by over 5% for the first time since 1999 and is thus still about 50% below its peak of 2000. Nokia's share development is still crucial to the Helsinki Stock Exchange and its rise is a prerequisite for strong index development.

The biggest leap of the year was made by the Rautaruukki share, which rose 135%. The rapid increases in the share prices of Rautaruukki and Fortum have perhaps been the least anticipated movements on the Helsinki Stock Exchange. Common for both companies is that their main owner is the Finnish state.

During the summer of 2003 both the share price and the valuation of each company remained low, and they were of little interest to investors. The price of the Rautaruukki share was about EUR 4 at that time, and the Fortum share was trading at about EUR 5. At the end of 2005 Rautaruukki's share price was EUR 20.50, representing an almost fivefold increase in less than three years. Fortum's share price at the end of the year was EUR 15.80. When the Neste Oil shares paid as dividends by Fortum in 2004 are taken into account, Fortum's share price has also increased almost fivefold since spring 2003.

Norvestia has been a prominent owner in both companies during the whole price increase period, and the increase in value has also had a significant effect on Norvestia's net asset value. As these shares have increased in value Norvestia has regularly taken profits, but the real challenge in this kind of long-running success story is

JANUARY 1 - DECEMBER 31, 2005

to estimate precisely when the shares should be sold. They should of course not be sold too early, but then again they should be sold before their price has strayed too far from its analytically arguable valuation level. In a case like this a price decline is inevitable as a consequence of even a small piece of negative news.

Index trends on various exchanges in 2005:

Finland/OMX Helsinki index	31.1%
Finland/OMX Helsinki CAP yield index	34.5%
Sweden/OMX Stockholm index	32.6%
Norway/OBX index	35.4%
Denmark/OMX Copenhagen index	37.3%
USA/Nasdaq Composite index	1.4%
USA/S&P 500 index	3.0%
Bloomberg European 500 index	21.0%
Japan/Nikkei 225 index	40.2%

Norvestia's dividend -adjusted share price	35.5%
Norvestia's dividend-adjusted net asset value	26.5%

NET ASSET VALUE AND SHARE PRICE

On December 31, 2005 Norvestia's net asset value stood at EUR 9.78 per share (EUR 8.02* at the end of 2004).

In March 2005, Norvestia distributed EUR 0.30 in dividends. Taking this into account, the company's net asset value increased by EUR 2.05 (0.77*) in the year under review, equal to a 26.5% (10.8%) rise. The dividend-adjusted rise in the net asset value amounted to EUR 0.85 (0.41*) per share in the last quarter.

The price of Norvestia's dividend-adjusted B share went up by 35.5% during the year and stood at EUR 8.55 (6.53) on December 30, 2005. The discount in net asset value was 12.6% (24.0%) at year-end.

COMPLIANCE WITH IFRS RULES

The Norvestia Group ceased using the Finnish accounting standards (FAS) in favour of the international accounting standard (IFRS) January 1, 2005. The financial statement of the parent company is still presented according to FAS.

The implementation of IFRS has had a significant effect on the presentation of the company's and the Group's result and balance. Turnover, purchase of securities and changes in inventories no longer appear in the income statement. Instead trading gains and losses are reported. These comprise realized gains and losses from sales of securities, dividend- and interest income, and unrealized trading gains and losses in financial instruments. Current assets have been divided into shares held for trading (listed shares and derivatives), other financial assets at fair value through the profit and loss statement (funds and obligations) and in available-for-sale investments (unlisted shares and private equity funds).

*Issue-adjusted

GROUP RESULT ACCORDING TO IFRS

The profit of the Group in 2005 amounted to EUR 31.4 million (11.8), and operating expenses to EUR 2.3 million (2.2). The Group's operating expenses were 1.6% (2.2%) of net asset value. The profit for the last quarter was EUR 13.0 (5.1) million.

INVESTMENT PORTFOLIO OF THE GROUP

Market value breakdown of the Group's investments:

	2005		2004	
	MEUR	%	MEUR	%
Listed companies	71.5	43.9%	59.3	33.3%
Unlisted companies	2.3	1.4%	17.8	10.0%
Hedge funds	22.8	14.0%	81.2	45.5%
Share funds and bonds	8.9	5.5%	10.6	5.9%
Cash and money market investments	57.2	35.2%	9.5	5.3%
In total	162.7	100.0%	167.5	100.0%

INVESTMENTS BY THE PARENT COMPANY

The increase in the company's net asset value after expenses and taxes was 26.5% and was achieved with a volatility of 10.1%. Both the absolute and risk-adjusted return on investment activities was thus excellent. The Sharpe Ratio that measures risk and return was 2.4.

The monthly calculated volatility on Norvestia's investment activities rose significantly because of the exceptional return of 9.7% that was achieved in November mainly due to the selling of the subsidiary Neomarkka. When removing this consideration from the time series, the volatility on a yearly basis was 6.0%.

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

In addition to astute share picks and good timing Norvestia has managed to take advantage of momentary rapid price movements and overreactions on the stock market. It is often advantageous to act contrary to the market in these kinds of situations.

The parent company's investments were distributed as follows: Direct share investments 44% (53%), equity funds 6% (8%), hedge funds 15% (30%), money market investments 33% (7%) and cash and bank 2% (2%). The fairly large amount of money market investments at the turn of the year was mainly due to the cash price received from the sale of Neomarkka. 87% of Norvestia plc's investments were in euros, 11% in Swedish krona and 2% in other currencies.

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

NORVESTIA GROUP

Norvestia plc, which is a part of the Kaupthing Bank Group, is the parent company of Norventures Ltd. Norvestia sold its total holding in the subsidiary Neomarkka November 30, 2005.

Norvestia plc invests primarily in Nordic listed shares, equity and hedge funds, in the money markets and in other securities. Norvestia plc's B share is quoted on the Helsinki Stock Exchange's Main List.

No changes occurred in Norventures Ltd, a wholly owned subsidiary, during the year. Norventures has one investment in the Swedish unlisted company Polystar Instruments AB.

LIQUIDITY AND SOLVENCY

Norvestia Group's liquid assets totalled EUR 57.2 million (9,5). The equity ratio according to IFRS stood at 92.0% (74.5%). The Group's shareholders' equity totalled 149.8 million (136.4).

PERSONNEL AND INVESTMENTS

In 2005, Norvestia Group employed an average of 7 (7) people, and the parent company 4 (4).

Investments were made in machines and equipment during the year amounting to EUR 0.1 million (-).

SHAREHOLDERS

At the end of 2005, Norvestia's shareholders numbered 5,579 (5,353). Of the shares 0.3% were in foreign ownership (30.6%) and 38.3% were nominee-registered (5.7%).

The biggest shareholder is Kaupthing Bank, which had a 30.6% (30.4%) holding in Norvestia plc at year-end, which corresponds to 54.6% (54.4%) of votes. Norvestia's second biggest shareholder, Sampo Life Insurance Company Ltd, had an 11.7% (10.2%) holding of shares and 7.6% (6.7%) of votes at year-end. The ten major shareholders held a total of 48.1% (45.9%) of shares and 66.1% (64.6%) of votes.

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) on March 10, 2005, re-elected Sigurdur Einarsson as chairman, Hreidar Már Sigurdsson as vice chairman and J.T. Bergqvist and Stig-Erik Bergström as members of the Board. Robin Lindahl was elected new member.

Carl Gustaf af Hällström, CPA was re-elected as auditor and Ernst & Young Ltd as deputy auditor.

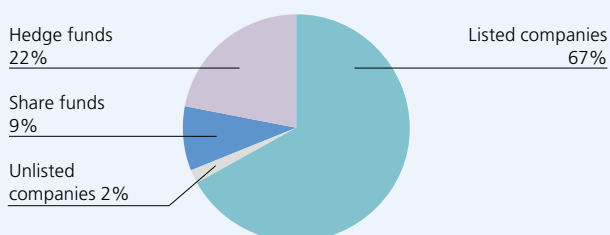
The AGM unanimously decided to release the Managing Director and the Board of Directors from liability for 2004. The AGM authorized the Board of Directors to acquire up to 765,828 of B shares. The Board was authorized to make these acquisitions in the company's name by March 9, 2006. The Board is entitled 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

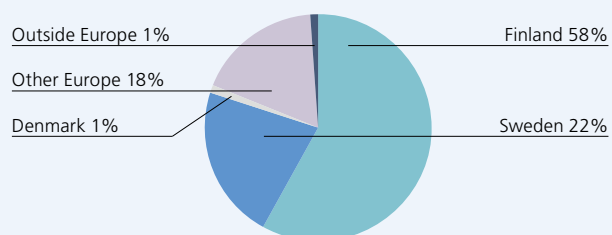
Norvestia's investment decisions are always assessed as prevailing market circumstances dictate. The aim is to achieve the best possible return with low risk. Currently, the following can be stated about the company's investment strategy:

A large part of Norvestia's assets are invested directly in shares on the Helsinki Stock Exchange. This direction will be continued and direct share investments will be increased when seen to be analytically justifiable. Investments can also be made in other stock exchanges in order to diversify risks and on the basis of return expectations with the main emphasis on the European exchanges. Assets will mainly be transferred from money market investments into share investments.

NORVESTIA GROUP'S INVESTMENTS DECEMBER 31, 2005



GEOGRAPHIC BREAKDOWN OF NORVESTIA GROUP'S INVESTMENTS DECEMBER 31, 2005



It is also possible that Norvestia will make a few larger individual investments in listed or unlisted companies, if suitable investment objects can be found.

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 development 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 0.60 (0.30) per share be distributed to shareholders in dividends, corresponding to EUR 9.2 (4.6) million.

FUTURE PROSPECTS

Decisions regarding interest rates made by central banks will have an important role in 2006. The US Central Bank, the FED, is assumed to be at the end of its cycle of raising interest rates. The FED fund's rate was raised eight times during 2005 and the

interest rate was 4.25% at the end of the year. This is notably higher than the current interest rate level in Europe, where the key interest rate was 2.25% at year-end. Judging by the notification of the European Central Bank it is probable that the key interest rate will be raised further in the near future.

Statistically examined the US stock market has developed more strongly than average after the FED has finished raising interest rates. It may therefore be reasonable to expect stronger development than last year on the US stock market.

The development of the German economy plays a crucial role in the development of the whole euro-zone. The latest available forecasts indicate that economic activity in Germany is accelerating somewhat after many years of low growth. If this is true it will support development in the whole euro-zone during the coming year.

In a historical context shares are not particularly inexpensive on the Helsinki Stock Exchange at the moment. Undervalued shares are very difficult to find and some companies already have a very challenging valuation. On the other hand profit forecasts for many companies have also improved, so in absolute terms the valuation level has barely changed since the same time last year.

The low interest rate level still continues to draw funds into the stock markets, which would support stock prices. In addition to the interest rate level, the oil price and the dollar are important factors for the stock market. In order to notice significant excesses in valuation it is necessary to continuously follow both individual companies and the stock market as a whole.

In accordance with its 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.

IFRS INCOME STATEMENT, NORVESTIA GROUP

EUR 1,000	Notes	1.1.–31.12.2005	1.1.–31.12.2004
Trading gains and losses	4	31,856	22,127
Personnel expenses	5, 22	-1,008	-833
Depreciation	6	-24	-15
Other operating expenses		-1,310	-1,355
OPERATING PROFIT		29,514	19,924
Financial income and expenses	7	-855	-553
PROFIT BEFORE TAX AND MINORITY SHARE		28,659	19,371
Income tax	8	-5,755	-4,537
Profit from sale of subsidiary	9, 20	10,611	-
Minority share		-2,089	-3,020
PROFIT FOR THE FINANCIAL YEAR		31,426	11,814
Profit for the financial year attributable to:			
Shareholders of the parent company		31,426	11,814
Minority interest		2,089	3,020
		33,515	14,834
Earnings per share for profit attributable to shareholders of the parent company:			
Earnings per share before dilution, EUR		2.05	0.77
Earnings per share after dilution, EUR		2.05	0.77
Number of shares, issue-adjusted		15,316,560	15,316,560

IFRS BALANCE SHEET, NORVESTIA GROUP

EUR 1,000	Notes	31.12.2005	31.12.2004
Assets			
NON-CURRENT ASSETS			
Tangible assets	10	54	44
Deferred tax receivables	11	-	289
		54	333
CURRENT ASSETS			
Financial assets held for trading	12	71,437	59,335
Other financial assets designated at fair value through P/L	13	31,827	91,841
Available-for-sale investments	14	2,240	17,812
Receivables	15	124	4,217
Cash in hand and at bank	16	57,183	9,477
		162,811	182,682
		162,865	183,015
Shareholders' equity and liabilities			
SHAREHOLDERS' EQUITY			
Share capital	17	53,608	35,739
Share premium		6,896	-
Retained earnings		57,885	50,666
Profit for the financial year		31,426	11,814
Minority share		-	38,199
		149,815	136,418
DEFERRED TAX LIABILITY	11	6,326	5,398
CURRENT LIABILITIES	18	6,724	41,199
		162,865	183,015

IFRS CASH FLOW STATEMENT, NORVESTIA GROUP

EUR 1,000	Notes	1.1.–31.12.2005	1.1.–31.12.2004
OPERATING ACTIVITIES			
Operating profit before financial items		28,659	19,371
Adjustments:			
Operations which do not include cash transactions		-7,420	-11,445
		21,239	7,926
Changes in working capital			
Change in shares and other investments		-26,743	-49,575
Change in receivables		4,091	-2,244
Change in current liabilities		3,158	39,581
		-19,494	-12,238
Received and paid taxes		-901	4
CASH FLOW FROM OPERATING ACTIVITIES		844	-4,308
INVESTMENT ACTIVITIES			
Sold subsidiaries		28,238	-
Investments in tangible assets		-50	-
Proceeds from sales of other investments		-	10
CASH FLOW FROM INVESTMENT ACTIVITIES		28,188	10
FINANCIAL ACTIVITIES			
Dividends paid		-5,814	-21,258
Rights issue		24,488	-
CASH FLOW FROM FINANCIAL ACTIVITIES		18,674	-21,258
CASH FLOW FOR THE PERIOD		47,706	-25,556
Liquid assets at the beginning of the period	16	9,477	35,033
Liquid assets at the end of the period	16	57,183	9,477
Increase or decrease in liquid assets		47,706	-25,556

IFRS CHANGES IN SHAREHOLDERS' EQUITY, NORVESTIA GROUP

EUR 1,000	Share capital	Share premium	Retained earnings	Profit for the period	Minority share	Total
Opening balance 1.1.2004	17,869	8,691	80,778		35,504	142,842
Dividends			-20,933		-325	-21,258
Bonus issue	17,870	-8,691	-9,179			0
Profit for the year				11,814	3,020	14,834
Closing balance 31.12.2004	35,739	0	50,666	11,814	38,199	136,418
Opening balance 1.1.2005	35,739	0	50,666	11,814	38,199	136,418
Allocations			11,814	-11,814		0
Dividends			-4,595		-1,219	-5,814
Rights issue	17,869	6,896				24,765
Profit for the year				31,426	2,089	33,515
Sale of subsidiary					-39,069	-39,069
Closing balance 31.12.2005	53,608	6,896	57,885	31,426	0	149,815

IFRS NOTES TO THE FINANCIAL STATEMENTS, NORVESTIA GROUP

1. CORPORATE INFORMATION

Norvestia plc is a Finnish public company domiciled in Helsinki. It is an investment company and its B shares are traded on the Helsinki Stock Exchange.

Norvestia plc is a part of the Kaupthing Bank Group domiciled in Reykjavik, Iceland. The financial statements of Kaupthing Bank can be found at their home page www.kaupthing.net.

The financial statements of the Norvestia Group for the year ended December 31, 2005 were authorized for issue in accordance with a resolution of the directors on January 25, 2006.

2. PRINCIPLES OF THE FINANCIAL STATEMENTS

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). The Norvestia Group ceased using the Finnish Accounting Standards (FAS) in favour of the International Financial Reporting Standards (IFRS) as of January 1, 2005. The International Financial Reporting Standards refers to the Finnish Accountancy Act and the regulations provided by that in regulated procedures in accordance to approved standards and interpretations of the IAS-regulation (EY No 1606/2002) that are acknowledged for use in EU corporations.

The consolidated financial statements are prepared using all IFRS-standards and SIC and IFRIC interpretations valid on the reporting day December 31, 2005 from the transition day January 1, 2004 onwards.

All amounts in the notes are given in EUR 1,000, if nothing else is mentioned.

2.1 PRINCIPLES OF CONSOLIDATION

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. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The consolidated financial statements include the results of Neomarkka plc for the eleven-month period in 2005, up to its sale in November 2005. For the moment there are no associated companies in the Group.

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. All internal transactions as well as assets and liabilities have been fully eliminated. Minority interests are presented separately in the income statement. Minority interests are also shown under shareholders' equity in the balance sheet.

2.2 VALUATION PRINCIPLES

Foreign currency translation

The consolidated financial statements are presented in euros. Transactions in foreign currencies are initially recorded in euros according to the currency rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are retranslated at the average rates of exchange at the balance sheet date, confirmed by the European Central Bank. All differences are taken to profit or loss.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Profit from sale of financial assets

Revenue is recognized when the Group's right to receive the payment is established.

Dividends

Revenue is recognized when the Group's right to receive the payment is established.

Interest income

Revenue is recognized as interest accrues using the effective interest method.

Pensions

The Group's pensions are charged to the profit and loss account in the period to which the pensions relate. The Group's pensions comply with the legislative TEL-insurance, the Group has no voluntary pension arrangements. The insurance through the TEL-pension arrangement is classified as a defined contribution plan.

Leases

The Group has only operational leases, meaning that the risks and benefits incidental to the leased item are not substantially transferred to the Group. Operating lease payments are recognized as a rental expense in the income statement on a straight-line basis over the lease term.

Taxes

The income tax in the income statement consists of current tax and deferred tax. Current taxes for the period are based on the results of the Group's companies and are calculated according to the Finnish tax rate. The income tax is corrected with possible taxes from earlier periods.

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. Currently enacted tax rates are used in the determination of deferred income tax.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

In the Group only deferred tax liability is booked in 2005, arising from deferred tax on unrealized gains.

Income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Earnings per share

The undiluted and diluted earnings per share are calculated by dividing the net result for the financial year by the weighted average number of shares outstanding.

Tangible assets

Tangible assets are stated at cost less accumulated depreciation. Gains and losses on the disposal of tangible assets are included in operating profit/loss.

The depreciation according to plan of machinery and equipment meet the maximum amounts regulated in the tax law and corresponds to 25% of the remaining residual value. Other tangible assets are amortized over five years on a straight-line basis.

Financial Assets

Financial assets in the scope of IAS 39 are classified as 1) financial assets held for trading 2) financial assets at fair value through profit or loss 3) available-for-sale financial assets and 4) loans and receivables. The Group determines the classification of its financial assets after initial recognition.

Purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase or sell the asset.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, that do not fulfill the principles of hedge accounting, are also classified as held for trading. Gains or losses on investments held for trading are recognized in

income. The fair value of investments in group 1 is determined by reference to the last trade price at the close of business on the balance sheet date. The fair value of assets in group 2 (consists mainly of funds) is determined through monthly reports of the funds' net asset value.

Available-for-sale financial assets in group 3, which consist of unlisted shares and private equity funds, are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the two preceding categories.

After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement. For investments where there is no active market, fair value is determined using valuation techniques, in most cases the discounted cash flow analysis.

Loans and receivables in group 4 are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

The fair values of other financial assets and financial liabilities are assumed to approximate their carrying values, either because of their short maturities, or where their fair values cannot be measured reliably.

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as options, futures and forward currency contracts to manage its portfolio more effectively and to hedge its risk associated to fluctuations in exchange rates. The Group has not been using hedge accounting.

Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives are taken directly to net profit or loss for the year. Fair values of options and futures are calculated on quoted market rates at the balance sheet date. The fair value of forward currency contracts is calculated by reference to the average rate of exchange at the balance sheet date.

Impairment of financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to the income statement. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit.

Derecognition of financial assets and liabilities

A financial asset, or a part of a financial asset, is derecognized when the Group's rights to receive cash flows from the asset have expired or when the Group has transferred substantially all the risks and rewards of the asset outside the Group.

Receivables

Current receivables are valued at the estimated total amount to be received.

Cash in hand and at bank

Cash in hand and at bank in the balance sheet comprise cash, short-term deposits and money market investments with an original maturity of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Liabilities (Provisions)

Liabilities are recognized when the Group has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

3. SEGMENT AND GEOGRAPHICAL INFORMATION

No segments have been defined as business operations are managed as one entity. No geographical breakdown has either been made, as all operations are conducted in Finland.

NOTES TO THE INCOME STATEMENT, IFRS

EUR 1,000

4. TRADING GAINS AND LOSSES

	2005	2004
Return from shares	15,912	7,319
Return from funds	9,899	2,577
Return from other investments	1,510	52
Return from currency futures	-2,678	1,743
Dividend income	6,758	6,931
Avoir fiscal and tax at source credits	-	3,173
Interest income	449	326
Other income	6	6
	31,856	22,127
Realized gains	77%	63%
Unrealized gains	23%	37%

5. PERSONNEL AND BOARD EXPENSES

	2005	2004
Salaries	824	692
Pension expenses classified as a defined contribution plan	93	88
Other supplementary personnel expenses	91	53
	1,008	833
Personnel in average	7	7

6. DEPRECIATION

	2005	2004
Machinery and equipment	-20	-15
Other tangible assets	-4	-
	-24	-15

7. FINANCIAL INCOME AND EXPENSES

	2005	2004
Interest income	49	34
Interest expenses	-28	-18
Interest expenses paid to Group companies	-1,036	-478
Exchange rate differences	160	-91
	-855	-553

8. INCOME TAXES

	2005	2004
Current taxes for the period	-3,815	-1,785
Taxes from earlier periods	-	-2
Deferred taxes	-1,940	-2,750
	-5,755	-4,537

Reconciliation of taxes, tax base for year 2005 26% and for year 2004 29%

	2005	2004
Profit before taxes	39,270	19,371
Taxes at local rates	-10,210	-5,617
Tax-free income	4,461	8
Non-deductible expenses	-6	-3
Unrecognised deferred tax from earlier periods	-	378
Deferred tax profit from change in local tax rate	-	697
Tax in income statement	-5,755	-4,537

9. ESSENTIAL EVENTS DURING THE FOURTH QUARTER

The operations of the Group doesn't normally differ in the fourth quarter from other periods under review. During the last quarter of 2005 there was one essential event when Norvestia plc sold its holdings in the subsidiary Neomarkka plc and therefore the table below is presented. See note 20.

	1.10.-31.12.2005	1.10.-31.12.2004
Trading gains and losses	4,013	10,473
Expenses and depreciation	-654	-814
OPERATING PROFIT	3,359	9,659
Financial income and expenses	-187	-305
PROFIT BEFORE TAX AND MINORITY SHARE	3,172	9,354
Income tax	-830	-2,330
Profit from sale of subsidiary	10,611	-
Minority share	32	-1,956
PROFIT FOR THE FINANCIAL PERIOD	12,985	5,068

NOTES TO THE BALANCE SHEET

10. TANGIBLE ASSETS

	2005	2004
Acquisition cost 1.1	235	235
Additions	50	-
Disposals	-107	-
Net carrying amount 31.12	178	235
Opening accumulated depreciation	-191	-176
Depreciation for the year	-24	-15
Accumulated depreciation in disposals	91	-
Net carrying amount 31.12	-124	-191
Residual value according to plan 31.12	54	44

11. DEFERRED TAX ASSETS AND LIABILITIES

	31.12.2005	31.12.2004
<i>Deferred tax asset</i>		
Avoir fiscal receivables in subsidiary	-	289
<i>Deferred tax liability</i>		
Valuation of investments to fair value	6,326	5,398

12. FINANCIAL ASSETS HELD FOR TRADING

	31.12.2005	% of assets	31.12.2004	% of assets
Market value	71,437	43.9%	59,335	32.4%
Purchase value	59,676		49,857	
Unrealized gain	11,761		9,478	

Stock derivatives

Option contracts		
Bought call options		
Underlying value	-	724
Market value	-	45

Index derivatives

Option contracts		
Bought call options		
Underlying value	874	-
Market value	22	-

Forward currency contracts, EUR million

	31.12.2005	31.12.2004
Nominal value	-	32.1
Market value	-	0.7

13. OTHER FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT AND LOSS

	31.12.2005	% of assets	31.12.2004	% of assets
Market value	31,827	19.5%	91,841	50.2%
Purchase value	19,682		76,546	
Unrealized gain	12,145		15,295	

Split of market value in securities

Hedge funds	22,836		81,241	
Share funds	8,518		10,600	
Bonds	473		-	
	31,827		91,841	

14. AVAILABLE-FOR-SALE INVESTMENTS

	31.12.2005	% of assets	31.12.2004	% of assets
Market value	2,240	1.4%	17,812	9.7%
Purchase value	2,240		17,812	
Unrealized gain	0		0	

In year 2005 investments have been recognised at fair value using the discounted cash flow method. In year 2004 investments were carried at cost because the fair value was not seen to be reliably measurable.

15. CURRENT RECEIVABLES

	31.12.2005	31.12.2004
Accounts receivable	34	2,295
Accrued income	90	1,922
	124	4,217

16. CASH IN HAND AND AT BANK

	31.12.2005	31.12.2004
Check account	3,459	2,622
Depositions	6,374	6,855
Money market investments (1–3 months)	47,350	-
	57,183	9,477

17. SHAREHOLDERS' EQUITY

Norvestia has 900,000 A shares (600,000) and 14,416,560 B shares (9,611,040) with the nominal value of EUR 3.50 per share. The A share carries 10 votes and the B share one vote. All shares issued have been paid in full.

According to the articles of association of Norvestia plc the minimum share capital is EUR 30.0 million and the maximum share capital is EUR 120.0 million.

The Board of Directors has proposed that EUR 0.60 be distributed in dividends for 2005 (0.30).

The Annual General Meeting of March 10, 2005 authorized the Board of Directors to purchase the company's own shares using assets available for profit distribution. The authorization concerns B shares, which can be purchased to a maximum amount of 765,828 shares. 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. The authorization was not used in 2005.

18. CURRENT LIABILITIES

	31.12.2005	31.12.2004
Accounts payable	3,258	126
Accounts payable to Group companies	10	116
Current tax liability	3,004	-
Loans	-	10,000
Loans from Group companies	-	30,000
Other current liabilities	162	315
Accrued liabilities and deferred income	290	448
Accrued liabilities to Group companies	-	194
	6,724	41,199

OTHER SUPPLEMENTARY INFORMATION

19. PLEDGES, EUR MILLION

	31.12.2005	31.12.2004
As security for the limit of the cheque account, EUR 2.0 million (EUR 2.0 million), which was unused as at 31.12.2005		
Shares at market value	5.5	6.0
Money market investment	-	-
Cheque account	0.0	0.0
As security for short-term loan		
Shares at market value	-	20.4
Other pledges		
Shares at market value	-	0.4
Pledges in total	5.5	26.8

20. OTHER COMMITMENTS

	31.12.2005	31.12.2004
Investment commitment in Sponsor Fund Ky	332	333

Lease expenses

The Group has entered into an operating lease for its office and also for some office equipments. Future minimum rentals payable under non-cancellable operating leases are as follows:

	31.12.2005	31.12.2004
Within 1 year	80	102
After 1 year but within 5 years	211	-
Over 5 years	-	-
	291	102

Contingent liabilities or assets

Norvestia had the following contingent liability or asset at December 31, 2005:

Norvestia sold all its shares in the subsidiary Neomarkka plc November 30, 2005. The sale price was about EUR 30.4 million, which Norvestia received in cash. The sale price was preparatory and will be adjusted up or down depending on the changes in the market price of hedge funds owned by Neomarkka during the period between September 30, 2005 – March 31, 2006. It is not expected that this will have a substantial effect on the final sale price.

21. MANAGEMENT OF FINANCIAL RISK

The main risks arising from the Group's financial instruments are foreign currency risk and market risk. The Board of Directors agrees on the main policies for risk management.

Currency risk

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.

87% of the Group's investments were in euros, 11% in Swedish kronas and 2% in other currencies December 31, 2005. The company does not hedge changes in currency rates.

Market risk in investment operations

The Group is in its operations subject to market price risk from its investments. Performance is greatly affected by economic developments and share prices both in Finland and abroad. 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.

22. RELATED PARTIES

The consolidated financial statements include the financial statements of Norvestia plc and its wholly owned subsidiary Norventures Ltd. The ultimate parent of the Group is Kaupthing Bank. The following table provides the total amount of transactions, which have been entered into with related parties.

Related party		Purchases from related party	Interest expenses to related party	Amounts owed by related parties	Amounts owed to related parties
Norventures	2005	-	-	1,532	-
	2004	-	-	1,532	-
Kaupthing Bank (parent)	2005	8	1,036	-	-
	2004	-	478	-	-
Kaupthing Bank Oyj	2005	1,644	-	-	10
	2004	100	-	-	116

The purchases from related parties are made at normal market prices.

Salaries and fees to related parties in the Group

		Salary or fee	Bonus	In total
Managing Directors	2005	252	205	457
	2004	240	115	355
Board of Directors	2005	102	-	102
	2004	111	-	111

The Managing Director has no other pension benefits than the statutory benefits. 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.

TRANSITION TO IFRS REPORTING

The Norvestia Group ceased using the Finnish Accounting Standards (FAS) in favour of the International Financial Reporting Standards (IFRS) as of January 1, 2005. The Norvestia Group has published all its interim reports in 2005 according to IFRS. The main differences between the published financial statement for 2004 according to FAS and the same according to IFRS are as follows.

FINANCIAL ASSETS AND DEFERRED TAX LIABILITY

The new standards cause consolidated financial assets to be recorded at fair value, instead of at the lowest of acquisition price and market value. Deferred tax is calculated on unrealized gains. This effects the consolidated result positively, as also unrealized gains from financial instruments, less deferred tax, can be recognized in the result.

FINANCIAL STATEMENTS

Implementation of IFRS has a significant influence on the presentation of the Group's consolidated income statement and balance sheet. Net turnover, purchase of securities and change in inventories were removed from the income statement. Instead, gains and losses from trade of financial assets are reported. These comprise gains and losses from sales of securities, dividend- and interest income, and unrealized trading gains and losses from financial instruments.

The consolidated shareholders equity corresponds to the net asset value and the opening balance of equity according to IFRS is therefore much bigger because of the addition of unrealized gains.

The investment commitment in Sponsor Fund Ky is presented under contingent liabilities, earlier the commitment was booked in liabilities. The company has only operational leases and payments are recognized as rental expenses. The Group's pension insurance through the TEL-pension arrangement is classified as a defined contribution plan.

The Group's consolidated income statement for year 2004 and the balance sheet of December 31, 2004 are below presented according to IFRS. In addition specifications of change in the cash flow statement, shareholder's equity and profit for the financial year are presented.

INCOME STATEMENT, NORVESTIA GROUP

	FAS	IFRS effect of transition	IFRS
EUR 1,000	2004	2004	2004
TURNOVER	72,419	-72,419	0
Purchase of securities	-107,811	107,811	0
Change in stock	49,232	-49,232	0
Trading gains and losses	0	22,127	22,127
Personnel expenses	-833	0	-833
Depreciation	-15	0	-15
Other operative expenses	-1,605	250	-1,355
OPERATING PROFIT	11,387	8,537	19,924
Financial income and expenses	-553	0	-553
PROFIT BEFORE TAX AND MINORITY SHARE	10,834	8,537	19,371
Income tax	-1,714	-2,823	-4,537
Minority share	-2,561	-459	-3,020
PROFIT FOR THE FINANCIAL YEAR	6,559	5,255	11,814

TRANSITION TO IFRS REPORTING

BALANCE SHEET, NORVESTIA GROUP

EUR 1,000	FAS 2004	IFRS effect of transition	IFRS 2004
Assets			
NON-CURRENT ASSETS			
Tangible assets	44		44
Deferred tax receivables	2,050	-1,761	289
NON-CURRENT ASSETS IN TOTAL	2,094	-1,761	333
CURRENT ASSETS			
Stocks	140,278	-140,278	0
Financial assets held for trading	0	59,335	59,335
Other financial assets designated at fair value	0	91,841	91,841
Other investments	0	17,812	17,812
Receivables	3,967	250	4,217
Cash in hand and at bank	11,262	-1,785	9,477
CURRENT ASSETS IN TOTAL	155,507	27,175	182,682
Assets in total	157,601	25,414	183,015
Shareholders' equity and liabilities			
SHAREHOLDERS' EQUITY			
Share capital	35,739	0	35,739
Retained earnings	38,744	11,922	50,666
Profit for the financial year	6,559	5,255	11,814
Minority share	0	38,199	38,199
SHAREHOLDERS' EQUITY IN TOTAL	81,042	55,376	136,418
MINORITY SHARE	35,028	-35,028	0
DEFERRED TAX LIABILITY	0	5,398	5,398
CURRENT LIABILITIES	41,531	-332	41,199
Shareholders' equity and liabilities in total	157,601	25,414	183,015

TRANSITION TO IFRS REPORTING

CASH FLOW STATEMENT, NORVESTIA GROUP

EUR 1,000	FAS 2004	IFRS effect of transition	IFRS 2004
OPERATING ACTIVITIES			
Operating profit before financial items	10,834	8,537	19,371
Adjustments:			
Operations which do not include cash transaction	-3,158	-8,287	-11,445
CHANGES IN WORKING CAPITAL			
Change in shares and other investments	-49,232	-343	-49,575
Change in receivables	-1,994	-250	-2,244
Change in financial assets	24,887	-24,887	0
Change in current liabilities	39,915	-334	39,581
Received and paid taxes	4		4
CASH FLOW FROM OPERATING ACTIVITIES	21,256	-25,564	-4,308
INVESTMENT ACTIVITIES			
Proceeds from sales of other investments	10		10
FINANCIAL ACTIVITIES			
Dividends paid	-21,258		-21,258
CASH FLOW FOR THE YEAR	8	-25,564	-25,556
Liquid assets 1.1	2,614	32,419	35,033
Liquid assets 31.12	2,622	6,855	9,477

SPECIFICATION OF CHANGES IN EQUITY

EUR 1,000	31.12.2004	31.12.2003
Shareholders' equity according to FAS	81,042	95,416
Effect of transition to IFRS:		
Unrealized change in value	27,257	18,969
Deferred tax liability	-7,159	-4,336
Costs of rights issue*	250	-
Minority share	35,028	32,792
Shareholders' equity according to IFRS	136,418	142,841

SPECIFICATION OF CHANGES IN PROFIT FOR THE PERIOD

EUR 1,000	1.1.-31.12.2004	1.1.-31.12.2003
Profit for the year according to FAS	6,559	4,362
Effect of transition to IFRS:		
Unrealized change in value	8,287	4,902
Deferred tax	-2,823	-783
Costs of rights issue*	250	-
Minority share	-459	-1,471
Profit for the year according to IFRS	11,814	7,010

*According to IFRS costs of a rights issue shall be deducted from the assets received from the issue and these are therefore recorded in shareholders' equity instead of the income statement. The costs are a result of the rights issue which was arranged in 2005.

FAS INCOME STATEMENT, NORVESTIA PLC

EUR 1,000	Note	1.1.–31.12.2005	1.1.–31.12.2004
NET TURNOVER	2	91,309	54,423
Purchases of securities		-83,511	-65,736
Change in stock		14,637	20,243
Personnel expenses	3	-589	-496
Planned depreciation	4	-20	-8
Other operating expenses		-1,573	-878
OPERATING PROFIT		20,253	7,548
Profit from sale of subsidiary		12,225	-
Financial income and expenses	5	768	139
PROFIT BEFORE TAX AND MINORITY SHARE		33,246	7,687
Income tax		-3,947	-2,232
PROFIT FOR THE FINANCIAL YEAR		29,299	5,455
Earnings per share basic, EUR		1.91	0.36
Earnings per share diluted, EUR		1.91	0.36
Number of shares, issue-adjusted		15,316,560	15,316,560

FAS BALANCE SHEET, NORVESTIA PLC

EUR 1,000	Note	31.12.2005	31.12.2004
Assets			
NON-CURRENT ASSETS			
Tangible assets	6	54	23
Shares in Group companies	7	221	17,406
Deferred tax receivables	8	-	43
		275	17,472
CURRENT ASSETS			
Stocks	9	79,806	65,168
Current receivables	10	1,656	1,564
Current financial assets		53,706	6,855
Cash in hand and at bank		3,355	1,599
		138,523	75,186
		138,798	92,658
Shareholders' equity and liabilities			
SHAREHOLDERS' EQUITY			
Share capital	11	53,608	35,739
Share premium		7,658	-
Retained earnings		41,178	40,318
Profit for the financial year		29,299	5,455
		131,743	81,512
CURRENT LIABILITIES			
	12	7,055	11,146
		138,798	92,658

FAS CASH FLOW STATEMENT, NORVESTIA PLC

EUR 1,000	1.1.–31.12.2005	1.1.–31.12.2004
OPERATING ACTIVITIES		
Operating profit/loss before financial items	33,246	7,687
Planned depreciation	20	8
Adjustment profit from sale of subsidiary	-12,225	-
Avoir Fiscal	-	-2,123
	21,041	5,572
Changes in working capital		
Increase (-) or decrease (+) in stocks	-14,638	-20,242
Increase (-) or decrease (+) in current receivables	-94	179
Increase (-) or decrease (+) in financial assets	-46,851	25,563
Increase (+) or decrease (-) in current liabilities	-7,094	9,788
	-68,677	15,288
Received and paid taxes	-901	4
CASH FLOW FROM OPERATING ACTIVITIES	-48,537	20,864
INVESTMENT ACTIVITIES		
Sale of shares in Group companies	28,238	-
Investments in tangible assets	-50	10
CASH FLOW FROM INVESTMENT ACTIVITIES	28,188	10
FINANCIAL ACTIVITIES		
Dividends paid	-4,595	-20,933
Rights issue	25,528	-
CASH FLOW FROM FINANCIAL ACTIVITIES	20,933	-20,933
CASH FLOW FOR THE YEAR	584	-59
Liquid assets 1.1.	2,771	1,658
Liquid assets 31.12.	3,355	1,599
Increase or decrease in liquid assets	584	-59

FAS NOTES TO THE FINANCIAL STATEMENTS, NORVESTIA PLC

FAS NOTES TO THE FINANCIAL STATEMENTS

1. 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.

All amounts in the notes are given in EUR 1,000, if nothing else is mentioned.

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. Current financial assets are valued at the acquisition cost or at the market value, if the latter is lower.

Assets and liabilities denominated in foreign currencies are retranslated at the average rates of exchange at the balance sheet date, confirmed by the European Central Bank.

TANGIBLE ASSETS

Tangible assets are stated at cost less accumulated depreciation. The depreciation according to plan of machinery and equipment meet the maximum amounts regulated in the tax law and corresponds to 25% of the remaining residual value. Expenses that will accumulate gain for three or more years are amortized over five years on a straight-line basis.

TAXES

The income tax in the income statement consists of current tax and deferred tax. Current taxes for the period are based on the results of the Group companies and are calculated according to the Finnish tax rate. The income tax is corrected with possible taxes from earlier periods.

Deferred tax receivables arising from avoir fiscal and confirmed losses are separately entered in the balance sheet. Deferred tax receivables are booked to the part that is estimated to be used in the future.

NOTES TO THE INCOME STATEMENT OF THE PARENT COMPANY

2. NET TURNOVER

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

	2005	2004
Sales of securities	85,468	46,646
Dividend income	5,443	5,443
Avoir fiscal and tax at source credits	-	2,059
Interest income	392	269
Other income	6	6
	91,309	54,423

3. PERSONNEL AND BOARD EXPENSES

	2005	2004
Salaries	522	415
Pension expenses	45	58
Other supplementary personnel expenses	22	23
	589	496
where of		
Managing Director	294	243
Board of Directors	70	69
	364	312
Personnel in average	4	4

The Managing Director has no other pension benefits than the statutory benefits. 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. Bonus was booked to the company's Managing Director 151 (115). Fees to the Chairman of the Board of Norvestia amounted to 18 (18) in the parent company.

4. PLANNED DEPRECIATION

	2005	2004
Machinery and equipment	-16	-8
Expenses that will accumulate gain for a longer period	-4	-
	-20	-8

5. FINANCIAL INCOME AND EXPENSES

	2005	2004
Dividend income from Group companies	587	220
Interest income	47	27
Interest expenses	-28	-18
Exchange rate differences	162	-90
	768	139

NOTES TO THE BALANCE SHEET OF THE PARENT COMPANY

6. TANGIBLE ASSETS

	2005	2004
Acquisition cost 1.1	138	138
Additions	50	-
Disposals	-10	-
Net carrying amount 31.12	178	138
Opening accumulated depreciation	-115	-107
Depreciation for the year	-20	-8
Accumulated depreciation in disposals	11	-
Net carrying amount 31.12	-124	-115
Residual value according to plan 31.12	54	23

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

8. DEFERRED TAX RECEIVABLES

	31.12.2005	31.12.2004
Deferred tax receivables, avoir fiscal	-	43

9. SECURITIES THAT CONSTITUTE STOCKS

	31.12.2005	31.12.2004
Market value	104,119	86,079
Book value	79,806	65,168
Unrealized gain	24,313	20,911

10. CURRENT RECEIVABLES

	31.12.2005	31.12.2004
Accounts receivable	34	9
Accounts receivable from Group companies	-	5
Loan receivables from Group companies	1,532	1,532
Accrued income	90	18
	1,656	1,564

11. CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Retained earnings	Profit for the year	Total
Opening balance 1.1.2005	35,739	0	40,318	5,455	81,512
Allocations			5,455	-5,455	0
Dividends			-4,595		-4,595
Bonus issue	17,869	7,658	0		25,527
Profit for the year				29,299	29,299
Closing balance 31.12.2005	53,608	7,658	41,178	29,299	131,743

12. CURRENT LIABILITIES

	31.12.2005	31.12.2004
Accounts payable	3,258	58
Accounts payable to Group companies	10	116
Current tax liability	3,004	-
Loans	-	10,000
Other current liabilities	493	533
Accrued liabilities and deferred income	290	439
	7,055	11,146

OTHER SUPPLEMENTARY INFORMATION

13. 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

	31.12.2005	31.12.2004
Option contracts		
Bought call options		
Underlying value	-	724
Market value	-	45

Index derivatives

	31.12.2005	31.12.2004
Option contracts		
Bought call options		
Underlying value	874	-
Market value	22	-

14. PLEDGES, EUR MILLION

	31.12.2005	31.12.2004
As security for the limit of the cheque account, EUR 2.0 million (EUR 2.0 million), which was unused as at 31.12.2005		
Shares at market value	5.5	6
Money market investment	-	-
Cheque account	0	0
As security for short-term loan		
Shares at market value	-	20.4
Other pledges		
Shares at market value	-	0.4
Pledges in total	5.5	26.8

PROPOSAL FOR DISTRIBUTION OF PROFIT

On December 31, 2005 the Group's distributable funds amounted to EUR 70,543,993. The parent company's distributable funds amounted to EUR 70,476,753. The General Meeting has EUR 70,476,753 at its disposal.

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

- EUR 0.60/share will be distributed as dividend for 15,316,560 shares	EUR	9,189,936
- the remainder of the profit will be left in retained earnings	EUR	61,286,817
	EUR	70,476,753

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

- share capital	EUR	53,607,960
- share premium	EUR	7,658,280
- retained earnings	EUR	61,286,817
	EUR	122,553,057

The payment record date for the dividend is on March 9, 2006. The stipulated dividend will be paid out after the end of the record period, on March 16, 2006.

Helsinki, January 25, 2006



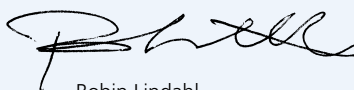
Sigurdur Einarsson
Chairman of the Board



J.T. Bergqvist



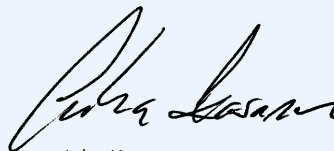
Stig-Erik Bergström



Robin Lindahl



Hreidar Már Sigurdsson



Juha Kasanen
Managing Director

AUDITOR'S REPORT

TO THE SHAREHOLDERS OF NORVESTIA OYJ

I have audited the accounting records, the financial statements and the administration of Norvestia Oyj for the period 1.1.–31.12.2005. The Board of Directors and the Managing Director have prepared the Report of the Board of Directors and the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU and the parent company's financial statements prepared in accordance with prevailing regulations in Finland, that includes parent company's balance sheet, income statement, cash flow statement and the notes to the financial statements. Based on my audit, I express an opinion on the consolidated financial statements, the parent company's financial statements and on the administration (of the parent company).

I have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 the management as well as evaluating the overall financial statement presentation. The purpose of my audit of administration is to examine that the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Companies' Act.

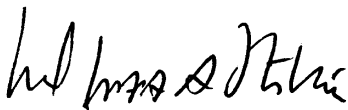
CONSOLIDATED FINANCIAL STATEMENTS

In my opinion the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU give a true and fair view, as referred to in the International Financial Reporting Standards as adopted by the EU and defined in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position. The consolidated financial statements can be adopted.

PARENT COMPANY'S FINANCIAL STATEMENTS AND ADMINISTRATION

In my opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Finnish Accounting Act, of the parent company's result of operations as well as of the financial position. The financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by me. The proposal by the Board of Directors regarding the result from the period/distribution of retained earnings/distributable funds is in compliance with the Companies' Act.

Helsinki, 30th January 2006



Carl Gustaf af Hällström
Authorized Public Accountant

BOARD OF DIRECTORS AND MANAGEMENT

CHAIRMAN OF THE BOARD

Master's degree economics **Sigurdur Einarsson**, London

Year of Birth 1960

Executive Chairman in Kaupthing Bank 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 Bank hf. and several of its subsidiaries in Iceland, Finland, Norway, Denmark, Luxembourg, Faroe Islands and United Kingdom (Singer&Friedlander Group Plc etc)

Member of the Board in FIH Ehrvervbank A/S, Kaupthing Bank Sverige and PFA Pension Luxembourg S.A.

Board Membership in Norvestia began: 20.10.2003

Shareholdings in Kaupthing Bank: 3,344,423 shares including shares owned by financially related parties

Shareholdings in Norvestia: -

VICE CHAIRMAN

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 of The Bankers' and Securities Dealers' Association of Iceland

Member of the Board in several subsidiaries of Kaupthing Bank in Iceland, Sweden, Norway, New York, Luxembourg, and United Kingdom (Singer&Friedlander Group Plc etc), Exista Ehf., Vis hf.

Board Membership in Norvestia began: 20.10.2003

Shareholdings in Kaupthing Bank: 2,399,239 shares including shares owned by financially related parties

Shareholdings in Norvestia: -

OTHER REGULAR 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

Member of the Board in Ascom AG and Kaupthing Bank Oyj

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 and in The Finnish Association of Professional Board Members

Board Membership in Norvestia began: 27.3.2001

Shareholdings in Kaupthing Bank: -

Shareholdings in Norvestia: 9,089 B shares

Master of Science (Economics) **Robin Lindahl**, Kauniainen

Year of Birth 1964

Vice President, Customer and Market Operation, Nokia Networks

Primary working experience: 1997- Various management positions in Nokia Networks; 1993-1997: Nokia Finance International, Manager Treasury; 1990-1993: Skopbank International BV, Finance Manager

Member of the Board in Finn Gulf Yachts Oy

Board Membership in Norvestia began: 10.3.2005

Shareholdings in Kaupthing Bank hf: -

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

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 10, 2005.

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 five regular members at year-end 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, Stig-Erik Bergström and Robin Lindahl 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. The Board appoints the Managing Director and decides on the Managing Director's remuneration.

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 e.g. instructions on the form and content of Board meetings, the company's financial reporting, investments and external communications. 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. The Board annually conducts an internal self-evaluation of its work.

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 usually convenes between five and eight times a year. In 2005, the Board met 14 times with a participation activity of 85%.

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 if 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.



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

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 bookkeeping 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 10, 2005, 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. The Managing Director is paid a monthly salary and a bonus. The bonus is based on the company's annual net asset value return after expenses and taxes. The Board of Directors determines the grounds for the bonus. In 2005, the Managing

Director was paid a total of 234,000 in monthly salary, bonus and fringe benefits. The share of the monthly salary was 142,000, the bonus for 2005 90,000 and fringe benefits 2,000.

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. The audit committee follows the financial situation of the company and supervises its financial reporting. 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 2005, the Audit Committee met 2 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. The company has no other Board committees.

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. 69,100 was paid for the audit work to the auditor in 2005 in Norvestia Group and 43,200 in Norvestia plc.

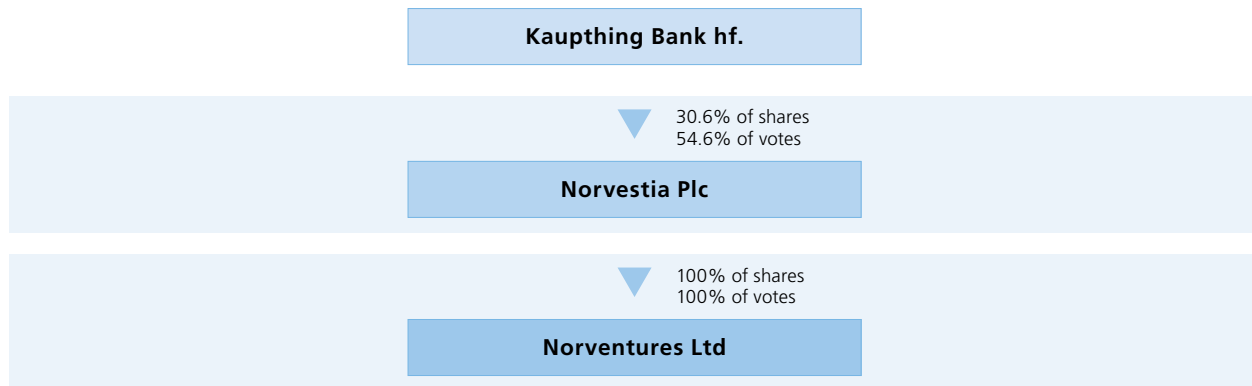
INSIDER REGULATION

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, Managing Director, auditors 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 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 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 2,300 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



Upper row from left:

Joanna Gädda
Investor Relations

Jonna Vaaranen
Financial Manager

Milla Saloheimo
Assistant

Lower row from left:

Eerika Lehtilä-Vuorio
Assistant

Juha Kasanen
Managing Director

KEY TERMS

NET ASSET VALUE

The net asset value of the Group is of central importance to an investment company like Norvestia. The report on net asset value is a calculation of the difference between the fair value of Norvestia's assets and that of its liabilities at a given time. Thus, the dividend-adjusted change in net asset value in a given period indicates the return on investments and also the result of the Group. The net asset value also corresponds to shareholder's equity according to IFRS without minority share.

Norvestia calculates and publishes its net asset value each month.

Discount in net asset value, expressed as percentages, is the difference between net asset value per share and the price of the B share.

IFRS

In accordance with EU regulation number 1606/2002 companies whose stocks are publicly traded in the member countries of ETA are obliged to make the consolidated financial statement according to IFRS. Hence Norvestia has prepared its consolidated financial statement of 2005 according to IFRS and also the reference figures of 2004 have been adjusted. The financial statement of the parent company is still made according to Finnish accounting standards, FAS.

TAXATION

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 purchase value. The computational tax liability for 2004 has been calculated at a 29% tax rate, for 2005 at a rate of 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. 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 is 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 OMX Helsinki CAP yield index calculated on monthly observations was 12.7% in 2005. Norvestia's volatility in dividend-adjusted net asset value was 6.0% if the stand-alone exceptional sales profit from the sales of subsidiary Neomarkka is subtracted. Low volatility is part of Norvestia's strategy, which generally presupposes low risk level 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	=	$\frac{\text{Profit before extraordinary items and taxes} - \text{taxes}}{\text{Shareholders' equity} + \text{minority interest (average of the year)}}$
Return on investment	=	$\frac{\text{Profit before extraordinary items and taxes} + \text{interest expenses and other financial expenses}}{\text{Balance sheet total} - \text{interest-free debt (average of the year)}}$
Equity ratio	=	$\frac{\text{Shareholders' equity}}{\text{Balance sheet in total} - \text{advances received}}$
Earnings per share	=	$\frac{\text{Profit before extraordinary items and taxes} -/+ \text{minority's share} - \text{taxes}}{\text{Issue-adjusted average number of shares}}$
Earnings per share after dilution	=	$\frac{\text{Profit before extraordinary items} - \text{taxes} -/+ \text{minority's share}}{\text{Issue-adjusted average number of shares} + \text{possible share options and loans that can be transformed into shares}}$
Shareholders' equity per share	=	$\frac{\text{Shareholders' equity (excluding minority interest)}}{\text{Issue-adjusted number of shares on the balance sheet date}}$
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	=	$\frac{\text{Net asset value} - \text{market capitalization} - \text{calculated value for subscription rights}}{\text{Net asset value}}$
Market capitalization	=	Number of shares x closing price on the balance sheet date

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