

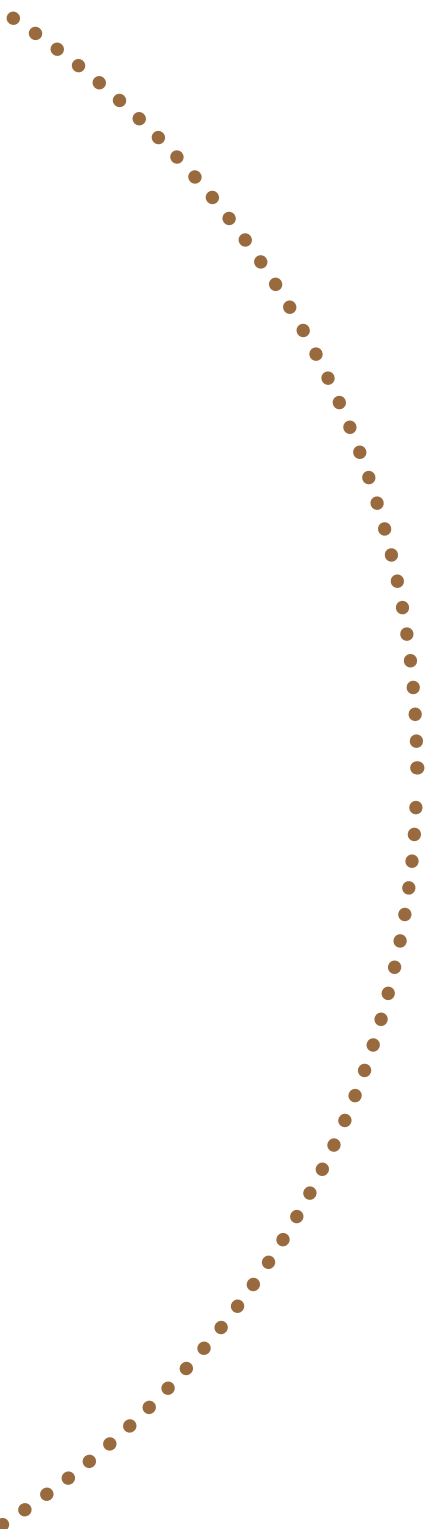


2007

ANNUAL REPORT

NORVESTIA  
NORVESTIA PLC

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## NORVESTIA IN BRIEF

- Norvestia plc is a publicly listed investment company. The Norvestia Group mainly invests in Nordic shares, equity funds, hedge funds, in the money market and in other securities.
- The aim of Norvestia's investment activities is to achieve a good risk-adjusted return.
- Norvestia plc is a part of the Kaupthing Bank Group and parent company to Norvestia Industries Ltd and Norventures Ltd.

### ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Thursday March 13, 2008 at 12 a.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 Tuesday March 11, 2008 before 4 p.m. either by e-mail [info@norvestia.fi](mailto:info@norvestia.fi), by phone (09) 6226 380, by fax (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 2007 will be paid out on March 27, 2008 for shares that are registered in the register of shareholders on March 18, 2008.

### INTERIM REPORTS ARE PUBLISHED:

- April 23, 2008
- July 18, 2008
- October 21, 2008

Net Asset Value Reports are published monthly.

### WWW.NORVESTIA.FI

The annual report and interim reports are available in Finnish, Swedish and English on the company home page [www.norvestia.fi](http://www.norvestia.fi). Stock exchange releases from the past year, as well as earlier releases, can also be found on the company home page in Finnish and Swedish.

### KEY FIGURES FOR THE GROUP 2007

Increase in NAV, dividend-adjusted:	MEUR 9.6
Net earnings:	MEUR 9.5
Shareholders' equity:	MEUR 164.5
Equity ratio:	94.9%

### KEY FIGURES PER SHARE 2007

Increase in NAV, dividend-adjusted:	EUR 0.63
Net earnings:	EUR 0.62
Net asset value:	EUR 10.74
Shareholders' equity:	EUR 10.74

### YEAR 2007

- The net asset value per share was EUR 10.74 at year-end (EUR 10.71 in 2006).
- The profit amounted to MEUR 9.5 (MEUR 23.5).
- The dividend-adjusted net asset value grew 6.0% during the period under review (16.0%).
- The Board of Directors proposes that EUR 0.50 per share be distributed as dividend (EUR 0.60).







2007

## MANAGING DIRECTOR'S REVIEW

2007 was a challenging year for investors and also for Norvestia. Norvestia's profit after expenses and taxes amounted to MEUR 9.5, which corresponds to a 6% annual return on net asset value. At year-end Norvestia's shareholders' equity was MEUR 164.5, a MEUR 0.4 increase from last year. In March MEUR 9.2 was paid as dividend to shareholders based on the profit from the financial period of 2006.

Norvestia's returns developed relatively well until the end of October, which saw the start of an exceptionally difficult period for the Finnish stock market. During November the OMX Helsinki CAP index declined 7.5%. The index continued to fall in December, losing another 3.0%. Correspondingly Norvestia's return on net asset value was -2.9% in November and -0.7% in December. We had anticipated a decline in share prices towards the end of the year, but the extent of the decline came as something of a surprise also to us. Prices of almost all shares on the Helsinki stock exchange fell during November and December, and approximately one fifth of all shares lost over 20% of their value. The uncertainty in the stock markets was mostly due to the problems that initially began in the US housing markets and then rapidly spread to all capital markets.

The decline in share prices on the Helsinki stock exchange during the latter half of the year was clearly more rapid than on other

stock exchanges. One reason for this is the quite cyclical sector distribution of the companies listed on the Helsinki stock exchange. Another important reason is that when major investors quickly want to sell large amounts of shares in peripheral stock exchanges such as Helsinki, the liquidity of the stock exchange is seldom sufficient to cover the sale pressure, resulting in a sharp decline in share prices. Share price development was weakest in the construction, forest and raw material sectors.

The recent strong turbulence in the capital markets illustrates well just how integrated international capital markets have become. The correlation between different stock markets has clearly increased during recent years and stock price movements, particularly during bear markets, are mainly parallel. This is largely due to the fact that the same major investors operate in different markets simultaneously. This increased correlation between stock markets is harmful to investors since it removes most of the benefits of geographical diversification. Nowadays transferring assets from shares to other assets is almost the only effective way to reduce risk in uncertain stock markets. The use of derivatives can also help to hedge against falling share prices, but these are not a long-term cost effective alternative.

The panicky mood spreading to the stock markets also presents an opportunity for long-term investors. Clear overreactions usually create good opportunities to buy shares that are declining with the stock market without any company specific or other analytical reason. Timing these purchases correctly is however difficult, since a bear market is driven more by psychological factors than by clear fundamentals.

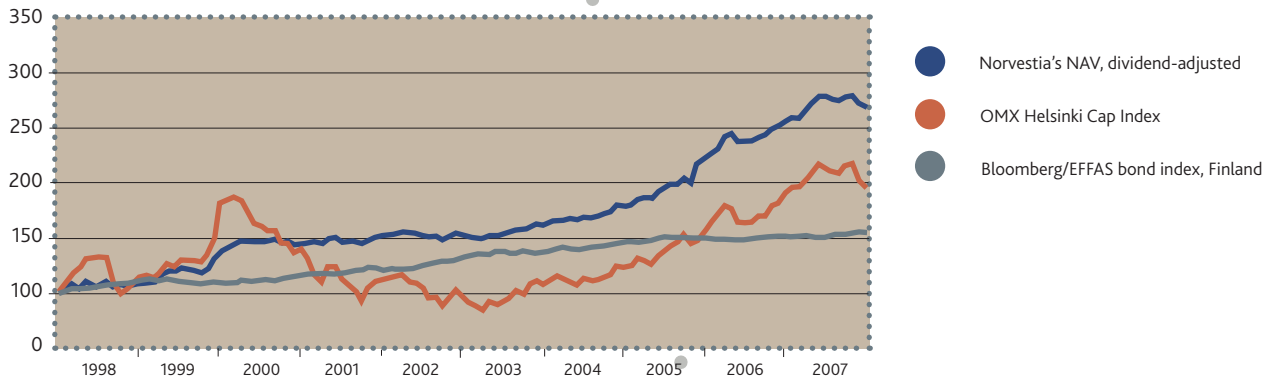
## LONG-TERM RETURN

The aim of Norvestia's investment strategy is to achieve a good risk-adjusted long-term return. The profit and return risk level of our investment activities can be compared to the market return by employing for example, the commonly used Sharpe ratio. Norvestia's investment returns and risks over the past ten years are compared to the returns of the OMX Helsinki Cap Index in the table on the next page. It can be seen that Norvestia's risk-adjusted return has, for almost every year of the ten year period, been stronger than the risk-adjusted return on the index. Furthermore, throughout the same period the total return on Norvestia's investment activities has also been stronger than that of the index. This is because our investment returns have developed quite steadily. We have managed to avoid sharp drops in share prices and have made a positive result even in those years when the index return has been clearly negative.

## FUTURE PROSPECTS

The year 2008 can be expected to be difficult in the stock markets. Stock markets have already started to price in a recession in the US economy, which may well result in a slowdown in global economic growth. The beginning of 2008 will in this regard be

## PERFORMANCE OF NET ASSET VALUE AND INDEX



1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 1998-2007

### Norvestia's NAV, dividend-adjusted

Return, p.a.	8.0%	31.8%	5.3%	5.4%	0.2%	7.2%	11.4%	26.5%	16.0%	6.0%	11.4%
Volatility	11.3%	12.5%	5.0%	5.2%	4.6%	3.2%	4.3%	10.1%	6.4%	6.0%	7.7%
Sharpe ratio	0.4	2.3	0.3	0.1	neg	1.4	2.1	2.4	2.0	0.3	1.0

### OMX Helsinki Cap Index

Return, p.a.	15.0%	66.2%	-24.9%	-22.3%	-16.7%	16.2%	14.6%	30.1%	25.2%	3.8%	7.7%
Volatility	29.7%	24.9%	12.3%	31.4%	22.0%	19.0%	11.6%	13.6%	13.5%	12.4%	20.7%
Sharpe ratio	0.4	2.5	neg	neg	neg	0.7	1.1	2.0	1.6	0.0	0.2

of central importance. Despite the recent rapid decline in share prices the future outlooks for companies listed on, for example, the Helsinki stock exchange have remained largely unchanged. What's more, in many cases analysts forecast rising earnings for 2008. There is a clear contradiction between share price development and earnings estimates at the moment. If the earnings estimates and future outlooks for 2008 are correct, then shares quoted on the Helsinki stock exchange have not analytically reviewed been this affordable for many years. However if the stock markets are currently pricing shares correctly, the results and future outlooks of companies should weaken rapidly during spring 2008. If earnings estimates have to be revised significantly downward, it is probable that share prices will decline further. This in spite of the fact that some of the weakening earnings expectations are already, as a result of the recent fall in share prices, factored into share prices.

In our investment activities we will to the best of our abilities try to take into account both possible alternatives. In 2008 we will probably increase our emphasis on share investments when it seems analytically justified. At the same time we will hold our cash reserves at a level that allows us to quickly react to changes in market conditions. An interesting part of our investment portfolio is the industrial investment activities established at the

beginning of 2007. Within this function we look for target companies which we will develop further, so achieving above average market returns.

Norvestia's long-term return has been competitive both in absolute and risk-adjusted terms. Even though strong returns in the past are no guarantee of strong future returns, we have confidence in the future. Norvestia's shareholders can rest assured that we will do our utmost to achieve strong returns on Norvestia's investment activities also 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, 2007. The share capital is divided into 900,000 A shares with 10 votes, and 14,416,560 B shares with 1 vote, 15,316,560 shares (15,316,560) in total. The shares have no nominal value. The ISIN code for the B shares is FI0009000160 and the A shares are unlisted.

Market capitalization of the listed shares of Norvestia plc was EUR 124.0 million (133.9) on December 31, 2007. The ten largest shareholders possessed 49.46% of the shares (46.86%) and 66.94% of the total number of votes (65.24%). 9,089 shares (9,089) were in the possession of the members of the Board and the Managing Director. The Board and management of Norvestia possess 15,658,390 shares in total of the parent company Kaupthing Bank hf. (13,925,016).

The average shareholding in Norvestia plc for private individuals was 1,153 shares (1,162). The corresponding amount for associations was 12,630 shares (11,855). The number of nominee registered shares amounted to 4.94% of the total number of shares (7.81%) and 3.23% of the votes (5.11%). The number of shareholders was 5,961 (5,992) on December 31, 2007.

### TEN PRINCIPAL SHAREHOLDERS DECEMBER 31, 2007

Shareholder	A series amount	%	B series amount	%	Total amount	% of shares	% of votes
Kaupthing Bank hf.	900,000	100.00	4,113,976	28.54	5,013,976	32.74	56.00
Sampo Life Insurance Company Ltd			1,789,538	12.41	1,789,538	11.68	7.64
Kaleva Mutual Insurance Company			189,700	1.32	189,700	1.24	0.81
Immonen Jukka			162,424	1.13	162,424	1.06	0.70
Pasanen Matti			122,000	0.85	122,000	0.80	0.52
Onninen Sijoitus Oy			80,000	0.56	80,000	0.52	0.34
Turpeinen Urho			65,000	0.45	65,000	0.42	0.28
Köresaar Kiinteistöt Oy			60,894	0.42	60,894	0.40	0.26
Onnivaatio Oy			50,000	0.35	50,000	0.33	0.21
Nieminen Jyrki			41,540	0.29	41,540	0.27	0.8
	900,000	100.00	6,675,072	46.32	7,575,072	49.46	66.94
Nominee registered			756,066	5.24	756,066	4.94	3.23

### 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

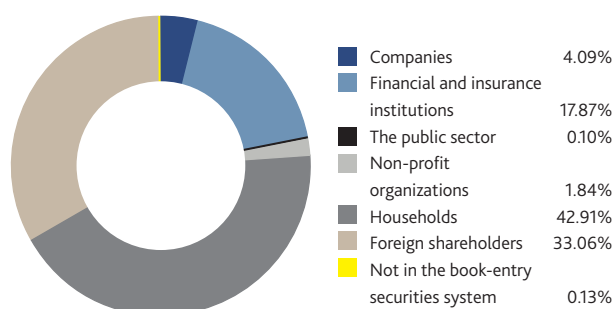
Shareholding	% of shares	% of owners
1-100	0.38%	16.11%
101-1 000	10.13%	60.34%
1 001-5 000	16.00%	19.03%
5 001-10 000	7.23%	2.59%
10 001 -	66.13%	1.93%
Not in the book-entry system	0.13%	-
In total	100.00%	100.00%

### SHAREHOLDERS BY GROUP

#### % of share capital

Companies	4.09%
Financial and insurance institutions	17.87%
The public sector	0.10%
Non-profit organizations	1.84%
Households	42.91%
Foreign shareholders	33.06%
Not in the book-entry securities system	0.13%
	100.00 %
of which nominee registered	4.94%

### BREAKDOWN OF SHARE CAPITAL



## NET ASSET VALUE, NORVESTIA GROUP

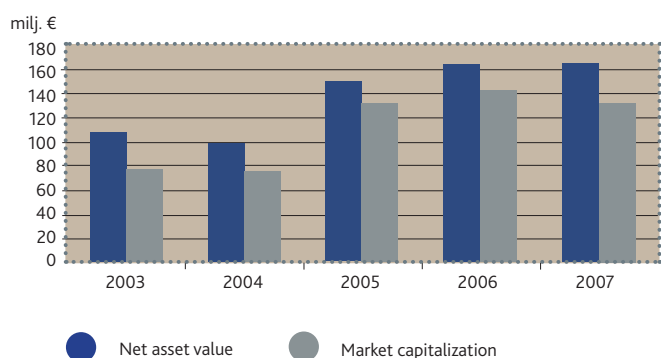
Net asset value, EUR million	31/12/2007	31/12/2006	31/12/2005	31/12/2004	31/12/2003
<b>Assets</b>					
Non-current assets					
Tangible assets	0.0	0.0	0.1	0.0	0.1
Deferred tax receivables	-	-	-	0.3	-
Investments in associated companies	1.1	-	-	-	-
Current assets					
Stocks	-	-	-	-	110.0
Financial assets held for trading	71.5	71.0	71.4	59.3	-
Other financial assets at fair value	39.8	38.0	31.8	91.8	-
Other investments	1.8	1.7	2.2	17.8	-
Cash and receivables	59.1	62.7	57.3	13.5	38.7
<b>Total assets</b>	<b>173.3</b>	<b>173.4</b>	<b>162.8</b>	<b>182.7</b>	<b>148.8</b>
Current liabilities	-3.5	-1.9	-6.7	-41.2	-1.6
Deferred tax liability	-5.3	-7.4	-6.3	-5.3	-4.4
<b>Net asset value before minority interest</b>	<b>164.5</b>	<b>164.1</b>	<b>149.8</b>	<b>136.2</b>	<b>142.8</b>
Minority interest	-	-	-	-38.2	-35.5
<b>Net asset value</b>	<b>164.5</b>	<b>164.1</b>	<b>149.8</b>	<b>98.0</b>	<b>107.3</b>
<b>Net asset value/share, EUR*</b>	<b>10.74</b>	<b>10.71</b>	<b>9.78</b>	<b>8.02</b>	<b>8.79</b>
<b>Increase in NAV, dividend-adjusted</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Change, EUR million	9.6	23.5	31.4	11.6	7.0
Change per share, EUR*	0.63	1.53	2.05	0.77	0.46

\* Issue-adjusted

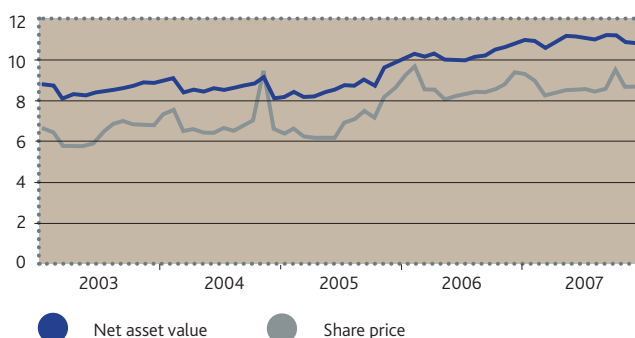
### PRINCIPLES OF CALCULATION

Publicly listed shares, investment funds and derivatives have been measured at closing price. In case the closing price has been unavailable the purchase quotation has been used. Unlisted shares and units have been measured at fair value using various valuation methods.

### GROUP NET ASSET VALUE AND MARKET CAPITALIZATION



### SHARE PRICE AND NET ASSET VALUE PER SHARE







## REVIEW OF INDUSTRIAL INVESTMENTS

In addition to the actively managed portfolio a new function for industrial investments was established within Norvestia Group at the beginning of 2007. This function was presented to the shareholders at the annual general meeting in spring 2007. The object of industrial investment activities is to broaden Norvestia's investment strategy by making single, significant investments in private or public companies in the Nordic countries and in other areas local to Finland.

The aim of our industrial investments is to achieve above average market returns by developing the target company. Our investment horizon is long-term and there are no strict time limits set for the disposal of these investments. We seek returns through dividend yields and increases in value. Our aim is to work actively to increase the value of the target company. This is mainly achieved through strategic board work.

The emphasis of investment activities is currently in companies ripe for elevating to the next strategic level of international business, which will be achieved by conceptualizing services. Our investment decisions are influenced by long-term macroeconomic trends and by anticipated changes in customer and consumer behavior. We are particularly keen to invest in companies and industries that have strong competitive opportunities in do-

mestic markets, and the potential to capitalize on their service development innovations internationally. The target companies may also be engaged in tangible goods.

In order to facilitate these industrial investment activities Norvestia established a subsidiary, Norvestia Industries Ltd, in September 2007. The first step in implementing the industrial investments strategy was the investment in the planning and construction services company GSP Group, of which Norvestia Industries purchased 21% in autumn 2007 and in which the ownership according to contract will subsequently increase to 25%. The main considerations behind this investment are the strong growth forecast in the refurbishment and maintenance sector in and around Finland in the coming decade and people's increasing interest in the comfortability of their homes. We believe that there is room in the market for a participant whose competitive advantage is based on understanding the specific needs of customers, and on achieving high quality and cost efficiency through reorganization of operations models.

GSP Group Oy is an expert organization offering planning and construction services and whose business objective is to create exceptionally high levels of service and quality for its customers. Duplicative, so-called conceptual construction is a strong part



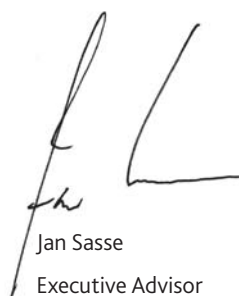
of the company's operations model. Examples of such conceptual construction are the shop network of Laattapiste Oy, which comprises 20 new buildings and a chain of homes for the elderly, realized for MedOne Oy.

GSP sees individual, duplicative construction as an excellent opportunity to increase its business. A good example of refurbishment and repair of this kind is plumbing or line renovations; a sector with a particularly favourable outlook. The number of buildings in need of plumbing refurbishment will increase substantially over the next few years. There is also a clear need for integrated service solutions, where the common and individual needs of owners, residents, boards and deputy landlords of apartment block companies are taken into consideration. GSP aims to bring into the plumbing renovations sector expertise gained in the construction of value houses and in conceptual construction. Customers can be offered shorter turnaround times, more individualized bathroom and kitchen solutions, and a project that is managed and implemented cost effectively and to the highest standards.

Other interesting areas and functions for industrial investments are, for example health care, outsourcing of service processes, environmental technology and adult education. All of these ar-

reas offer favourable long-term development opportunities, and in our view changes in consumer behaviour in these sectors can be expected.

According to Norvestia's assessment, the recent revaluation of risks in the capital markets which has been seen in declining share prices, has had an effect also on the valuations of private, non-listed companies. The start of our industrial investments strategy has in this way been well timed. According to current frames about 20-30% of Norvestia's investment assets may be used for industrial investments, although this amount may be exceeded.



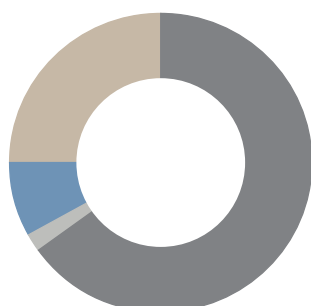
Jan Sasse  
Executive Advisor

## INVESTMENTS DECEMBER 31, 2007

	Number of shares/units	Purchase price EUR 1,000	Market value EUR 1,000	Share of market value
<b>NORVESTIA PLC</b>				
<b>LISTED COMPANIES</b>				
Ahlstrom Corporation	58,000	1,193	949	0.9%
Amer Sports Corporation	20,000	335	370	0.3%
Atria Group plc	73,879	1,321	1,282	1.2%
Cargotec Corporation	63,732	2,126	2,017	1.8%
Comptel Corporation	133,000	221	189	0.2%
Elcoteq SE A share	12,500	117	51	0.0%
Elisa Corporation	30,000	671	630	0.6%
Finnair plc	166,611	1,566	1,348	1.2%
Fortum Corporation	75,812	1,615	2,336	2.1%
Huhtamäki Oyj	373,000	4,469	3,029	2.8%
Kemira Group	161,000	2,372	2,318	2.1%
Kesko Corporation B share	46,277	1,769	1,746	1.6%
Kone Corporation B share	5,000	166	240	0.2%
Konecranes plc	14,000	122	330	0.3%
Lännen Tehtaat plc	53,950	633	873	0.8%
Metso Corporation	60,000	2,228	2,240	2.0%
M-Real Corporation B share	80,000	332	260	0.2%
Neste Oil Corporation	225,000	5,649	5,429	5.0%
Nokia Corporation	85,000	2,228	2,254	2.1%
Nokian Tyres plc	15,000	166	361	0.3%
Okmetic Oyj	48,200	113	146	0.1%
OKO Bank plc A share	184,854	2,215	2,416	2.2%
Oriola-KD Corporation A share	18,600	22	56	0.1%
Oriola-KD Corporation B share	91,100	157	273	0.2%
Orion Corporation A share	18,600	153	299	0.3%
Orion Corporation B share	106,445	1,404	1,706	1.6%
Outokumpu Oyj A share	136,068	2,879	2,886	2.6%
Raisio plc V share	458,400	854	688	0.6%
Rautaruukki Corporation K share	84,199	2,592	2,496	2.3%
Sampo plc A share	265,000	5,338	4,791	4.4%
SanomaWSOY Corporation	44,730	963	878	0.8%
Stora Enso Oyj R share	244,533	2,976	2,504	2.3%
Tietoenator Corporation	142,400	2,417	2,187	2.0%
UPM-Kymmene Corporation	330,646	4,963	4,570	4.2%
Uponor Corporation	111,000	1,875	1,911	1.7%
Wärtsilä Corporation B share	4,000	163	208	0.2%
YIT Corporation	112,353	1,646	1,684	1.5%
3Com Corp.	84,000	227	258	0.2%
AstraZeneca Plc	6,600	254	195	0.2%
BP Plc	2,100	234	236	0.2%
Cooper Tire & Rubber Co.	26,300	246	296	0.3%
Deutsche Telekom AG	19,750	227	297	0.3%
France Telecom S.A.	12,500	206	308	0.3%
Intel Corp.	8,100	130	147	0.1%
Ishares DAX	22,500	1,274	1,716	1.6%
Merck & Co. Inc.	2,400	61	95	0.1%
New York Times Cl A	10,500	189	125	0.1%
Nordea Bank AB FDR	350,000	4,017	3,993	3.6%
Norske Skogindustrier ASA	11,571	135	66	0.1%
Pfizer Inc.	13,000	244	201	0.2%
Powershares QQQ	29,100	1,123	1,013	0.9%
Rexel S.A.	2,354	39	29	0.0%
Rottneros AB	102,000	82	25	0.0%
Sanofi-aventis	3,800	242	239	0.2%
Sun Microsystems Inc.	13,025	151	160	0.2%
Superior Industries Inc.	9,800	142	121	0.1%
Teliasonera AB	585,000	3,298	3,744	3.4%
Valeo S.A.	9,420	260	266	0.2%
		<b>72,810</b>	<b>71,481</b>	<b>65.1%</b>

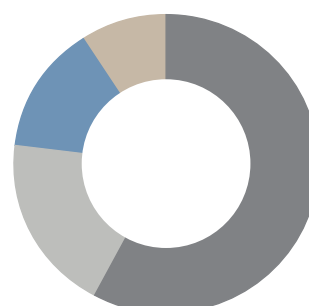
	Number of shares/units	Purchase price EUR 1,000	Market value EUR 1,000	Share of market value
<b>FUNDS</b>				
Avenir B	2,518	2,523	4,363	4.0%
Arvo Finland Value K	741,356	1,000	886	0.8%
Brummer & Partners Nektar	30,531	4,929	7,436	6.8%
Brummer & Partners Zenit	934	0	4,763	4.3%
Didner & Gerge Aktiefond	35,479	2,350	3,990	3.6%
Futuris	20,700	2,733	5,803	5.3%
OP-Eurooppa Arvo A	7,535	1,722	2,006	1.8%
OP-Suomi Arvo A	15,028	983	2,356	2.2%
RAM One	41,995	3,991	4,992	4.5%
		<b>20,231</b>	<b>36,595</b>	<b>33.3%</b>
<b>NORVESTIA PLC IN TOTAL</b>		<b>93,041</b>	<b>108,076</b>	<b>98.4%</b>
<b>NORVENTURES LTD UNLISTED COMPANIES</b>				
Polystar Instruments AB	266,000	1,717	1,800	1.6%
<b>NORVENTURES LTD IN TOTAL</b>		<b>1,717</b>	<b>1,800</b>	<b>1.6%</b>
<b>NORVESTIA GROUP IN TOTAL</b>		<b>94,758</b>	<b>109,876</b>	<b>100.0%</b>

NORVESTIA GROUP'S INVESTMENTS 31.12.2007



Listed companies	65%
Unlisted companies	2%
Equity funds	8%
Hedge funds	25%

GEOGRAPHIC BREAKDOWN OF NORVESTIA GROUP'S INVESTMENTS 31.12.2007



Finland	58%
Other Nordic countries	19%
Other European countries	14%
Outside Europe	9%



## STOCK MARKET

2007 was a varied and challenging year on the stock market. Share prices continued to rise and the development was quite steady during the first half of the year. However, after the middle of July share prices clearly declined in general as the uncertainty in the bond markets spread also to the stock markets. Share prices recovered during September and October but declined again rapidly during November and December.

There were many reasons for the decline in share prices, but most of these were in some way or other linked to the forecast development of the US economy. Favourable economic development was compromised by continuously rising prices of oil and other raw materials, by the weakening dollar and by increasing inflation. However the most important individual factor for the drop in share prices was the financing problems in the US housing markets, or the so called subprime loans and the fear that these problems may lead the US and eventually the global economy into recession.

Subprime loans are mortgages that are offered to borrowers with a poor credit rating. Increases in interest rates coupled with stagnant housing prices have driven many debtors in the US housing markets into financial difficulties. This in turn has led to substantial losses for institutions that have either granted or invested in subprime loans. The financial institutions, that have granted subprime loans, have also sold these loans on to other investors. Consequently the risks from bad debt and other problems have shifted from one investor to another.

The troubles in the US housing markets did not come as a surprise to any investor who actively follows developments in the capital markets. There has been much speculation and discussion on this topic for some time now. What was unexpected however was the speed with which the crisis spread to other capital markets and the extent to which it affected the share prices of companies that would appear to have little connection with US housing markets or to the behaviour of US consumers.

In order to calm the instability on the stock markets central banks began to make available vast amounts of excess liquidity to the money markets after the second half of July. At first this appeared to have had the desired effect as share prices recovered and the interest rate market settled down. The effect was however only temporary. During the fourth quarter of the year the problems worsened for real estate financiers and the stock market started to price in a recession in the US economy. This resulted in a sharp fall in share prices at the end of the year, especially in more peripheral stock exchanges such as Helsinki.

## Index returns on various exchanges in 2007:

Finland/OMX Helsinki index	20.5%
Finland/OMX Helsinki CAP yield index	8.1%
Sweden/OMX Stockholm index	-6.0%
Norway/OBX index	13.7%
Denmark/OMX Copenhagen index	5.5%
USA/Nasdaq Composite index	9.8%
USA/S&P 500 index	3.5%
Bloomberg European 500 index	-0.1%
MSCI World index	2.8%
Japan/Nikkei 225 index	-11.1%
Norvestia's dividend-adjusted share price	-0.7%
Norvestia's dividend-adjusted net asset value	6.0%

## NET ASSET VALUE AND SHARE PRICE

On December 31, 2007 Norvestia's net asset value stood at EUR 10.74 per share (EUR 10.71 at the end of 2006).

In March 2007, Norvestia distributed EUR 0.60 in dividends. Taking this into account, the company's net asset value increased by EUR 0.63 (1.53) in the year under review, equal to a 6.0% (16.0%) rise from the beginning of the year. The dividend-adjusted decrease in the net asset value amounted to EUR 0.35 (+0.57) per share in the last quarter.

The price of Norvestia's dividend-adjusted B share decreased by 0.7% during the year. The price of the B share stood at EUR 8.60 (9.29) on December 31, 2007 which corresponded to a discount in net asset value of 19.9% (13.3%).

## GROUP RESULT

The result of the Group in 2007 amounted to EUR 9.5 million (23.5/2006, 31.4/2005), and operating expenses to EUR 1.8 million (1.6/2006, 2.3/2005). The Group's operating expenses were 1.1% (1.0/2006, 2.2/2005) of the net asset value. The Group's result for the last quarter was EUR -5.4 (8.7/2006, 13.0/2005) million.

## INVESTMENT PORTFOLIO OF THE GROUP

The investment grade of the Norvestia Group was 67% (66%) at year end. Market value breakdown of the Group's investments:

	2007		2006	
	MEUR	%	MEUR	%
Listed companies	71.5	41.3%	71.0	41.0%
Unlisted companies	2.9	1.7%	1.7	1.0%
Hedge funds	27.4	15.8%	25.6	14.8%
Share funds and bonds	12.4	7.2%	12.4	7.1%
Cash and money market investments	58.7	34.0%	62.6	36.1%
In total	172.9	100.0%	173.3	100.0%

## INVESTMENTS BY THE PARENT COMPANY

The increase in the company's net asset value during the year was, after expenses and taxes, 6.0% and was achieved with a monthly calculated volatility of 6.0%. The risk-adjusted return on investment activities was nearly satisfactory. The Sharpe ratio, which measures investment risk and return, was 0.3.

The investment portfolio of Norvestia can be divided into five categories: direct share investments, equity funds, hedge funds, money market investments and industrial investments.

Norvestia's net asset value fluctuated notably less month on month, than did the stock market in general. The company protected its investments from time to time with put options and adjusted its short-term interest investments according to its views on the market. During the sharp fall in share prices in November and December, when the OMX Helsinki CAP yield index fell 10.3%, Norvestia's net asset value fell 3.6%. This confirmed that the risk level of Norvestia's investment activities was clearly lower than the average risk level of the stock market.

The parent company's investments were distributed as follows at the end of the year: direct share investments 42% (42%), equity funds 5% (5%), hedge funds 16% (15%), money market investments 35% (37%) and cash and bank 2% (1%). The share of short-term interest investments was kept relatively large at the end of the year, in order to ensure that the company is able to respond to changing market circumstances. 84% of Norvestia plc's investments were in euros, 13% in Swedish krona and 3% in other currencies.

## INDUSTRIAL INVESTMENTS

As a new investment strategy Norvestia began to seek long-term industrial investments in 2007. The aim of such investments is to achieve above average market returns by actively participating in the development of the target company.

In the third quarter of the year Norvestia made its first industrial investment. Norvestia invested EUR 1.1 million in GSP Group, which offers planning and construction services. Norvestia purchased 21% of GSP's shares and is committed to purchasing a further 4% in March 2008.

## NORVESTIA GROUP

Norvestia plc is a part of the Kaupthing Bank Group and is parent company to Norvestia Industries Ltd and Norventures Ltd. Norvestia's parent company Kaupthing Bank hf. is domiciled in Reykjavik, Iceland.

The Norvestia Group mainly invests in Nordic shares, equity funds, hedge funds, in the money market and in other securities. Norvestia plc's B share is quoted on the OMX Nordic Exchange Helsinki's Nordic List.

In order to realize its industrial investments strategy Norvestia established a subsidiary, Norvestia Industries Ltd, in September 2007.

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 amounted to EUR 58.7 million (62.6/2006, 57.2/2005). The equity ratio according to IFRS stood at 94.9% (94.6%/2006, 92.0%/2005). The Group's shareholders' equity amounted to EUR 164.5 million (164.1/2006, 149.8/2005).

## PERSONNEL AND INVESTMENTS

In 2007, Norvestia Group employed an average of 6 (5/2006, 7/2005) people. Personnel expenses were EUR 1.0 million (0.9/2006, 1.0/2005). No investments were made in machines and equipment during 2007 (EUR 0.0/2006, 0.1/2005).

## SHAREHOLDERS

At the end of December 2007, Norvestia's shareholders numbered 5,961 (5,992). 33.1% of the shares were in foreign ownership (30.9%) and 4.9% were nominee-registered (7.8%).

The largest shareholder is Kaupthing Bank, which had a 32.7% (30.6) holding in Norvestia plc at year-end, which corresponds to 56.0% (54.6) of votes. Norvestia's second largest shareholder, Sampo Life Insurance Company Ltd, had an 11.7% (11.7%) holding of shares and 7.6% (7.6%) of votes at year-end. The ten major shareholders held a total of 49.5% (46.9%) of shares and 66.9% (65.2%) of votes. More information about shareholders on page 6 in the annual report.

## ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) held on March 13, 2007 decided to distribute EUR 0.60 per share in dividends for 2006. The dividend was paid March 23, 2007.

The following persons were re-elected to the Board:

J.T. Bergqvist, chairman

Hreidar Már Sigurdsson, vice chairman

Stig-Erik Bergström, member

Sigurdur Einarsson, member

Robin Lindahl, member

CPA Rabbe Nevalainen, 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 2006. The AGM also decided to change the articles of association due to the new Companies Act. The changes were mainly technical.

The AGM authorized the Board of Directors to repurchase up to 4,500,000 B shares publicly on the Helsinki stock exchange before May 31, 2008. No acquisitions have been made. The Board of Directors was also authorized to decide upon a share issue and on an issue of special rights entitling to shares. The maximum amount that may be issued is 4,500,000 shares, the authorization is effective until May 31, 2008.

## RISKS IN INVESTMENT ACTIVITIES

The guiding principle of Norvestia's investment activities is to diversify investments and thereby reduce overall risk, as well as to pursue steady asset growth. Occasionally a significant proportion 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 changes in 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.

## PROPOSED DIVIDEND DISTRIBUTION

The Board proposes that from the parent company's distributable funds EUR 0.50 (0.60) per share be distributed to shareholders in dividends, corresponding to EUR 7.7 (9.2) million.

## FUTURE PROSPECTS

The situation on the capital markets can be expected to remain challenging. The risk premiums have distinctly risen since the summer and it is possible, that the over liquidity in the money market of recent years will even become a credit crunch. Share prices are already starting to reflect a rather gloomy scenario, according to which the US economy will fall into recession taking the rest of the world with it. The fall in share prices in January 2008 has at least so far been exceptionally strong and a corresponding monthly decline has not been seen during this decade.

It is also possible that the problems of the housing markets will spread beyond the US. There are already indications of this in markets closer to Finland, as the housing markets in Sweden, the United Kingdom and Estonia have all slowed down and prices have even started to decline. The construction and housing markets have a central role in many national economies. They employ either directly or indirectly a large number of people, and difficulties in these sectors will eventually be reflected in consumer behaviour and aggregated demand. Unfavourable development in the housing and construction sectors could lead to a vicious circle in the economy.

Central banks now face a difficult task. According to the latest statistics inflation is rapidly increasing all over the world and the prices of energy, foodstuffs and raw materials among others have all risen notably. Recent generous wage rises have also increased inflation expectations, at least in Europe. The main task of central banks is to maintain price stability, but now they are almost compelled to cut interest rates and to offer excess liquidity to the market in order to prevent a credit crunch and to secure a good economic performance. Inflation may develop into a severe problem in the medium term.

Finnish listed companies will with all probability report record earnings for the financial year 2007. Furthermore, record high dividends can be expected to be paid in spring 2008. Even more interesting than the reported earnings are companies' own future outlooks. Annual accounts and earnings estimates will show whether the problems in the US housing markets have affected only the financing sector or if consumer behaviour will cause these problems to spread to other sectors. This is a very essential question. If the problems in the housing sector begin to affect consumer behaviour it is possible that the favourable

development in the global economy comes to an end, despite the present optimistic forecasts. Development of this kind would probably have a negative effect on share prices.

### NORVESTIA'S INVESTMENT STRATEGY 2008

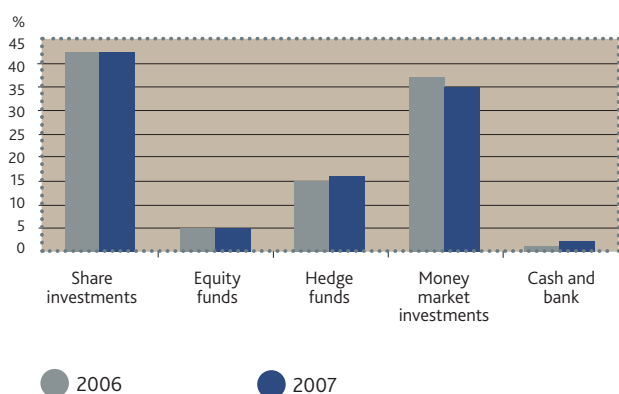
Norvestia's investment strategy is twofold. The company will continue to make investments in an actively managed portfolio as prevailing market circumstances dictate. The aim is to achieve the best possible risk-adjusted return. At year-end a large part of Norvestia's assets were invested directly in shares on the Helsinki stock exchange. Investments may 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 euro zone.

Norvestia will continue to make investments in the actively managed portfolio focusing mainly on value shares, i.e. shares that are offered at prices that are low, both historically and in relation to the company's net asset value and performance expectations. Investment levels between shares, funds and interest-yielding investments will be assessed as circumstances dictate.

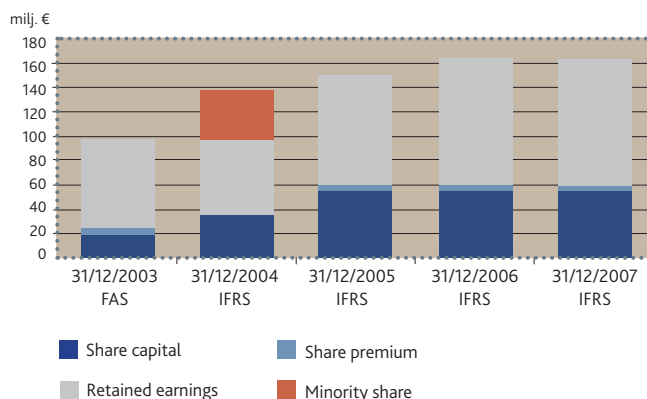
As a new investment strategy Norvestia began to seek long-term industrial investments in 2007. The aim of such investments is to achieve above average market returns by developing the target company. According to current frames about 20-30% of Norvestia's investment assets may be used for industrial investments, although this amount may be exceeded. These investments have no time limits and will be made when the right opportunity presents itself. The spring Annual General Meeting in 2007 authorized the Board of Directors to repurchase the company's own shares and to decide on a possible share issue. Both authorizations may be used in the purchase of industrial investments. The use of leverage will also be considered when it comes to financing industrial investments.

The emphasis between different investment strategies will be assessed as circumstances dictate.

### INVESTMENTS OF THE PARENT COMPANY



### SHAREHOLDERS' EQUITY OF THE GROUP





## IFRS INCOME STATEMENT, NORVESTIA GROUP

<b>EUR 1,000</b>	<b>Notes</b>	<b>1/1-31/12/2007</b>	<b>1/1-31/12/2006</b>
Trading gains and losses	4, 9	9,986	27,020
Personnel expenses	5, 23	-963	-930
Depreciation and amortisation	6	-12	-25
Other operating expenses		-834	-687
<b>OPERATING PROFIT</b>		<b>8,177</b>	<b>25,378</b>
Financial income and expenses	7	-201	-2
<b>PROFIT BEFORE EXTRAORDINARY ITEMS AND TAXES</b>		<b>7,976</b>	<b>25,376</b>
Income tax	8	1,537	-2,642
Profit from sale of subsidiary		-	724
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>9,513</b>	<b>23,458</b>
Earnings per share, EUR		0,62	1,53
Number of shares, issue-adjusted		15,316,560	15,316,560

## IFRS BALANCE SHEET, NORVESTIA GROUP

EUR 1,000	Notes	31/12/2007	31/12/2006
<b>Assets</b>			
NON-CURRENT ASSETS			
Tangible assets	10	33	45
Investments in associated companies	11	1,126	-
		1,159	45
CURRENT ASSETS			
Financial assets held for trading	12	71,481	70,999
Other financial assets designated at fair value through P/L	13	39,724	37,961
Available-for-sale investments	14	1,800	1,730
Receivables	15	345	180
Cash at bank and in hand	16	58,742	62,554
		172,092	173,424
		173,251	173,469
<b>Shareholders' equity and liabilities</b>			
SHAREHOLDERS' EQUITY			
Share capital	17	53,608	53,608
Share premium		6,896	6,896
Fair value reserve		83	-
Retained earnings		94,390	80,122
Profit for the financial year		9,513	23,458
		164,490	164,084
DEFERRED TAX LIABILITY	18	5,280	7,450
CURRENT LIABILITIES	19	3,481	1,935
		173,251	173,469

## IFRS CASH FLOW STATEMENT, NORVESTIA GROUP

EUR 1,000	Notes	1/1-31/12/2007	1/1-31/12/2006
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit before extraordinary items and taxes		7,976	25,376
Adjustments:			
Operations, which do not include cash transactions		8,357	-6,873
		16,333	18,503
Changes in working capital			
Change in shares and other investments		-10,262	-829
Change in receivables		-166	-56
Change in current liabilities		1,393	-2,247
		-9,035	-3,132
Received and paid taxes		-794	-1,518
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		<b>6,504</b>	<b>13,853</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Sale of shares in subsidiaries		-	724
Acquisition of shares in associated companies		-1,126	-
Investments in tangible assets		-	-16
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		<b>-1,126</b>	<b>708</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividends paid		-9,190	-9,190
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-9,190</b>	<b>-9,190</b>
<b>CASH FLOW FOR THE PERIOD</b>		<b>-3,812</b>	<b>5,371</b>
Liquid assets at the beginning of the period	16	62,554	57,183
Liquid assets at the end of the period	16	58,742	62,554
Increase or decrease in liquid assets		-3,812	5,371

## IFRS CHANGES IN SHAREHOLDERS' EQUITY, NORVESTIA GROUP

EUR 1,000	Share capital	Share premium	Fair value reserve	Retained earnings	Profit for the year	Total
Opening balance 1.1.2006	53,608	6,896	0	57,885	31,426	149,815
Allocations				31,426	-31,426	0
Dividends				-9,189		-9,189
Profit for the year					23,458	23,458
Closing balance 31.12.2006	53,608	6,896	0	80,122	23,458	164,084
Opening balance 1.1.2007	53,608	6,896	0	80,122	23,458	164,084
Allocations				23,458	-23,458	0
Fair value reserve			83			83
Dividends				-9,190		-9,190
Profit for the year					9,513	9,513
Closing balance 31.12.2007	53,608	6,896	83	94,390	9,513	164,490



## IFRS NOTES TO THE FINANCIAL STATEMENTS, NORVESTIA GROUP

### 1. CORPORATE INFORMATION

Norvestia plc is a Finnish public company domiciled in Helsinki and its registered address is Pohjoisesplanadi 35 E, 00100 Helsinki, Finland. Norvestia is an investment company and its B shares are traded on the OMX Nordic Exchange Helsinki's Nordic List.

Norvestia plc is a part of the Kaupthing Bank Group domiciled in Reykjavik, Iceland. The financial statements of Kaupthing Bank can be found on the company's home page [www.kaupthing.net](http://www.kaupthing.net).

The financial statements of the Norvestia Group for the year ended December 31, 2007 were authorized for issue in accordance with a resolution of the Board of Directors on January 23, 2008.

### 2. ACCOUNTING PRINCIPLES

The Consolidated Financial Statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). On January 1, 2005 the Norvestia Group changed its accounting policies from the Finnish Accounting Standards (FAS) to comply with the International Financial Reporting Standards (IFRS). The International Financial Reporting Standards refer to the standards and interpretations adopted for use in the EU by procedures enacted in the IAS-Regulation (EC No 1606/2002) as well as by the Finnish Accounting Act and the regulations therein provided.

The consolidated financial statements are prepared using all IFRS-standards and SIC and IFRIC interpretations valid on the reporting day December 31, 2007 from the transition day January 1, 2004 onwards.

The Group has adopted the following new and amended IFRS and IFRIC interpretations starting from January 1, 2007:

- IFRS 7 Financial Instruments: Disclosures. The amount of notes reported in the financial statements of the Group has been extended due to the change in standards.
- IAS 1 Presentation of Financial Statements: Disclosures of capital. The amount of notes reported in the financial statements of the Group has been extended due to the change in standards.
- IFRIC 8 Scope of IFRS 2. The interpretation has no effect on the financial statements of the Group.
- IFRIC 9 Reassessment of Embedded Derivatives. The interpretation has no effect on the financial statements of the Group.
- IFRIC 10 Interim Financial Reporting and Impairment. The interpretation has no effect on the financial statements of the Group.

All amounts in the notes to the financial statements are given in EUR 1,000, unless otherwise stated.

#### 2.1 PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the parent company and its directly or indirectly owned subsidiaries and associated companies. 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 companies. Subsidiaries are included in the consolidated financial statements from the date of acquisition, or the moment when the Group has assumed a controlling interest in the subsidiary, and continue to be included until the moment when such control ceases.

The financial results of subsidiaries are included in the consolidated financial statements in proportion to the Group's ownership of the subsidiary. The acquisition method has been used in the consolidated financial statements, which implies that the shareholders' equity of the subsidiary is entirely eliminated on the acquisition date. Only that proportion of the shareholders' equity in subsidiaries accrued after the acquisition date will thus be included in shareholders' equity of the Group. Minority interests are presented separately in the income statement and also under shareholders' equity in the balance sheet.

Associates have been consolidated using the equity method. If the Group's share of the losses of associates exceeds the carrying amount, losses in excess of the carrying amount are not consolidated unless the Group is committed to fulfill the obligations of the associate. Goodwill arising from the acquisition is included in the cost of the investment. The Group's share of the results of associates is presented as a separate line item in the income statement after operating profit.

All internal transactions as well as assets and liabilities within the Group have been fully eliminated in the financial statements.

#### 2.2 VALUATION PRINCIPLES

##### Foreign currency translation

The consolidated financial statements are presented in euros. Transactions in foreign currency have been recorded in euros at the exchange rate on the date of the transaction. Assets and liabilities denominated in foreign currency have been retranslated to euros using the average exchange rates on the balance sheet date, confirmed by the European Central Bank. All differences are recognized in the income statement.

##### 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 entered in the income statement in the financial period to which the pensions relate. The Group's pensions comply with the legislative TyEL-insurance and the Group has no voluntary pension arrangements. The insurance through the TyEL-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 essentially transferred to the Group. Operating lease payments are recognized as a rental expense in the income statement in even installments over the lease term.

#### **Taxes**

Tax expenses in the income statement consist of taxes on the taxable income for the financial period and deferred taxes. Taxes on the taxable income for the financial period of the Group companies are calculated according to the Finnish tax rate. The income tax is adjusted for any taxes of earlier periods.

Deferred taxes are calculated using the liability method on temporary differences on the balance sheet date between the carrying amounts and taxable values of assets and liabilities. Deferred taxes have been calculated using the currently enacted tax rates.

The carrying amount of deferred tax assets is reviewed on each balance sheet date and is recognized to the extent that it is probable that taxable income, against which all or part of the deferred tax asset can be applied, will materialize in the future.

In the Group only deferred tax liability is booked, 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 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.

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

#### **Financial instruments**

Financial instruments in the scope of IAS 39 are classified as 1) financial assets held for trading 2) financial assets at fair value through profit and loss 3) available-for-sale financial assets and 4) loans and receivables. The Group determines the classification of its financial instruments on 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 the income statement. The fair value of investments in group 1 is determined by reference to the closing price on the balance sheet date. The fair value of assets in group 2, which consists mainly of funds, is determined through monthly reports of the funds' net asset values.

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. Changes in the fair value of the available-for-sale financial assets are recognized as a separate component of equity, net of income taxes. The cumulative gain or loss previously reported in equity is transferred to the income statement when the investment is sold or determined to be impaired. For investments where there is no active market, fair value is determined using various valuation methods that are usually based on forecasted cash flows.

Loans and receivables in group 4 are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. Such instruments are carried at amortised cost using the effective interest method. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired. Recognitions to the income statement are also done through the amortisation 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 and futures contracts to manage its portfolio more effectively. The Group has not been using hedge accounting.

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 the fair value of derivatives are recorded directly in the income statement. Fair values of options and futures are calculated on the basis of quoted market rates 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 included in the income statement, 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 right to receive cash flows from the asset has 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 at bank and in hand**

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

### **Provisions**

Provisions are recorded when the Group has a legal or constructive obligation on the basis of a prior event, the materialization of the payment obligation is probable and the size of the obligation can be reliably estimated. The expense relating to any provision is presented in the income statement net of any reimbursement.

### **Operating profit**

Operating profit consists of trading gains and losses deducted with personnel expenses, depreciations and other operating expenses. Exchange rate differences are included in the operating profit if they arise from items linked to operating activities; otherwise they are recognized as financial income or expense.

### **Adjustments to cash flow statement**

The cash flow statement of year 2006 has been adjusted. The line item Received and paid taxes has been increased and the corre-

sponding decrease has been made to the line item Operations, which do not include cash transactions.

### **2.3 NEW IFRS STANDARDS AND INTERPRETATIONS**

New published standards, changes and interpretations that will be compulsory in year 2008 or later, but which have not been adopted in the Group financial statements 2007:

- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions. The Group will adopt the interpretation from the financial year starting January 1, 2008. The interpretation will have no effect on future financial statements.
- IFRIC 12 Service Concession Arrangements. The Group will adopt the interpretation from the financial year starting January 1, 2008. The interpretation will have no effect on future financial statements.
- IFRIC 13 Customer Loyalty Programmes. The Group will adopt the interpretation from the financial year starting January 1, 2008. The interpretation will have no effect on future financial statements.
- IFRIC 14 IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The Group will adopt the interpretation from the financial year starting January 1, 2008. The interpretation will have no effect on future financial statements.
- IFRS 8 Operating Segments. The Group estimates that the new standard will have an effect on the Group segment reporting. Industrial investments will probably be reported as a separate segment from the financial year starting January 1, 2009.
- IAS 23 Borrowing Costs. The Group will adopt the standard from the financial year starting January 1, 2008. The interpretation will have no effect on future financial statements.
- IAS 1 Presentation of Financial Statements. The change in the standard will have an effect on the presentation of the income statement and notes to the financial statements. The Group will adopt the standard from the financial year starting January 1, 2009, provided that the EU commission has approved the renewed standard by then.

### **3. SEGMENT AND GEOGRAPHICAL INFORMATION, DISCONTINUED OPERATIONS**

The Group has established a new function for its industrial investments. Activities in this function are still quite limited, and therefore only one operating segment has been reported in the financial statements. When the Group adopts the IFRS 8 standard in January 1, 2009 it will probably move to reporting two segments.

No geographical breakdown has been made, as all operations are conducted in Finland.

There were no discontinued operations during 2007 and 2006.

## IFRS NOTES TO THE INCOME STATEMENT, NORVESTIA GROUP

EUR 1,000

### 4. TRADING GAINS AND LOSSES

	2007	2006
Return from shares	-7,676	2,161
Return from funds	1,180	4,312
Return from other investments	189	339
Dividend income	14,394	19,076
Interest income	1,899	1,132
	9,986	27,020

### 5. PERSONNEL AND BOARD EXPENSES

	2007	2006
Salaries	-813	-789
Pension expenses classified as a defined contribution plan	-116	-107
Other personnel expenses	-34	-34
	-963	-930
Personnel on average	6	5

### 6. DEPRECIATION AND AMORTISATION

	2007	2006
Machinery and equipment	-7	-20
Other tangible assets	-5	-5
	-12	-25

### 7. FINANCIAL INCOME AND EXPENSES

	2007	2006
Interest income	301	138
Interest expenses	-8	-8
Exchange rate differences	-494	-132
	-201	-2

### 8. INCOME TAXES

	2007	2006
Current taxes for the period	-708	-1,550
Tax from previous years	75	32
Deferred taxes	2,170	-1,124
	1,537	-2,642

Reconciliation of taxes, tax base for year 2007 and 2006 is 26%

	2007	2006
Profit before taxes	7,976	26,100
Taxes at local rates	-2,074	-6,786
Tax-free income	3,674	5,045
Non-deductible expenses	-1	-1
Profits taxable in other countries according to local taxation	-137	-932
Tax from previous years	75	32
Tax in income statement	1 537	-2 642

### 9. EVENTS DURING THE FOURTH QUARTER

	1/10-31/12/2007	1/10-31/12/2006
Trading gains and losses	-7,033	13,279
Expenses and depreciation	-336	-535
OPERATING PROFIT	-7,369	12,744
Financial income and expenses	-38	19
PROFIT BEFORE TAX AND MINORITY SHARE	-7,407	12,763
Income tax	2,008	-4,039
PROFIT FOR THE FINANCIAL PERIOD	-5,399	8,724

## IFRS NOTES TO THE BALANCE SHEET, NORVESTIA GROUP

### 10. TANGIBLE ASSETS

	2007	2006
Acquisition cost 1.1.	102	178
Additions	-	16
Disposals	-	-92
Net carrying amount 31.12.	102	102
Opening accumulated depreciation 1.1.	-57	-124
Depreciation for the year	-12	-25
Accumulated depreciation in disposals	-	92
Net carrying amount 31.12.	-69	-57
Residual value according to plan 31.12.	33	45

### 11. INVESTMENTS IN ASSOCIATED COMPANIES

	2007	2006
Opening balance 1.1	0	-
Additions	1,126	-
Dividends	-	-
Closing balance 31.12	1,126	-

Norvestia Industries Ltd bought a share of 21% in the construction services company GSP Group Oy in September 2007. No share of GSP Group's result has been recognized in the result of the Norvestia Group in 2007 as there were no final figures from GSP available. The 3-months result of GSP Group will not have a significant effect on the result of the Norvestia Group. GSP Group Oy was established in July 2007 and therefore no income statement and balance sheet figures are available either.

### 12. FINANCIAL ASSETS HELD FOR TRADING

	31/12/2007	% of assets	31/12/2006	% of assets
Market value	71,481	41.3%	70,999	40.9%
Purchase value	72,810		59,719	
Unrealized gain/loss	-1,329		11,280	

#### Stock derivatives

	31/12/2007	31/12/2006
Option contracts		
Bought call options		
Underlying value	-	1,672
Market value	-	45

#### Index derivatives

	31/12/2007	31/12/2006
Option contracts		
Bought call options		
Underlying value	-	10,189
Market value	-	210

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

	31/12/2007	% of assets	31/12/2006	% of assets
Market value	39,724	22.9%	37,961	21.9%
Purchase value	23,231		22,500	
Unrealized gain	16,493		15,461	

#### Split of market value in securities

Hedge funds	27,357	25,573
Share funds	9,238	8,884
Money market funds	3,129	3,011
Bonds	-	493
	39,724	37,961

### 14. AVAILABLE-FOR-SALE INVESTMENTS

	31/12/2007	% of assets	31/12/2006	% of assets
Market value	1,800	1.0%	1,730	1.0%
Purchase value	1,717		1,730	
Unrealized gain	83		0	

Investments have been measured at fair value using various valuation methods.

## 15. CURRENT RECEIVABLES

	31/12/2007	% of assets	31/12/2006	% of assets
Accounts receivable	14		43	
Accrued income	331		137	
	345	0.2%	180	0.1%

## 16. CASH IN HAND AND AT BANK

	31/12/2007	% of assets	31/12/2006	% of assets
Check account and cash	3,177		2,404	
Deposits	4,631		22,293	
Bank certificates (1-3 months)	27,843		21,912	
Company certificates (1-3 months)	23,091		15,945	
	58,742	33.9%	62,554	36.1%

## 17. SHAREHOLDERS' EQUITY

Norvestia has 900,000 A shares (900,000) and 14,416,560 B shares (14,416,560). The A share carries 10 votes and the B share one vote. The maximum amount of A shares is 2,000,000 shares and the maximum amount of B shares is 25,500,000 shares. The shares have no nominal value.

The Board of Directors has proposed that EUR 0.50 be distributed in dividends for 2007 (0.60).

The Annual General Meeting of March 13, 2007 authorized the Board of Directors to repurchase up to 4,500,000 B shares publicly on the Helsinki stock exchange before May 31, 2008. The Board of Directors were also authorized to decide upon a share issue and issue of special rights entitling to shares. The maximum amount that may be issued is 4,500,000 shares. The authorization is effective until May 31, 2008.

## 18. DEFERRED TAX LIABILITY

	31/12/2007	31/12/2006
Deferred tax liability		
Valuation of investments at fair value	5,280	7,450

## 19. CURRENT LIABILITIES

	31/12/2007	31/12/2006
Accounts payable	2,761	544
Accounts payable to Group companies	-	333
Current tax liability	283	445
Other current liabilities	177	200
Accrued liabilities and deferred income	260	413
	3,481	1,935

## OTHER SUPPLEMENTARY INFORMATION

### 20. PLEDGES, EUR MILLION

	31/12/2007	31/12/2006
As security for the limit of the cheque account, EUR 2.0 million (EUR 2.0 million), which was unused as at 31.12.2007		
Shares at market value	5.0	6.9

### 21. OTHER COMMITMENTS

	31/12/2007	31/12/2006
Investment commitment in Sponsor Fund Ky	-	315

#### Lease expenses

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

	31/12/2007	31/12/2006
Within 1 year	80	80
After 1 year but within 5 years	11	131
Over 5 years	-	-
	91	211



## 22. MANAGEMENT OF FINANCIAL RISK

The main risks arising from the Group's financial instruments are market risk and foreign currency risk. In addition, credit risk arises from the Group's money market investments. Because of the vast amount of money market investments the Group is not exposed to liquidity risk. The Board of Directors agrees on the main policies for risk management.

### 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 activities is to diversify its investments and thereby reduce overall risk, as well as to pursue 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.

### The sensitivity of the Group's financial instruments to market changes

	2007		2006	
	10% down	10% up	10% down	10% up
Financial assets held for trading	-7,148	7,148	-3,451	6,852
Investments in funds	-3,972	3,972	-3,796	3,796
Available-for-sale investments	-180	180	-173	173
	-11,300	11,300	-7,420	10,821

Norvestia's management follows the Sharpe ratio and volatility of the net asset value. The Sharpe ratio is calculated by dividing the return exceeding the risk-free rate by the volatility of the return. The greater the Sharpe ratio the better the risk-adjusted return has been. For comparison, the OMX Helsinki CAP -index has been added to the table.

	Sharpe		Volatility	
	2007	2006	2007	2006
Norvestia Group's dividend-adjusted NAV	0.3	2.0	6.0%	6.4%
OMX Helsinki CAP -index	0.0	1.6	12.4%	13.5%

Changes in interest rate levels also have an effect on Norvestia's result. If the interest rate decreased/increased by one percentage unit the effect on the result of the Norvestia Group would be -587/+587 (-626/+626). The opposite effect would typically be seen in the return of the held for trading portfolio, among others.

### Currency risk

Changes in exchange rates, particularly between the Swedish krona and the euro, impact the company's performance, since a majority of the company's investments in hedge funds are krona-denominated. Any strengthening of the krona against the euro would improve returns from Norvestia's Swedish funds. In turn, however, changes in other exchange rates may have affected the funds' krona-denominated results.

84% of the Group's investments were in euros, 13% in Swedish kronas and 3% in other currencies December 31, 2007. The company daily follows changes in currency rates, but for the moment there is no hedge in currencies.

### Investments nominated in foreign currencies, euro

		SEK	USD	GBP	Other	In total
					currencies	
Norvestia Group	2007	23,007	4,337	1,845	66	29,255
	2006	20,362	4,150	-	151	24,663
5 % decrease against euro, 2007		-1,150	-217	-92	-3	-1,462
5 % increase against euro, 2007		1,150	217	92	3	1,462
5 % decrease against euro, 2006		-1,018	-208	-	-8	-1,234
5 % increase against euro, 2006		1,018	208	-	8	1,234

### Credit risk

Credit risk refers to variations in the result caused by counterparties failing to meet their commitment. Money market investments therefore include credit risk and to minimize this the company has diversified its investments. As the investments are short-term, this risk is considered to be insignificant. Additionally, the investments are made in large Finnish listed companies with a good credit rating.

In 2007 Norvestia had 50.9 MEUR (37.9) in money market investments. The longest maturity of these investments was 1.0 months and the average maturity was 0.4 months. None of the investments were past due or impaired.

### Capital management

Due to the nature of Norvestia's operating activities, the company does not have an active policy to manage its capital.

### 23. RELATED PARTIES

The consolidated financial statements include the financial statements of Norvestia plc and its wholly owned subsidiaries Norvestia Industries Ltd and Norventures Ltd. The ultimate controlling party of the Group is Kaupthing Bank hf. The following table presents the total amount of transactions, which have been entered into with related parties.

Related party		Purchases	Interest income	Money market investments	Accrued income and prepaid expenses	Accounts payable
Kaupthing Bank hf. (parent)	2007	-15	-	-	-	-
	2006	-36	6	-	10	40
Kaupthing Bank Oyj	2007	-107	45	-	-	-
	2006	-87	-	-	-	293
Kaupthing Bank hf. Suomen sivuliike	2007	-	34	1 989	7	-
	2006	-	-	-	-	-
Fron Insurance Ltd	2007	-66	-	-	22	-
	2006	-	-	-	-	-

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	Guarantee for loan
Managing Directors	2007	227	119	346	24
	2006	183	194	377	-
Board of Directors	2007	146	-	146	-
	2006	133	-	133	-

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 to a salary of 8 months.

## KEY FIGURES

	IFRS 2007	IFRS 2006	IFRS 2005	IFRS 2004	FAS 2003
<b>Result figures of the Group</b>					
Turnover, MEUR	-	-	-	-	32.1
Operating profit, MEUR	8.2	25.4	29.5	19.9	7.2
% of turnover	-	-	-	-	22.4%
Profit before provisions and taxes, MEUR	8.0	25.4	28.7	19.4	7.1
% of turnover	-	-	-	-	22.1%
Return on equity	5.8%	14.9%	23.4%	10.6%	4.2%
Return on investment	4.7%	15.5%	23.9%	12.1%	5.5%
<b>Balance figures of the Group</b>					
Equity ratio	94.9%	94.6%	92.0%	74.5%	98.8%
Gross expenditure on non-current assets, MEUR	0.0	0.0	0.1	0.0	0.0
Dividend, MEUR	7.7***	9.2	9.2	4.6	20.9
<b>Key figures per share</b>					
Earnings/share, EUR*	0.62	1.53	2.05	0.77	0.38
Shareholders' equity/share, EUR*	10.74	10.71	9.78	8.04	8.37
Net asset value/share, EUR (issue-adjusted)	10.74	10.71	9.78	8.02	8.79
Discount on net asset value	19.9%	13.3%	12.6%	24.0%	28.6%
Dividend/share, EUR*	0.50***	0.60	0.60	0.30	1.84
Dividend/earnings	80.6%	39.2%	29.3%	46.9%	479.9%
Dividend yield	5.8 %***	6.5%	7.0%	4.6%	27.3%
P/E ratio	13.9	6.1	4.2	8.5	17.6
<b>Share capital and number of shares</b>					
Share capital, MEUR	53.6	53.6	53.6	35.7	17.9
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
Number of shareholders at the end of the year	5,961	5,992	5,579	5,353	4,980
<b>Share price, EUR</b>					
At the end of the year*	8.60	9.29	8.55	6.53	6.71
The calculated value for the subscription right	-	-	-	0.77	-
Year high*	9.52	9.95	8.70	9.85****	7.39
Year low*	8.00	7.29	5.90	5.93****	5.60
Year average*	8.71	8.77	6.94	7.88	6.46
Market capitalization, including subscription rights, at the end of the year, MEUR**	131.7	142.3	131.0	74,5	76.6
<b>Trading volume</b>					
Shares traded*	2,941,370	2,832,304	3,047,223	4,753,010	1,875,642
Shares traded/total amount of shares	19.2%	18.5%	19.9%	46.5%	18.4%
Shares traded/total amount of B shares	20.4%	19.6%	21.1%	49.5%	19.5%
Turnover on the stock exchange, MEUR	25.6	24.8	21.2	40.1	13.5
<b>Personnel</b>					
Number of employees in the Group on average	6	5	7	7	10

\*) 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

## BASIS OF CALCULATION OF KEY FIGURES

Return on equity	=	$\frac{\text{Profit for the financial year}}{\text{Shareholders' equity (average of the year)}}$
Return on investment	=	$\frac{\text{Profit before extraordinary items and taxes + interest expenses and other financial expenses}}{\text{Balance sheet in total – interest-free debt (average of the year)}}$
Equity ratio	=	$\frac{\text{Shareholders' equity (incl. minority share)}}{\text{Balance sheet in total – advances received}}$
Earnings per share	=	$\frac{\text{Profit for the financial year}}{\text{Issue-adjusted average number of shares}}$
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	=	$\frac{\text{Net asset value – market capitalization – calculated value for subscription rights}}{\text{Net asset value}}$
Market capitalization	=	Number of shares x closing price on the balance sheet date

## FAS INCOME STATEMENT, NORVESTIA PLC

EUR 1,000	Note	1/1-31/12/2007	1/1-31/12/2006
NET TURNOVER	2	170,845	141,792
Purchases of securities		-162,815	-120,013
Change in stock		10,262	829
Personnel expenses	3	-882	-930
Depreciation according to plan	4	-12	-25
Other operating expenses		-820	-683
OPERATING PROFIT		16,578	20,970
Profit from sale of subsidiary		-	724
Financial income and expenses	5	-202	-2
PROFIT BEFORE EXTRAORDINARY ITEMS		16,376	21,692
Group contribution	6	-92	-
PROFIT BEFORE TAX		16,284	21,692
Income tax		-633	-1,518
PROFIT FOR THE FINANCIAL YEAR		15,651	20,174
Earnings per share, EUR		1.02	1.32
Number of shares, issue-adjusted		15,316,560	15,316,560

## FAS BALANCE SHEET, NORVESTIA PLC

EUR 1,000	Note	31/12/2007	31/12/2006
<b>Assets</b>			
<b>NON-CURRENT ASSETS</b>			
Tangible assets	7	33	45
Shares in Group companies	8	1,404	221
		1,437	266
<b>CURRENT ASSETS</b>			
Stocks	9	90,897	80,634
Current receivables	10	1,877	1,713
Current financial assets		55,565	60,150
Cash at bank and in hand		2,935	2,210
		151,274	144,707
		152,711	144,973
<b>Shareholders' equity and liabilities</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	11	53,608	53,608
Share premium		7,658	7,658
Retained earnings		72,271	61,287
Profit for the financial year		15,651	20,174
		149,188	142,727
<b>CURRENT LIABILITIES</b>			
	12	3,523	2,246
		152,711	144,973



## FAS CASH FLOW STATEMENT, NORVESTIA PLC

EUR 1,000	1/1-31/12/2007	1/1-31/12/2006
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Operating profit before financial items	16,376	21,692
Operations, which do not include cash transactions	12	-699
	16,388	20,993
Changes in working capital		
Increase (-) or decrease (+) in stocks	-10,263	-829
Increase (-) or decrease (+) in current receivables	-164	-56
Increase (-) or decrease (+) in financial assets	4,585	-6,444
Increase (+) or decrease (-) in current liabilities	1,438	-2,250
	-4,404	-9,579
Received and paid taxes	-794	-4,077
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>11,190</b>	<b>7,337</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Sale of shares in subsidiaries	-	724
Acquisition of shares in subsidiaries	-1,183	-
Investments in tangible assets	-	-16
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-1,183</b>	<b>708</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Dividends paid	-9,190	-9,190
Received and paid Group contributions	-92	-
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-9,282</b>	<b>-9,190</b>
<b>CASH FLOW FOR THE PERIOD</b>	<b>725</b>	<b>-1,145</b>
Liquid assets 1.1.	2,210	3,355
Liquid assets 31.12.	2,935	2,210
Increase or decrease in liquid assets	725	-1,145

## FAS NOTES TO THE FINANCIAL STATEMENTS, NORVESTIA PLC

### 1. ACCOUNTING PRINCIPLES

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

All amounts in the notes to the financial statements are given in EUR 1,000, unless otherwise stated.

#### 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 measured either at acquisition cost or at the closing price on the balance sheet date, depending on which is lower. Unlisted shares and holdings are recognized at acquisition cost or a lower probable selling price.

Current receivables are measured at the amount that is estimated to be received from them. Current financial assets are measured at acquisition cost or at the market value, if the latter is lower.

Assets and liabilities denominated in foreign currencies have been retranslated to euros using the average exchange rates on 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 corresponding 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

Tax expenses in the income statement consist of taxes on the taxable income for the financial period and deferred taxes. Taxes on the taxable income for the financial period are calculated according to the Finnish tax rate. The income tax is adjusted for any taxes of earlier periods.

Deferred tax receivables and liabilities are recognized to the extent that is estimated to be used in the future.

### Adjustments to cash flow statement

The cash flow statement of year 2006 has been adjusted. The line item Received and paid taxes has been increased and the corresponding decrease has been made to the line item Operations, which do not include cash transactions.

## FAS NOTES TO THE INCOME STATEMENT, NORVESTIA PLC

EUR 1,000

### 2. NET TURNOVER

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

	2007	2006
Sales of securities	154,553	121,652
Dividend income	14,354	18,986
Interest income	1,899	1,132
Other income	39	22
	170,845	141,792

### 3. PERSONNEL AND BOARD EXPENSES

	2007	2006
Salaries	-744	-789
Pension expenses	-106	-107
Other personnel expenses	-32	-34
	-882	-930
where of		
Managing Director	-292	-377
Board of Directors	-146	-133
	-438	-510
Personnel in average	6	5

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 96 (194). Fees to the Chairman of the Board of Norvestia amounted to 45 (40) in the parent company.

#### 4. DEPRECIATION ACCORDING TO PLAN

	2007	2006
Machinery and equipment	-7	-20
Expenses that will accumulate gain for a longer period	-5	-5
	-12	-25

#### 5. FINANCIAL INCOME AND EXPENSES

	2007	2006
Interest income	301	138
Interest expenses	-8	-8
Exchange rate differences	-495	-132
	-202	-2

#### 6. GROUP CONTRIBUTION

Norvestia plc has granted a Group contribution of 92 (-) to Norvestia Industries Ltd.

### FAS NOTES TO THE BALANCE SHEET, NORVESTIA PLC

#### 7. TANGIBLE ASSETS

	2007	2006
Acquisition cost 1.1.	102	178
Additions	-	16
Disposals	-	-92
Net carrying amount 31.12.	102	102
Accumulated depreciation 1.1	-57	-124
Depreciation for the year	-12	-25
Accumulated depreciation in disposals	-	92
Net carrying amount 31.12.	-69	-57
Residual value according to plan 31.12.	33	45

#### 8. SHARES IN GROUP COMPANIES

	Business ID	Share capital EUR 1,000	Number of shares	Share of stocks, %	Book value EUR 1,000
Norventures Ltd, Helsinki	1604596-7	200	200,000	100.0	221
Norvestia Industries Ltd, Helsinki	2140759-8	3	1,000	100.0	1,183

#### 9. SECURITIES THAT CONSTITUTE STOCKS

	31/12/2007	31/12/2006
Market value	111,205	109,289
Book value	90,897	80,634
Unrealized gain	20,308	28,655

#### 10. CURRENT RECEIVABLES

	31/12/2007	31/12/2006
Accounts receivable	14	43
Loan receivables from Group companies	1,532	1,532
Accrued income	331	138
	1,877	1,713

#### 11. CHANGES IN SHAREHOLDERS' EQUITY

	Share capital	Share premium	Retained earnings	Profit for the year	Total
Opening balance 1.1.2007	53,608	7,658	61,287	20,174	142,727
Allocations			20,174	-20,174	0
Dividends			-9,190		-9,190
Profit for the year				15,651	15,651
Closing balance 31.12.2007	53,608	7,658	72,271	15,651	149,188

## 12. CURRENT LIABILITIES

	31/12/2007	31/12/2006
Accounts payable	2,758	544
Accounts payable to Group companies	-	333
Current tax liability	283	445
Other current liabilities	177	515
Accrued liabilities and deferred income	213	409
Accrued liabilities and deferred income to Group companies	92	-
	3,523	2,246

## 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 in the table below. The market value has been adjusted for the corresponding dividend income of the shares. All amounts are gross amounts. The premium for the derivative contracts purchased is recognized as stocks, for which the principle of lower market cost is applied.

<b>Stock derivatives</b>	31/12/2007	31/12/2006
Option contracts		
Bought call options		
Underlying value	-	1,672
Market value	-	45
<b>Index derivatives</b>	31/12/2007	31/12/2006
Option contracts		
Bought call options		
Underlying value	-	10,189
Market value	-	210

### 14. PLEDGES, EUR MILLION

	31/12/2007	31/12/2006
As security for the limit of the cheque account, EUR 2.0 million (EUR 2.0 million), which was unused as at 31.12.2007		
Shares at market value	5.0	6.9

## PROPOSAL FOR DISTRIBUTION OF PROFIT

The parent company's distributable funds amount to EUR 87,921,906, from which the profit for the financial year is EUR 15,651,434. The financial position of the company has not essentially changed after the end of the accounting period. Neither can the proposed distribution of dividend be considered to affect the company's solvency.

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

• EUR 0.50 per share will be distributed as dividend for 15,316,560 shares	7,658,280 €
• the remainder of the profit will be left in retained earnings	80,263,626 €
	87,921,906 €

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

• share capital	53,607,960 €
• share premium	7,658,280 €
• retained earnings	80,263,626 €
	141,529,866 €

The payment record date for the dividend is on March 18, 2008. The stipulated dividend will be paid out after the end of the record period on March 27, 2008.

Helsinki, January 23, 2008



J. Tuomas Bergqvist  
Chairman of the Board



Hreidar Már Sigurdsson



Sigurdur Einarsson



Stig-Erik Bergström



Robin Lindahl



Juha Kasanen  
Managing Director

## AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF NORVESTIA PLC

I have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Norvestia Oyj for the period 1.1.–31.12.2007. The Board of Directors and the Managing Director have prepared the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the 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, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

I have conducted my audit in accordance with Finnish Standards on Auditing. Those standards require that I perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. The purpose of my audit of administration is to examine whether 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 defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

### PARENT COMPANY'S FINANCIAL STATEMENTS, REPORT OF THE BOARD OF DIRECTORS AND ADMINISTRATION

In my opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view, of the parent company's result of operations and of the financial position.

In my opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the financial statements and it gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's 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 disposal of distributable funds is in compliance with the Companies Act.

Helsinki, January 25, 2008



Rabbe Nevalainen  
Authorized Public Accountant



## BOARD OF DIRECTORS AND MANAGEMENT

### CHAIRMAN OF THE BOARD

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

Year of Birth 1957

Primary working experience: 1988-2005 various business and marketing executive positions in Nokia Networks, 2002-2005 member of the Nokia Executive Board

Chairman of the Board in Elektrobot Corporation

Member of the Board in Ascom AG, Switzerland

Partner in Boardman Ltd

Board Membership in Norvestia began 20.10.2003

Shareholdings in Kaupthing Bank hf.: 80,000 shares

Shareholdings in Norvestia plc: -

### VICE CHAIRMAN

Master of Science (Economics) **Hreidar Már Sigurdsson**, Reykjavik

Year of Birth 1970

CEO of Kaupthing Bank hf.

Primary working experience: Leading positions in Kaupthing Bank hf. and Kaupthing New York Inc.

Member of the Board in Kaupthing ASA, Kaupthing Forvaltning AS, Kaupthing Norge AS, Kaupthing Singer & Friedlander Group plc, FIH Erhvervsbank A/S, Kaupthing Bank Sverige AB, Arion Custody Service, Kaupthing Securities Inc., Kaupthing New York Inc., Kaupthing Bank Luxembourg S.A. and Kaupthing Finance ehf.

Board Membership in Norvestia began 20.10.2003

Shareholdings in Kaupthing Bank hf: 7,383,856 shares including ownings of family members and controlled corporations

Shareholdings in Norvestia plc: -

### OTHER REGULAR MEMBERS OF THE BOARD



Master's Degree in Economics **Sigurdur Einarsson**, London

Year of Birth 1960

Executive Chairman of Kaupthing Bank hf.

Primary working experience: Leading positions in Kaupthing Investment Bank, Kaupthing Bank hf., Islandsbanki hf. and Den Danske Bank

Chairman of the Board in Kaupthing Bank hf., Arion Custody Service, Kaupthing ASA, Kaupthing Bank Luxembourg S.A., Kaupthing Föroyar Virdisbrevamaeklarafelag, Kaupthing New York Inc., Kaupthing Norge AS, Kaupthing Securities Inc., Kaupthing Singer & Friedlander Group plc and Sparisjodur Kaupthings hf.

Member of the Board in FIH Erhvervsbank A/S and Kaupthing Bank Sverige AB

Board Membership in Norvestia began 20.10.2003

Shareholdings in Kaupthing Bank hf: 8,194,534 shares including ownings of family members and controlled corporations

Shareholdings in Norvestia plc: -



Stig-Erik Bergström

J.T. Bergqvist

Doctor of Science (Economics) **Stig-Erik Bergström**, Espoo  
Year of Birth 1941  
Primary working experience: Leading positions in Stockmann plc, Midland Montagu Aktiebank and Rauma Repola Oy  
Vice Chairman of the Board in Handelsbanken's Finnish local council  
Member of the Board in European Renaissance Fund Ltd and Havsfrun Investment AB  
Board Membership in Norvestia began 27.3.2001  
Shareholdings in Kaupthing Bank hf: -  
Shareholdings in Norvestia plc: 9,089 B shares

Master of Science (Economics) **Robin Lindahl**, Kauniainen  
Year of Birth 1964  
Vice President, Head of Finance and Control, Markets Unit, Nokia Corporation  
Primary working experience: 1997-2006 various leading positions in Nokia Networks, 1993-1997 Nokia Finance International, Manager Treasury, 1990-1993 Skopbank International BV, Finance Manager  
Member of the Board in Finngulf Yachts Oy  
Board Membership in Norvestia began 10.3.2005  
Shareholdings in Kaupthing Bank hf: -  
Shareholdings in Norvestia plc: -

#### **MANAGING DIRECTOR**

Master of Science (Technology), Licentiate of Science (Economics)  
**Juha Kasanen**, Espoo  
Year of Birth 1957  
Primary working experience: 2000-2003 Norvestia plc's Investment Manager, 1991-2000 supervision, development and research of capital markets in Bank of Finland and Finnish Financial Supervision Authority, 1989-1991 stock broker and analyst  
Chairman of the Board in Norvestia Industries Ltd  
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 hf: -  
Shareholdings in Norvestia plc: -

#### **AUDITOR**

CPA **Rabbe Nevalainen**  
Ernst & Young Oy, deputy auditor

#### **AUDIT COMMITTEE**

Stig-Erik Bergström, Chairman  
Robin Lindahl



**Robin Lindahl**

**Hreidar Már Sigurdsson**

## CORPORATE GOVERNANCE

### ANNUAL GENERAL MEETING

The Annual General Meeting is the company's highest decision-making body and normally convenes once a year. At the Annual General Meeting shareholders exercise their right to vote on company affairs. The AGM decides on the matters laid down in the Companies Act and in Norvestia's Articles of Association, e.g. approving the financial statements, discharging the Board of Directors and the Managing Director from liability, on dividend distribution and on any amendments to 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 last ordinary general meeting was held on March 13, 2007.

### SHARES

Norvestia plc's B share is quoted on the OMX Nordic Exchange Helsinki's Nordic 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 consisted of five regular members at year-end 2007. Every year the AGM elects Board members for a term lasting until the following annual general meeting. The Annual General 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 majority shareholder has a strong position on the Board. Sigurdur Einarsson and Hreidar Már Sigurdsson represent the majority shareholder, Kaupthing Bank. J.T. Bergqvist, Stig-Erik Bergström and Robin Lindahl are independent members.

### TASKS OF THE BOARD OF DIRECTORS

The Board of Directors is tasked with organizing the company's management and operations appropriately, and ensures that the company complies with laws and regulations. The Board monitors the company's book-keeping and attends to that the company's asset management is appropriate. The Board complies with the Corporate Governance Recommendation for Listed Companies issued by the Helsinki stock exchange, The Central Chamber of Commerce of 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, at the meeting held after the annual general meeting, the Board lays down its own working procedures and rules of

procedure for the Managing Director. The former include instructions on the form and content of Board meetings, the company's financial reporting, investments and external communications among others. The Board reviews and approves the power and authorization order and the rights to sign for the company. The Board selects an audit committee from among its members. The Board also 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 Board meeting, where these matters are handled.

### MEETINGS

The Board of Directors usually convenes between five and eight times a year. In 2007, the Board met 10 times with a participation activity of 90%.

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, financial statement bulletin 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 reviewed and distributed to the members of the Board and auditors.

### MANAGING DIRECTOR

The Managing Director attends to the day-to-day management of the company in accordance with instructions and orders issued by the Board of Directors, ensures that the company's books are kept in compliance 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 is to ensure that the company operates in the most efficient and profitable manner, that information is reliable, and that regulations and operating principles are followed.

Internal supervision is carried out by the company's management as well as by all company personnel. The Board carries the ultimate responsibility for supervision of book-keeping and financial management. The Managing Director is responsible

for the practical organization of internal supervision and risk management. The Board of Directors and the Managing Director are responsible for the company's risk management and decide upon matters concerning risk.

#### **INTERNAL CONTROL**

The Managing Director is responsible for seeing that the company and its subsidiaries have appropriate internal control. The parent company reviews its own book-keeping and reporting, and the financial statements, market values and portfolio reports of its subsidiaries. The basic idea behind the company's internal control system is that a third party always examines any completed work. 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 in respect of their Board membership.

In accordance with the decision of the Annual General Meeting on March 13, 2007, the Board members are remunerated as follows:

- the chairman of the Board is paid an annual fee of EUR 45,000,
- the vice chairman is paid an annual fee of EUR 25,000 and
- other regular members are paid an annual fee of EUR 25,000.

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

The pension benefits of the Managing Director are based on the Finnish Employees' Pensions Act (TyEL). 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 2007, the Managing Director was paid a total of EUR 392,000 in monthly salary, bonus and benefits. The share of the monthly salary was EUR 196,000, the bonus paid in 2007 EUR 194,000 and benefits EUR 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 therein arising. The audit committee follows the financial

position of the company and monitors 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 2007, the audit committee met twice. 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 AUDIT COMMITTEE MEMBERS**

Stig-Erik Bergström and Robin Lindahl are independent audit committee members.

#### **AUDIT**

According to the Articles of Association, the company has at least one regular auditor who must be a public accountant authorized by the Central Chamber of Commerce. The Annual General Meeting elects the auditor/auditors, whose term extends until the end of the first annual general meeting following their election. In connection with the annual financial statements, the auditors prepare 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 position 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' expenses are compensated according to invoice. In 2007 EUR 32,000 was paid for audit work in Norvestia Group and EUR 32,000 in Norvestia plc.

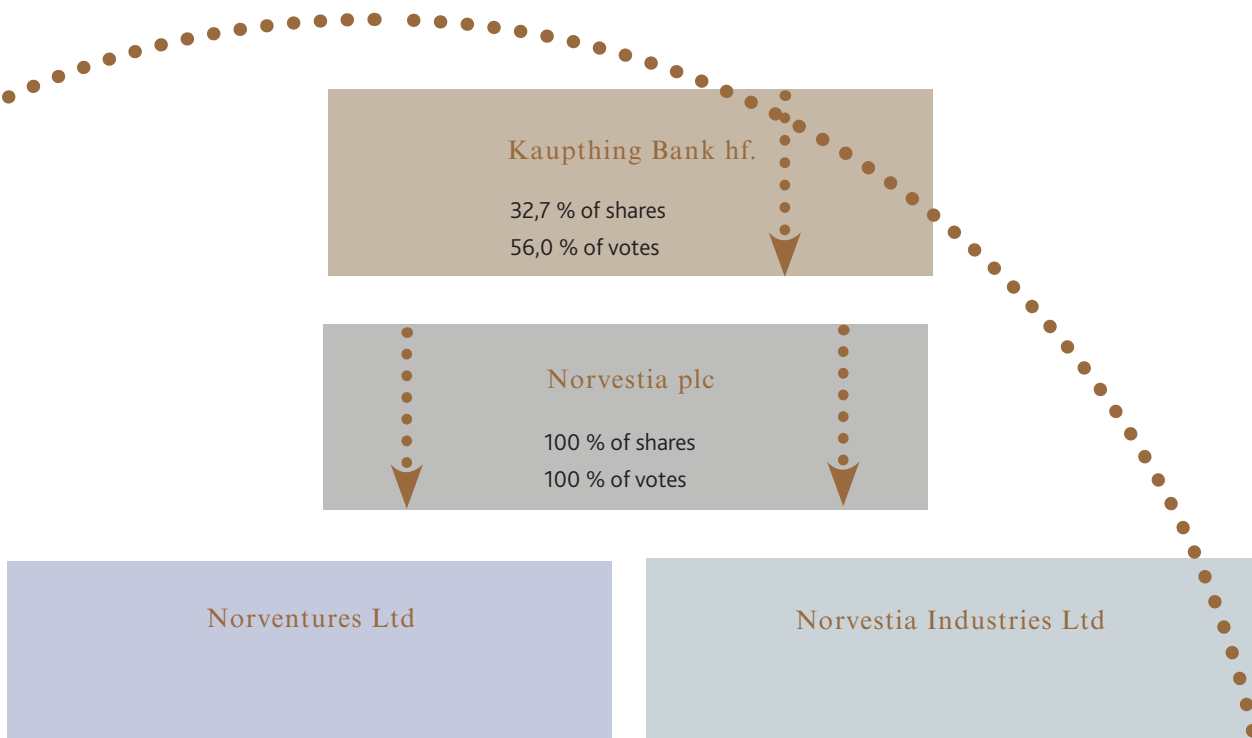
#### **INSIDER REGISTER**

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 and auditors belong to the public insider register. The company also maintains a company specific insider register, which includes all company personnel as well as persons that regularly receive insider information.

#### **CORPORATE GOVERNANCE DESCRIPTION ON COMPANY HOMEPAGE**

The company's corporate governance description is updated on the company home page [www.norvestia.fi](http://www.norvestia.fi).

## 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 largest bank and in addition to Iceland, the bank's key markets are Denmark and the United Kingdom. The bank focuses on the growth and development of its international activities and aims to be one of the leading investment banks in northern Europe.

Kaupthing Bank offers in addition to traditional banking services, corporate and investment banking services, asset management, capital markets and treasury services as well as brokerage to companies, institutional investors and individuals. Kaupthing Bank operates in 13 different countries and at the end of 2007 the bank employed 3,334 people, of which about 120 in Finland.

### NORVESTIA GROUP

The Norvestia Group became a part of the Kaupthing Bank Group in the last quarter of year 2003. Norvestia plc is parent company to Norvestia Industries Ltd and Norventures Ltd. Norvestia Industries Ltd was established in September 2007 in order to realize the Group's industrial investments strategy.



## PERSONNEL



**Juha Kasanen**  
Managing Director



**Roger Lönnberg**  
Investment Manager



**Jonna Vaarnanen**  
Financial Manager



**Susanne Poikonen**  
Investor Relations



**Eerika Lehtilä-Vuorio**  
Assistant, administration



**Jan Sasse**  
Executive Advisor





## SUMMARY OF STOCK EXCHANGE RELEASES

The company's stock exchange releases and investor news can be found in their full length on the company home page [www.norvestia.fi](http://www.norvestia.fi). The stock exchange releases are available in Finnish and Swedish.

<b>5.1.2007</b>	Norvestia has employed Jan Sasse to lead industrial investments
<b>18.1.2007</b>	Norvestia's net asset value rose by 1.7% in December
<b>23.1.2007</b>	Norvestia's Financial Statement Bulletin 2006
<b>12.2.2007</b>	Norvestia's net asset value rose by 1.4% in January
<b>13.2.2007</b>	Notice of the Annual General Meeting
<b>13.2.2007</b>	Change in the publication date of Norvestia's interim report for January-September
<b>21.2.2007</b>	Norvestia's summary of stock exchange releases for the year 2006
<b>28.2.2007</b>	Norvestia's Annual Report 2006 published
<b>12.3.2007</b>	Norvestia's net asset value sunk by 0.3% in February
<b>13.3.2007</b>	Resolutions of the Annual General Meeting 13.3.2007 of the Norvestia Group
<b>12.4.2007</b>	Norvestia's net asset value rose by 2.8% in March
<b>19.4.2007</b>	Norvestia's interim report 1.1. -31.3.2007
<b>10.5.2007</b>	Norvestia's net asset value rose by 2.9% in April
<b>11.6.2007</b>	Norvestia's net asset value rose by 2.3% in May
<b>11.7.2007</b>	Norvestia's net asset value sunk by 0.1% in June
<b>18.7.2007</b>	Norvestia's interim report 1.1.-30.6.2007
<b>10.8.2007</b>	Norvestia's net asset value sunk by 0.8% in July
<b>12.9.2007</b>	Norvestia's net asset value sunk by 0.5% in August
<b>25.9.2007</b>	Norvestia invests in construction services company GSP Group
<b>10.10.2007</b>	Norvestia's net asset value rose by 1.5% in September
<b>23.10.2007</b>	Norvestia's interim report 1.1.-30.9.2007
<b>9.11.2007</b>	Norvestia's net asset value rose by 0.5% in October
<b>11.12.2007</b>	Norvestia's net asset value sunk by 2.9% in November
<b>12.12.2007</b>	Norvestia's financial reporting in 2008

## KEY TERMS

### NET ASSET VALUE

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

Norvestia's net asset value is calculated and published monthly.

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

### IFRS

According to EU regulation 1606/2002 companies whose shares are publicly traded in the member countries of the ETA-zone are obliged to prepare consolidated financial statements in accordance with IFRS. Norvestia has prepared its consolidated financial statements in accordance with IFRS since 2005. The financial statements of the parent company are prepared in accordance with the Finnish accounting standards, FAS.

### TAXATION

Investment companies pay tax on realized returns at the prevailing corporate tax rate. Deferred tax liability is calculated on unrealized gains, i.e. the value by which the fair value of the company's assets exceeds their purchase value. The deferred tax liability for 2006 and 2007 has been calculated at a tax rate of 26%.

When comparing an investment company such as Norvestia with investment funds for example, differences in taxation should be taken into account. This applies to taxation on both profit distribution and appreciation. The effects of taxation are taken fully into account in Norvestia's reports on net asset value. Dividends received by Norvestia from Finnish listed companies are tax-free.

### VOLATILITY

Volatility or standard deviation measures statistically the extent of daily fluctuations in the value of the portfolio and so indicates the risk level associated with it. Generally speaking, the higher the volatility, or the larger the fluctuations in value, the higher the risk and vice versa.

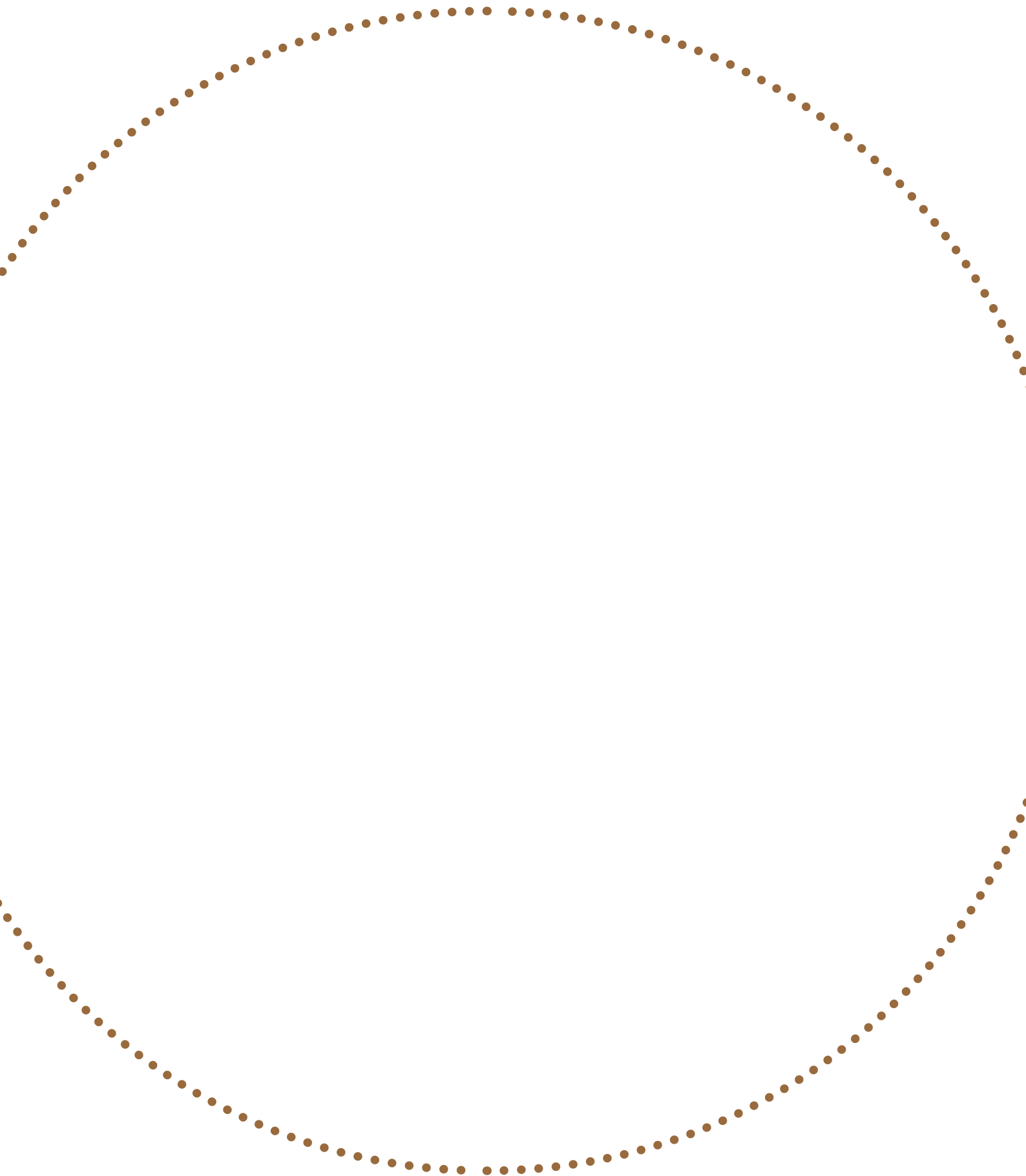
The average volatility of the OMX Helsinki CAP index calculated on monthly observations was 12.4% in 2007. Volatility in Norvestia's dividend-adjusted net asset value was 6.0%. Low volatility is part of Norvestia's strategy, which generally presupposes low risk levels and steady returns.

### ABSOLUTE RETURN OBJECTIVE

The absolute return objective means that the company aims to increase its net asset value each year regardless of prevailing market trends.

### SHARPE RATIO

The Sharpe ratio is a measure of risk-adjusted return developed by nobelist William Sharpe. Mathematically the ratio is calculated by dividing the return exceeding the risk-free rate by the volatility of the return. The greater an investment's Sharpe ratio, the higher its risk-adjusted return. The Sharpe ratio can be used to compare returns between investments with different risks. If an investment has generated returns below the risk-free rate its Sharpe ratio is negative.



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