Annual report 2016

Norvestia

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2016

NORVESTIA

2016 was a year of big changes for Norvestia and its shareholders. In November, Norvestia's main owner CapMan Plc made a voluntary exchange offer to shareholders for Norvestia's shares. CapMan offered to exchange all Norvestia shares for CapMan shares so that one Norvestia share would entitle shareholders to six CapMan shares. Norvestia's shareholders were paid a dividend of EUR 3.35 per share before the completion of the exchange offer.

YEAR 2016

Net Asset Value (dividend-adjusted) increased by 11.8% during the period (17.2%).

Net Asset Value per share was EUR 8.13 at year-end (11.04).

The result for the period amounted to EUR 18.9 million (25.0).

The Board of Directors proposes that no dividend be distributed for 2016 (EUR 4.14 per share for 2015).

Coronaria

Coronaria is one of the leading providers of health and wellbeing services in Finland. The company offers multifaceted primary and specialized health care, supported living and home care as well as rehabilitation services. Coronaria produces and promotes health throughout Finland with the help of over 1,500 professionals within health care and wellbeing by working beside and as a partner with public health care. Coronaria has been granted the right to use The Key Flag Symbol as a mark for Finnish origin.

NORVESTIA IN BRIEF

Norvestia Oyj is a publicly listed investment company. Norvestia's twofold investment strategy consists of market investments and Growth Equity. Market investments are made primarily in Nordic listed shares, funds and bonds. Growth Equity investments are made in Nordic unlisted companies, growth-oriented listed companies and private equity funds.

Norvestia Oyj became CapMan Group's subsidiary 19 December 2016. CapMan Plc owned 90.7% of Norvestia's shares at year-end. Consequently, a right and obligation arose, as per the Finnish Companies Act, for CapMan to redeem the rest of Norvestia shares. The redemption process started in January 2017.

Key figures for the Group 2016

Net earnings, EUR million	**18.9**
NAV and shareholders' equity, EUR million	**124.6**
Equity ratio, %	**88.6**

Key figures per share 2016

Net earnings, EUR	**1.24**
NAV and shareholders' equity, EUR	**8.13**
Share price, EUR	**7.41**

Annual General Meeting

The Annual General Meeting (AGM) will be held on Tuesday 14 March 2017 at 11:00 in the Akseli Gallen-Kallela cabinet at Hotel Kämp, Pohjoisesplanadi 29, Helsinki, Finland. Shareholders who wish to attend the AGM are kindly requested to register no later than Thursday 9 March 2017 by 16:00 either by email to info@norvestia.fi, by phone +358 9 6226 380, by fax +358 9 6222 080 or by letter to the address Norvestia Oyj, Pohjoisesplanadi 35 E, 00100 Helsinki, Finland. More information about the AGM can be found on the company website at www.norvestia.fi/agm.

Dividend

The Board of Directors proposes that no dividend be distributed for 2016.

Interim reports are published

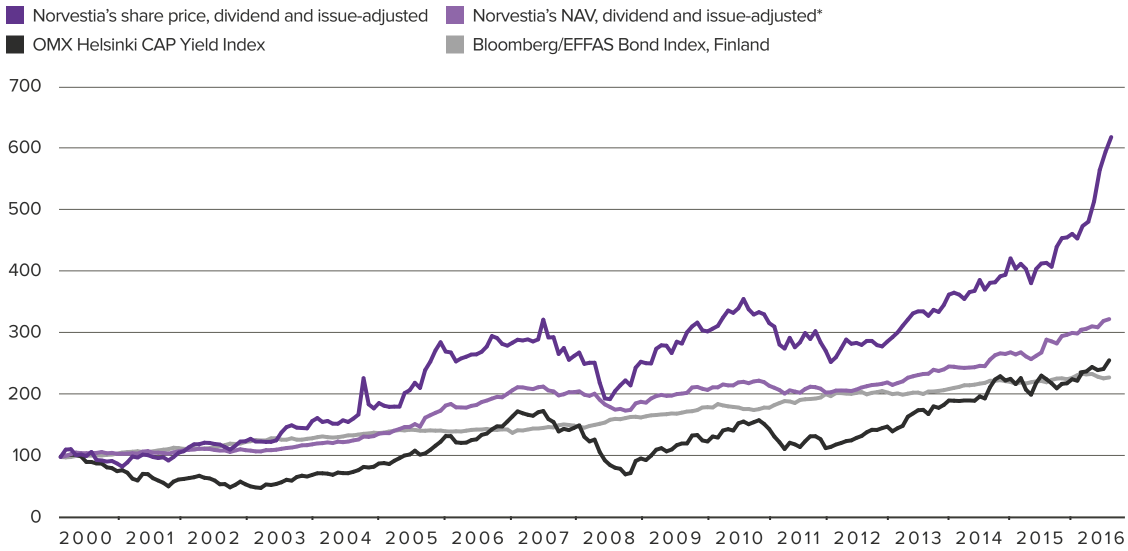
21 April 2017
14 July 2017
26 October 2017

www.norvestia.fi

Annual and Interim Reports are available in electronic form in Finnish and English on the company website at www.norvestia.fi/reports. All press releases published by the company can also be found on the company website at www.norvestia.fi/releases.

A printed copy of the Annual Report can be ordered from the website at www.norvestia.fi/reports. The request can also be made by phone to the number +358 9 6226 380.

Performance of Net Asset Value, share price and indices



* The effect of the change in accounting principle is not recognized in the chart during 2000–2014.

MANAGING DIRECTOR'S REVIEW

Over 90% of Norvestia's shareholders accepted the exchange offer made by CapMan in November. This means that Norvestia's journey as an independent listed company will end during 2017, and that you are now reading the last Managing Director's review of Norvestia as a listed company.

Norvestia's stock exchange history has been great and, relative to the Finnish capital markets in general, long. Norvestia was first listed in 1985 under the name SYP-Invest. At that time, there were no investment funds on the rather undeveloped Finnish capital markets, and legislation governing investment funds did not come into force until 1987. In those days, an investment company structure was the only way to offer the public joint investments on the stock markets. The key function of an investment company was to create a setting for organized securities saving and improve investment opportunities for small-scale savers.

According to SYP-Invest's 1985 Annual Report, the company aimed to offer investors a share which would enable them, at a small contribution, to participate in the returns and growth of a professionally managed, wide security portfolio. This strategy has stood the test of time and has been Norvestia's modus operandi throughout its existence. SYP-Invest became Norvestia in 1996 due to a change of majority owner.

According to the 1985 balance sheet, the value of SYP-Invest's entire security portfolio was approximately 180 million Finnish marks. Back then some notable figures participated in the company's governance. The company's Chairman of the Board was CEO of SYP Bank Ahti Hirvonen and Björn Wahlroos, among others, was a member of the Board.

Today, there are only a handful of companies listed on the Helsinki stock exchange from the time when Norvestia was listed. SYP Bank eventually became part of Nordea which was only one of the huge number of changes that have happened since 1985. We have seen the Soviet Union collapse, the Berlin Wall fall, East and West Germany unite, Finland join the European Union, the Finnish mark superseded by the euro, the techno bubble burst, the banking crisis test the European banking system and Greece go bankrupt.

Excellent result and long-term workplace

Norvestia has overcome all crises on the capital markets creditably and at no point has its solvency been at risk. Since 2000 Norvestia's combined result after expenses and taxes has amounted to EUR 165 million and Norvestia has paid dividends of EUR 194 million to its shareholders. Relative to its size, Norvestia has been the best dividend payer on the Helsinki stock exchange. The value of a Norvestia share bought in 2000 has sextupled assuming dividends have been reinvested back into Norvestia shares. Consequently, the annual return of the share has been over 11%.

I started as an Investment Manager at Norvestia in 2000. At that time I had no idea that my career at Norvestia would be longer than in any other company. I had already served at the Finnish Financial Supervisory Authority and at the Finnish Bank for a combined total of 10 years. Since 2003 I have had the pleasure of working as Norvestia's Managing Director. A 14-year career as the Managing Director of a Helsinki stock-listed, successful and completely debtless company is surely almost a Finnish record. CEOs usually serve much shorter terms, for one reason or another.

I have enjoyed working at Norvestia very much. I have had the chance to co-operate with four different Boards of Directors and three different main owners. I have got along well with each of them and gotten both help and support in my work. In a limited company it is the owners and the Board who decide on guidelines and set the pace. Realizing the set targets is the Managing Director's duty.

The best part of being at Norvestia, however, has been the excellent co-workers and the great team spirit. It has always been a pleasure to come to work. Norvestia is an excellent proof of the great results that can be achieved when a small group of well-motivated professionals who enjoy their work pull together towards a common goal. The company has also been extremely cost-effective. Total costs have on average been below 2% of Net Asset Value per year, including all obligations due to a listed company. If Norvestia's total result of EUR 165 million since 2000 is divided by its average number of six employees, it will amount to a EUR 1.6 million net result a year. That too, must be a record on the stock exchange.

Investment company's benefits

In addition to competent personnel, Norvestia's success has of course required some degree of serendipity. As in sports, luck however improves along with competence and experience. Another extremely important factor, the significance of which is often not quite understood, has been Norvestia's investment company structure. This structure makes possible genuinely long-term investment activities and wide diversification of the portfolio. Traditional investment funds cannot really function in this way.

The only disadvantage of a stock-listed investment company in comparison with an investment fund in Finland is taxation. Investment companies are obliged to pay tax on capital gains while funds are not. Norvestia lobbied for years for a change in the taxation rules, but to no avail. All political decision-makers with whom we discussed the matter considered it important and promised to put matters right. Unfortunately nothing happened. Political processes can be notoriously slow. Hopefully the matter will be addressed one day, although it will no longer have any significance from Norvestia's perspective. It is a shame that there will be no investment companies such as Norvestia on the Helsinki stock exchange in the future. There would be a clear demand for the services of such companies and indeed, in Sweden there are several firms of this type. Eliminating the double taxation of listed investment companies compared to investment funds would be an important move in the right direction.

Year 2016 and outlook for 2017

It is a pleasure to note that result-wise 2016 was another excellent year for Norvestia. We weathered the twin storms of the British Brexit vote and the unexpected US presidential election result. Indeed, we even benefitted, as the value of our portfolio increased amidst the market turbulence following these events. Norvestia's result for 2016 amounted to EUR 18.9 million which corresponds to an 11.8% value increase on Net Asset Value.

2017 will be an interesting year on the capital markets and there will be turbulence again this year. The European Union has faced major difficulties year after year. This year the most central of these are the parliamentary elections in Germany and Holland as well as the parliamentary and presidential elections in France. The results of these will be significant for the future of the entire EU. To quote the New Year's speech of our president: "The European Union is needed now more than in decades, but it is more fragmented and discordant than ever".

Finally, I would like to thank once more Norvestia's Boards of Directors, its personnel and current and former shareholders for the past years. I hope that our excellent co-operation can continue in one form or another. I believe that the new company created together by Norvestia and CapMan will be successful, and even greater than the sum of its parts, and I wish all the best for its future.

Juha Kasanen
Managing Director

WWW.NORVESTIA.FI/BLOGI
Norvestia's blog in Finnish!

Norvestia's Amended NAV, dividend-adjusted

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2000–2016
Return. p.a., %	5.3	5.4	0.2	7.2	11.4	26.5	16.0	6.0	-14.3	14.2	9.5	-7.6	4.8	10.7	4.4	17.2	11.8	7.2
Volatility, %	5.0	5.2	4.6	3.2	4.3	10.1	6.4	6.0	7.8	7.4	5.6	5.5	5.3	3.4	3.8	9.7	5.5	6.4
Sharpe ratio	0.3	0.1	neg.	1.4	2.1	2.4	2.0	0.3	neg.	1.7	1.5	neg.	0.6	3.0	1.1	1.8	2.2	0.8

OMX Helsinki CAP Yield Index

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2000–2016
Return. p.a., %	-21.5	-18.2	-13.5	22.7	21.4	34.5	29.9	8.1	-47.3	44.5	29.8	-24.9	15.5	31.6	10.6	15.9	13.3	5.7
Volatility, %	12.5	33.0	22.1	18.9	10.2	12.7	14.2	13.7	23.4	32.0	17.8	17.9	17.0	12.0	10.4	19.7	11.0	19.5
Sharpe ratio	neg.	neg.	neg.	1.1	1.9	2.5	1.9	0.3	neg.	1.4	1.6	neg.	0.9	2.6	1.0	0.8	1.2	0.2

GROWTH EQUITY MARKET REVIEW

Active ownership and a carefully executed investment strategy have been the cornerstones of success in Norvestia's Growth Equity investments for several years now. The return on Growth Equity investments has for some time remained very strong. The average yearly return for the past three years has been over 53% before taxes. The financial year 2016 was no exception, with returns reaching 44% before taxes.

The highlight of 2016 was the successful exit from Touhula Varhaiskasvatus Oy. The company was an 80% subsidiary of Coronaria Hoitoketju, and was sold to a Nordic private equity investor yielding an excellent return. Coronaria's cash position was strengthened considerably after the sale, and the company distributed an extra dividend of EUR 50 million in spring 2016. Norvestia's share of this extra dividend was somewhat over EUR 9 million, which is almost three times more than what Norvestia has invested in Coronaria. Norvestia continues to develop Coronaria in other sectors.

It is particularly encouraging to note that all our investment targets have succeeded. This further strengthens our belief in the validity and effectiveness of our investment strategy, and indicates that we should continue the same way.

Despite Norvestia's ownership arrangements, Growth Equity investments will remain the focus of Norvestia's investment activities in the future. The existing majority owner CapMan has supported Norvestia's targets and Norvestia has been able to carry out Growth Equity investment activities independently and objectively. CapMan is committed to continue investing in Growth Equity, and there are no major changes expected in the investment strategy of this field.

Growth investing as part of private equity sector

Growth investing, i.e. Growth Equity, can be defined briefly as "significant minority investments in companies whose revenue is EUR 5–100 million". Growth Equity has become an entirely new investment class in the private equity sector between buyout and venture capital investments. Growth Equity volumes are also on the increase in Finland and, in addition to Norvestia, market operators include a few family firms, the state owned Finnish Industry Investment and the larger pension insurance companies.

Investment strategy

Norvestia's strategy as an active owner has proven to add value, and the target is to steadily increase investment volumes according to the strategy previously outlined. The central target of the firm's investment activities is not to increase the number of investments but to develop existing investments and to execute chosen transactions. Norvestia's target companies increased their activities during 2016 by executing a dozen acquisitions, and so systematically broadened their operations. In addition to direct investments, Norvestia's Growth Equity investments include six investments in private equity funds.

Portfolio companies

Coronaria Hoitoketju Oy

Coronaria's growth has remained very strong year after year. The company's comparable revenue increased by 43% from 2015 and Coronaria is still one of the fastest growing service companies in Finland. The subsidiary Touhula Varhaiskasvatus Oy was sold in March 2016, as Coronaria exited the rapidly growing day care sector to focus resources on special health care, elderly care and on a new business; fast growing therapy and rehabilitation services. Without Touhula the Group's revenue amounted to approximately EUR 81 million in 2016, and the company is profitable.

The enduring discussion about social welfare and health care reform (sote) is about to culminate in the drafting of new legislation. Political decisions may affect the supply of private health care and elderly care services, although the current situation seems more advantageous for private health companies than before. Norvestia owns 19.1% of the company when all shares and options are taken into account.

Touhula Varhaiskasvatus Oy

As part of the sale of Touhula by Coronaria, Norvestia reinvested in Touhula as a direct investment together with EQT, the biggest private equity investor in the Nordics. The investment amounted to EUR 2 million, and additionally Norvestia offered EUR 2 million mezzanine financing to the company.

Idean Enterprises Oy

Idean offers services which include the development of user interfaces, improvement of user experience and increasingly also planning and developing customer experience. The company is growing in the US and its customer base consists mainly of large global companies.

In 2016, Idean's revenue amounted to approximately EUR 25 million which represents an organic growth of over 25% from the previous year. In addition to strong growth the company invested in improving profitability and has succeeded in doing so. The company is cash flow positive and has no debt. Due to the company's positive development and market outlook, we have increased the value of our investment. Norvestia invested in Idean in 2014 and owns 24.8% of the company when all shares and options are taken into account.

Aste Helsinki Oy

Aste was founded in 2008. It offers technological platforms and services which enable communications materials to be produced efficiently and cost-effectively as services to customers. Aste's know-how is to connect marketing with digital and printed media in a way that builds brands through all channels.

The company's revenue was over EUR 6 million in 2016 with EBIT comprising 13% of this. Aste aims to continue the implementation of its strategy of strong profitability and moderate growth. Norvestia invested in Aste in 2013 and owns 40% of the company.

Fluido Oy

Fluido was founded in 2009. Its customers include both large listed enterprises and growth-oriented SMEs in various sectors in all Nordic countries. Fluido's headquarters are in Espoo, Finland, and customers are served locally from offices in Stockholm, Oslo and Copenhagen.

Fluido develops cloud service solutions and related added value services. The company's revenue in 2016 was approximately EUR 12 million, and the company is profitable with no debt. Fluido grew by almost 50% from 2015. Fluido is the Platinum Consulting Partner of Salesforce, the leading global enterprise cloud ecosystem. Norvestia invested in Fluido in 2015 together with Salesforce's own venture capital company. Norvestia owns approximately 30% of the company when all shares and options are taken into account.

Polystar Instruments AB

The Swedish Polystar develops and markets business intelligence software solutions to international tele-operators. The company has over a hundred customers globally and is one of the leading players in this market. The company's revenue was SEK 327 million during the financial period ending in April 2016. The company is profitable and pays dividends. Norvestia owns approximately 10% of the company.

Private equity funds

Private equity funds complement Norvestia's Growth Equity portfolio in fields in which Norvestia does not invest directly. Norvestia typically operates on the advisory committees of these funds.

The early-stage fund managed by Lifeline Ventures, in which Norvestia invested in 2012, is fully invested and targets are being developed towards a successful exit. Investments have been made particularly in internet services, and in health and environmental technologies. Lifeline raised a new fund of approximately EUR 50 million at the end of 2015 in which Norvestia invested EUR 5 million.

The Amanda V East fund of funds managed by eQ's private equity funds invests in the shares of large buyout funds operating in Russia and Eastern Europe. In addition, in 2015 Norvestia invested EUR 3 million in the Finnish Open Ocean Fund 2015 which is an early-stage fund, and in 2016 approximately EUR 5 million in the international Hamilton Lane PE IX fund of funds which invests in various buyout funds globally.

Juha Mikkola
Senior Investment Director

SHARE CAPITAL AND OWNERSHIP STRUCTURE

31 December 2016, the share capital of Norvestia Oyj amounted to EUR 53,607,960. The share capital is divided into 15,316,560 shares with one vote each. All shares have an equal right to dividend and the assets of the company. The shares have no nominal value. The ISIN code of the shares is FI0009000160 and the ticker symbol NORVE.

Market capitalization of Norvestia Oyj's shares amounted to EUR 113.5 million (122.4) 31 December 2016. The ten largest shareholders possessed 93.15% (53.56%) of shares and votes. The members of the Board and the Managing Director did not possess any Norvestia shares (35,400).

The average shareholding in Norvestia Oyj by private individuals was 673 (1,289) shares. The corresponding amount for Finnish associations was 222,053 (38,447) shares. The number of nominee registered shares amounted to 0.37% (8.42%) of shares and votes. 31 December 2016, the amount of shareholders amounted to 1,679 (5,226).

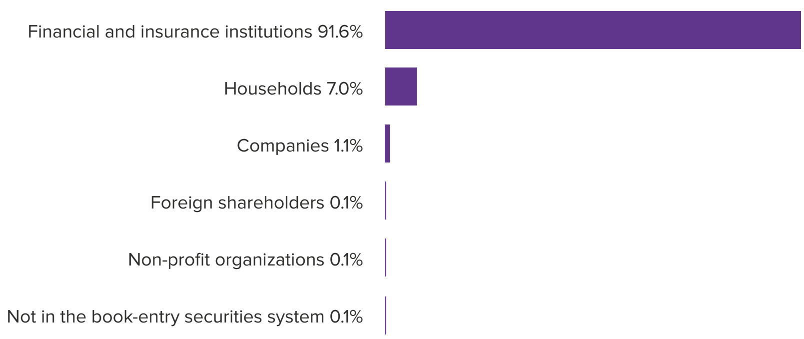
Ten largest shareholders 31 December 2016

Shareholder	Share amount	% of shares and votes
CapMan Plc	13,888,529	90.68%
Pasanen Matti	90,445	0.59%
Mandatum Life Unit-Linked	66,545	0.43%
Nurminen Vesa	40,200	0.26%
Bergqvist Jukka	37,825	0.25%
Puolimatka Raimo	35,000	0.23%
Kettunen Birgitta	30,000	0.20%
Lago Kapital Oy	27,783	0.18%
OP Life Assurance Company Ltd	27,307	0.18%
Akkunus-Invest OY	23,000	0.15%
	14,266,634	93.15%
Nominee registered	56,228	0.37%

Holdings by share amount

Shareholder	% of shares and votes	% of owners
1–100	0.2%	30.6%
101–1 000	2.3%	56.6%
1 001–5 000	2.3%	10.5%
5 001–10 000	0.8%	1.1%
10 001–	94.3%	1.2%
Not in book-entry system	0.1%	-
	100.0%	100.0%

Breakdown of share capital by owner group 31 December 2016



idean

Idean is a global design firm that works with the world's leading companies, helping them to create long-lasting relationships with their customers, through truly value-creating experiences. Idean's core know-how is the design of different strategy-based customer and user experiences. The people at Idean know how to turn an idea or a current product into something awesome and easy-to-use. With a team of more than 150 designers, technologists and strategists Idean makes technology meaningful for ordinary people.

INVESTMENTS 31 DECEMBER 2016

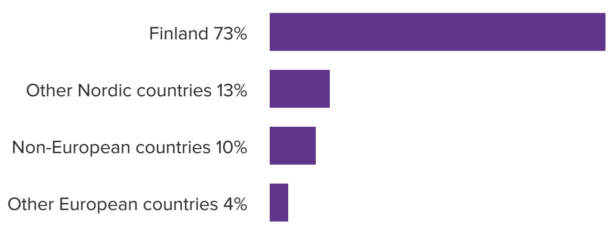
	Number of shares/units	Acquisition price EUR 1,000	Fair value EUR 1,000	Share of total investments
MARKET INVESTMENTS LISTED SHARES				
Amer Sports Corporation	55,105	923	1,393	1.1%
Apetit Plc	74,294	914	964	0.7%
Atria Plc	125,672	1,322	1,444	1.1%
Caverion Corporation	93,034	362	737	0.6%
Elisa Corporation	93,450	1,897	2,890	2.2%
Finnair Plc	353,408	1,334	1,424	1.1%
Fortum Corporation	220,271	2,979	3,209	2.4%
HKScan Corporation A share	83,875	541	268	0.2%
Honkarakenne Oyj B share	451,739	1,669	745	0.6%
Huhtamäki Oyj	66,774	402	2,356	1.8%
Kemira Oyj	110,214	1,314	1,337	1.0%
Kesko Corporation B share	68,323	1,804	3,244	2.5%
Konecranes Plc	38,531	928	1,302	1.0%
Metso Corporation	58,753	1,482	1,592	1.2%
Metsä Board Corporation B share	281,666	373	1,914	1.5%
Neste Corporation	27,367	832	999	0.8%
Nokia Corporation	735,937	2,687	3,376	2.6%
Nokian Tyres plc	17,392	536	616	0.5%
Oriola-KD Corporation B share	109,320	184	471	0.4%
Orion Corporation B share	36,354	852	1,537	1.2%
Outotec Oyj	285,000	1,388	1,423	1.1%
Raisio plc V share	163,400	243	583	0.4%
Ramirent Plc	72,897	260	539	0.4%
Rapala VMC Corporation	125,700	761	519	0.4%
Sampo plc A share	72,044	3,108	3,068	2.3%
Sanoma Corporation	112,633	968	929	0.7%
Sponda Plc	798,196	2,900	3,493	2.7%
Stockmann plc B share	62,918	706	444	0.3%
Stora Enso Oyj R share	330,533	2,349	3,375	2.6%
Tikkurila Oyj	41,311	652	777	0.6%
UPM-Kymmene Corporation	102,211	1,552	2,386	1.8%
Valmet Corporation	57,753	387	807	0.6%
YIT Corporation	113,053	604	858	0.7%
Nordea Bank AB FDR	265,342	2,336	2,813	2.1%
Powershares QQQ	31,100	2,016	3,496	2.7%
SPDR S&P 500 ETF Trust	21,885	3,393	4,641	3.5%
Telia Company AB	385,000	1,887	1,474	1.1%
		48,845	**63,443**	**48.5%**
DERIVATIVE CONTRACTS				
Euro Stoxx call options (bought)	500	86	109	0.1%
		86	**109**	**0.1%**
FUNDS				
Didner & Gerge Aktiefond	13,699	1,141	3,636	2.9%
Fourton Hannibal A	14,482	1,000	2,148	1.6%
RAM ONE	27,521	2,397	3,983	3.0%
Russian Prosperity Fund Euro A	8,000	721	808	0.6%
VISIO Allocator	7,520	1,127	1,264	1.0%
		6,386	**11,839**	**9.1%**

	Number of shares/units	Acquisition price EUR 1,000	Fair value EUR 1,000	Share of total investments
BONDS AND BOND FUNDS	nominal value			
Finnair, expires 13/10/2020	1,500	1,500	1,671	1.3%
Outokumpu, expires 30/9/2019	1,750	1,746	1,840	1.4%
Outotec, expires 24/3/2021	1,000	1,018	1,076	0.8%
SRV, expires 22/3/2020	1,000	1,000	1,064	0.8%
Stockmann, expires 31/1/2020	1,000	1,014	1,030	0.8%
eQ Euro Investment Grade 1 K	8,628	1,803	1,888	1.4%
eQ High Yield Bond 1 K	7,388	1,746	1,947	1.5%
		9,827	**10,516**	**8.0%**
MARKET INVESTMENTS IN TOTAL		**65,144**	**85,907**	**65.7%**
GROWTH EQUITY				
UNLISTED GROWTH COMPANIES*				
Aste Holding Oy	4,000	800		
Coronaria Hoitoketju Oy	35,307	3,112		
Fluido Oy	44,870	2,494		
Idean Enterprises Oy	354,920	3,299		
Polystar Instruments AB	266,000	1,717		
Touhula Varhaiskasvatus Oy	20,000	2,000		
Loans to growth companies		3,104		
		16,526	**37,855**	**29.0%**
PRIVATE EQUITY FUNDS				
Amanda V East Ky		1,275	1,092	0.8%
Hamilton Lane European Partners SICAV-SIF - PEF IX		1,149	1,193	0.9%
Lifeline Ventures Fund I Ky		1,529	3,779	2.9%
Lifeline Ventures Fund III Ky		494	428	0.3%
Lifeline Ventures Fund III AB		72	117	0.1%
Open Ocean Fund 2015 Ky		447	380	0.3%
		4,966	**6,989**	**5.3%**
GROWTH EQUITY IN TOTAL		**21,492**	**44,844**	**34.3%**
NORVESTIA GROUP IN TOTAL		**86,636**	**130,751**	**100.0%**

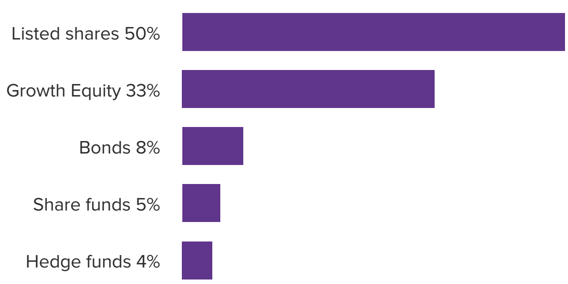
The table does not include cash and cash equivalents of the Group.

* The fair value of unlisted Growth Equity investments is presented as the total fair value of the Growth Equity portfolio, not as fair value of individual investments.

Geographic breakdown of Norvestia Group's investments 31 December 2016



Norvestia Group's investments 31 December 2016



fluido

The Finnish company Fluido is a leading Nordic Salesforce expert whose customers include both large listed enterprises and growth-oriented SMEs in various sectors. The company offers consulting and development services tailored for customer needs and organizes Salesforce training. Fluido is Salesforce Platinum Consulting Partner which helps Salesforce customers implement Salesforce CRM solutions and tailors applications into state-of-the-art customer experience management solutions.

FINANCIAL STATEMENTS 2016

REPORT OF THE BOARD OF DIRECTORS

Norvestia became CapMan's subsidiary

2016 was a year of big changes for Norvestia and its shareholders. In November, Norvestia's main owner CapMan Plc made a voluntary exchange offer to shareholders for Norvestia's shares. CapMan offered to exchange all Norvestia shares for CapMan shares so that one Norvestia share would entitle shareholders to six CapMan shares. Norvestia's shareholders were paid a dividend of EUR 3.35 per share before the completion of the exchange offer.

A committee comprised of the independent members of Norvestia's Board of Directors recommended the acceptance of the exchange offer. Norvestia's largest shareholders also committed themselves in advance to accepting the offer. When the original offer period ended 16 December 2016, over 90% of Norvestia's shareholders had accepted it. Consequently, a right and obligation arose, as per the Finnish Companies Act, for CapMan to redeem the rest of the Norvestia shares. CapMan has announced that it will offer EUR 7.14 per share in cash to Norvestia's minority shareholders. The final redemption price will be determined by the Arbitral Tribunal designated by the Redemption Committee of the Finnish Central Chamber of Commerce. The redemption is expected to take place during 2017, and the aim is to remove Norvestia shares from the main list of the Helsinki stock exchange.

Capital markets

On the capital markets 2016 was a year of big surprises. The year began in very negative sentiment, with share prices falling during January-February on all central stock exchanges. On the Helsinki stock exchange some shares lost over 30% of their value during the first weeks of the year, and the decline in share prices at the beginning of the year was indeed one of the worst in the history of the stock exchange. There was no single factor behind the fall although concern about economic growth in China and the uncertain situation in the Eurozone flustered investors and caused a minor panic.

In February the European Central Bank (ECB) stepped in once again and promised to increase its monetary easing further by including company loans with certain conditions in its massive purchasing program. This calmed the markets and share prices rallied strongly towards March.

In the early summer, a new surprise shook the capital markets. A consultative referendum was organized in Great Britain 23 June as to whether or not the country should leave the EU. Contrary to all the pollsters a majority voted in favor of the exit. This caused complete panic on the capital markets which lasted, however, for only one day. Very few analysts predicted that share prices would quickly rally after the initial panic, and fewer still forecast that at the end of July share prices would be up on their pre-referendum levels.

It is difficult to explain the reaction on the capital markets to these events even with the benefit of hindsight. It is undeniable that the growth of the economies of the EU and Great Britain looks weaker since the referendum. The best explanation is probably that after the referendum was over, there was a sense of relief. Fear is the enemy of the capital markets.

The surprises on the capital markets did not, however, end here. Analysts were almost certain that Donald Trump's election as the President of the US would lead to a meltdown of share prices. Contrary to almost all forecasts, Trump was elected President in the election held in November. The post-election market reaction was very surprising and interesting. Share prices declined sharply during the opening of the day and shot right up after that. At the end of the stock exchange day share prices were a couple of percent up on the day. Astonishing many, share prices continued to increase strongly in stock exchanges around the world until the end of the year.

Now perhaps this share price reaction can be explained and may even have been foreseeable. In his first speech following his election Donald Trump promised something to everybody. He promised to reduce taxation, discontinue the expensive ObamaCare, increase several industrial support measures and make America great again. This was all to the stock markets' liking.

Analysts believe that Trump's reforms will increase US economic growth and revitalize the world economy. The opinions of economists are clearly divided however as to how sensible it is to increase public spending and reduce taxation by increasing debt. In any case the reaction of the capital markets has been positive at least up until now, with the value of the S&P 500 Index, which describes the US stock market, 10% up on its pre-election levels at the end of the year.

All in all, 2016 was a good year on the stock exchange for those investors who held their nerves throughout the various twists of the markets. During the year in question share prices rose on the majority of the world's stock exchanges. The following table illustrates index yields on various exchanges in 2016:

Finland/OMX Helsinki Index	3.6%
Finland/OMX Helsinki CAP Yield Index	13.3%
Sweden/OMX Stockholm Index	5.8%
Norway/OBX Index	14.6%
Denmark/OMX Copenhagen Index	-7.9%
USA/Nasdaq Composite Index	7.5%
USA/S&P 500 Index	9.5%
Bloomberg European 500 Index	-2.0%
MSCI World Index	5.3%
Japan/Nikkei 225 Index	0.4%
Norvestia's share price (dividend-adjusted)	44.6%
Norvestia's Net Asset Value (dividend-adjusted)	11.8%

Norvestia's investments

Norvestia's twofold investment strategy consists of market investments and Growth Equity. Market investments are made primarily in Nordic listed shares, funds and bonds. Growth Equity investments are made in Nordic unlisted companies, growth-oriented listed companies and private equity funds.

Norvestia's investments excluding cash and other liquid assets were 96% (91%) of total assets at year-end. The fair value breakdown of the investments was as follows:

	2016		2015	
	EUR million	%	EUR million	%
Listed shares and share funds*	**70.1**	**51.5**	88.7	50.9
Growth Equity portfolio	**45.3**	**33.3**	34.2	19.7
Bonds and bond funds	**10.5**	**7.7**	16.1	9.2
Hedge funds	**5.3**	**3.9**	18.9	10.8
Cash and other liquid assets	**4.9**	**3.6**	16.3	9.4
In total	**136.1**	**100.0**	174.2	100.0

* of which share funds EUR 6.6 million (14.0).

At year-end, 85.0% of the Group's assets were in euros, 7.9% in Swedish krona, 6.9% in US dollars and 0.2% in other currencies.

The return of the company's Net Asset Value during the year was, after expenses and taxes, 11.8% and was achieved with a monthly calculated volatility of 5.5%. At the same time the OMX Helsinki CAP Yield Index yielded 13.3% with a volatility of 11.0%.

Norvestia's market investments yielded well during 2016. At the beginning of the year, Norvestia focused particularly on Finnish stocks with strong dividend yields. At the end of the year, investment activities were adjusted in preparation for the large dividend distribution of over EUR 51 million. Accordingly, various fund investments, corporate bonds and listed shares were sold. Growth Equity investments were the only asset class the amount of which increased during the year. The amounts of all other asset classes decreased. The greatest relative change took place in hedge funds. The proportion of these in the portfolio decreased to approximately 4%. Euro-wise the biggest decline took place in listed shares and funds, the amount of which decreased by approximately EUR 19 million.

Norvestia also succeeded in hedging its market investments. Worth a separate mention are Norvestia's extensive contingency plans for the possible negative result of the Brexit vote. The dismantling of this hedge was started at just the right time on the day after the Brexit vote. The value of Norvestia's market portfolio increased by EUR 2 million due to the hedge against Brexit.

Growth Equity

Return on Norvestia's Growth Equity portfolio was over 44% in 2016. The highlight of 2016 was the successful exit from Touhula Varhaiskasvatus Oy. The company was an 80% subsidiary of Coronaria Hoitoketju, and was sold to a Nordic private equity investor yielding a good return. Due to the exit, Coronaria distributed an extra dividend of EUR 50 million in the spring of 2016, Norvestia's share of this extra dividend was nearly EUR 10 million. As part of the sale of Touhula by Coronaria, Norvestia reinvested in Touhula as a direct investment. The investment amounted to EUR 2 million, and additionally Norvestia offered EUR 2 million mezzanine financing to the company.

In July Norvestia committed itself to investing approximately EUR 5 million (USD 5.5 million) in Hamilton Lane PE IX Fund, which focuses on US and European small- and medium-sized companies. After the year under review, in January, Norvestia invested EUR 1.6 million in the Finnish Digital Workforce Services Oy which offers robotic process automation services.

Investments in unlisted companies belong to Norvestia's Growth Equity portfolio, which is administered by Norvestia's subsidiary Norvestia Industries Oy. The aim of Norvestia's Growth Equity investment activities is to find interesting companies with strong growth potential, the long-term and active development of which can yield significant increases in value and thereby return to Norvestia's shareholders. In accordance with the investment strategy, Norvestia aims to find target companies that operate in sufficiently large markets and have the opportunity to take advantage of their service and solution innovations both in Finland and internationally.

Norvestia invests in minority shares or can be in the majority together with another investor. At the end of 2016, the Growth Equity portfolio consisted of six unlisted companies: Aste Helsinki which offers media production and consulting, Coronaria Hoitoketju which offers health care services, Fluido which offers cloud services consulting, Idean Enterprises which offers customer experience design services, Polystar Instruments which develops telecommunications business intelligence software solutions, and Touhula Varhaiskasvatus which offers early childhood and preschool education. The total fair value of the interests in these companies amounted to EUR 34.8 million.

Growth Equity also includes investments in private equity funds. Norvestia has committed itself to investing EUR 2.0 million in the Amanda V East private equity fund, of which EUR 1.4 million is now invested; approximately EUR 5 million (USD 5.5 million) in Hamilton Lane PE Fund IX, of which EUR 1.2 million is now invested; EUR 2.0 million in Lifeline Ventures Fund I, of which EUR 1.7 million is now invested; EUR 5.0 million in Lifeline Ventures Fund III, of which EUR 0.5 million is now invested; and EUR 3.0 million in Open Ocean Fund 2015, of which EUR 0.4 million is now invested. In addition, Norvestia has invested EUR 0.1 million in Lifeline Ventures Fund III AB.

Voluntary change in accounting principle

In April 2016, Norvestia's Board decided to apply the venture capital organization exemption of the IAS 28 standard and to value associates and joint ventures at fair value through profit or loss in Norvestia's consolidated IFRS financial statements according to the IAS 39 standard from 1 January 2016. As a result, all Norvestia's investments are valued at fair value through profit or loss. Norvestia considers the valuation of investments at fair value to give more meaningful information about the real value of investments and to better describe the company's business, the company's way of reviewing its investments and making decisions relating to them.

Similarly, investments in unlisted private equity funds previously booked as available-for-sale financial assets are reclassified as financial assets at fair value through profit or loss. Thus, in future any change in value is recognized directly in profit or loss, and not in the statement of comprehensive income. Norvestia believes that classifying investments as assets at fair value through profit or loss better describes their nature and the accumulation of returns taking into account the company's business.

The change in question is a voluntary change in accounting principle according to the IAS 28 standard which requires that comparative figures be presented retrospectively according to the new accounting principles, including the balance sheet at the beginning of the first comparative period. Norvestia published 14 April 2016 a separate stock exchange release in which the comparative periods have been adjusted.

Net Asset Value and share price

31 December 2016, Norvestia's Net Asset Value stood at EUR 124.6 million or EUR 8.13 per share (EUR 169.1 million or EUR 11.04 per share at the end of 2015). Taking into account the dividend of EUR 0.79, which was distributed in March 2016 and the extra dividend of EUR 3.35, which was distributed in December, the company's Net Asset Value increased by EUR 1.24 per share (1.63) in the year under review, equal to a 11.8% increase (17.2%) from the beginning of the year. In the last quarter, the increase in Net Asset Value amounted to EUR 0.40 per share (0.98).

Amended Net Asset Value will no longer be published, as after the change in the accounting principle, which came into force 1 January 2016, it corresponds to Norvestia's Net Asset Value and the Group's shareholders' equity. The comparative figures in the previous paragraph have been adjusted to correspond with the change in the accounting principle.

The dividend-adjusted price of Norvestia's share rose by 44.6% (12.0%) during the year. The price of the share stood at EUR 7.41 (7.99) 31 December 2016, corresponding to a discount in Net Asset Value of 8.9% (27.6%). The market capitalization of the shares 31 December 2016 was EUR 113.5 million (122.4).

Group result

The result of the Group in 2016 amounted to EUR 18.9 million (25.0/2015; 6.2/2014), and operating expenses to EUR 4.5 million (2.7/2015; 2.0/2014). Operating expenses were 3.6% (1.6%/2015; 1.3%/2014) of Net Asset Value. In 2016 the Group had non-recurring expenses related to the exchange offer amounting to EUR 1.6 million. The result for the last quarter was EUR 6.1 million (15.0/2015; 1.1/2014). The return on equity was 12.9% (15.8%) and the return on investment 14.9% (17.1%).

Liquidity and solvency

Norvestia Group's cash and cash equivalents totalled EUR 4.9 million at year-end (15.3/2015; 14.1/2014). The equity ratio stood at 88.6% (96.6%/2015; 98.8%/2014). The Group's shareholders' equity totalled EUR 124.6 million (169.0/2015; 148.6/2014). All key figures are presented on page 20.

Personnel

In 2016, Norvestia Group employed an average of 7 (7/2015, 6/2014) people. Personnel expenses were EUR 2.0 million (1.7/2015; 1.1/2014).

Norvestia Group

Norvestia Oyj is the parent company of Norvestia Industries Oy and Norventures Oy. Norvestia Industries Oy was established in September 2007 in order to realize the Group's Growth Equity strategy. Norvestia Oyj became CapMan Group's subsidiary on 19 December 2017.

Shares and share capital

Norvestia Oyj's share capital is divided into 15,316,560 shares with one vote each. All shares have an equal right to dividend and the assets of the company. Norvestia Oyj's share is listed on Nasdaq Helsinki.

Shareholders

At the end of 2016, Norvestia Oyj had 1,679 shareholders (5,226). 0.4% (8.8%) of the shares were in foreign ownership and 0.4% (8.4%) were nominee-registered.

Norvestia's largest shareholder is CapMan Plc with a holding of 90.7% (28.7) of shares and votes at year-end. The ten major shareholders held a total of 93.2% (53.6%) of shares and votes. More information about shareholders can be found on page 10.

Annual General Meeting

The Annual General Meeting (AGM) held 15 March 2016 decided to distribute EUR 0.79 per share as dividend for 2015. The dividend was paid out 24 March 2016.

The following persons were re-elected to the Board:
Heikki Westerlund, Chairman
Hannu Syrjänen, Vice Chairman
Georg Ehrnrooth, member
Niko Haavisto, member
Arja Talma, member.

PricewaterhouseCoopers Oy was re-elected as auditor, with APA Lauri Kallaskari as main responsible auditor and APA Mikko Nieminen as deputy auditor. The AGM unanimously decided to discharge the Board of Directors and the Managing Director from liability for 2015.

The AGM authorized the Board of Directors to decide on a repurchase of own shares, publicly on the Helsinki stock exchange. The authorization gives the right to acquire up to 1,531,656 shares by 31 May 2017. No acquisitions were made in 2016. 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 1,531,656 shares. The authorization is effective until 31 May 2017.

Extraordinary General Meeting

The Extraordinary General Meeting held 8 December 2016 resolved to distribute a dividend of EUR 3.35 per share on the condition that all conditions of CapMan's voluntary exchange offer, published 3 November 2016, concerning Norvestia's shares are fulfilled or their fulfilment has been waived.

CapMan announced 19 December 2016 that it will complete the exchange offer, whereafter Norvestia's Board of Directors decided on the extra dividend payment. The dividend was paid 29 December 2016.

Risks in investment activities

In addition to pursuing steady asset growth, one of the guiding principles of Norvestia's investment activities is to diversify investments and thereby reduce overall risks. From time to time a significant proportion of investments may be focused on certain types of investments and securities, the possible negative development of which may substantially decrease Norvestia's result. Norvestia occasionally hedges its investments with options and futures, although there may be situations where such hedges are not effective.

Norvestia's five largest investments as of 31 December 2016, consisted of the Lifeline Ventures Fund III Ky and RAM One funds, SPDR S&P 500 ETF Trust share index, and the growth investments in Coronaria Hoitoketju Oy and Idean Enterprises Oy.

Norvestia's result is greatly affected by economic developments and changes in share prices both in Finland and abroad. Changes in exchange rates also impact the company's result. General uncertainty on the capital markets increases the volatility of Norvestia's investments and therefore also increases their risks.

Internal supervision and risk management

More information about the company's principles of internal supervision and risk management can be found in Norvestia Group's separate corporate governance statement on pages 54–56.

Dividend policy

Norvestia aims to distribute an annual dividend in excess of the Finnish stock market average. The long-term objective is to distribute on average approximately 60% of earnings per share as dividends.

Proposed dividend distribution

Due to the extra dividend paid in 2016, the Board of Directors proposes that no dividend be distributed for 2016.

Future prospects

The situation on the capital markets remains difficult to assess. The surest forecast is that the low interest level of those euro countries considered risk-free will remain extremely low during 2017. The larger unknowns, the significance of which is difficult to forecast for now, will be the various elections in Europe, and the development in the US during the era of the new president.

Norvestia's market portfolio will be managed according to previous principles. The aim is to achieve the best possible risk-adjusted return. The expectations of the Growth Equity portfolio for the current year look good.

Norvestia's prospects for 2017 will be governed by the ongoing redemption proceedings for Norvestia shares by CapMan Plc. CapMan currently owns 92.5% of the shares and has the right and obligation to redeem the rest of the shares. This is expected to happen sometime during 2017. The redemption schedule is bound to the resolution of the Arbitral Tribunal. After the redemption CapMan will own 100% of Norvestia shares. According to the plan, Norvestia's Board of Directors will apply for a delisting of the Norvestia share from the Helsinki stock exchange during the spring. Until the delisting all the obligations and responsibilities of a listed company will apply to Norvestia. After the delisting Norvestia's journey as an independent stock-listed company will end, and from then on Norvestia's future will be bound to CapMan's policies and decisions.

The Board of Directors of Norvestia wants to thank Norvestia's shareholders for the trust they have placed in the Board. The Board also wants to thank Norvestia's personnel and management for the professional and excellent work done over the years.

KEY FIGURES

	2016	2015	2014	2013	2012
Result figures of the Group					
Operating profit, EUR million*	**22.7**	27.5	4.7	16.3	5.5
Result before taxes, EUR million*	**22.7**	27.7	5.7	16.5	5.9
Return on equity*	**12.9%**	15.8%	3.7%	9.5%	4.1%
Return on investment*	**14.9%**	17.1%	3.9%	11.6%	4.3%
Balance figures of the Group					
Shareholders' equity, EUR million*	**124.6**	169.0	146.9	146.5	137.4
Equity ratio*	**88.6%**	96.6%	99.0%	98.5%	97.9%
Dividend, EUR million	**0.0****	63.4	4.6	5.4	4.6
Key figures per share					
Earnings/share, EUR*	**1.24**	1.63	0.35	0.88	0.37
Shareholders' equity/share, EUR*	**8.13**	11.04	9.59	9.57	8.97
Net Asset Value/share, EUR	**8.13**	11.04	9.59	9.57	8.97
Discount on Net Asset Value	**8.9%**	27.6%	22.8%	26.3%	30.8%
Dividend/share, EUR	**0.00****	4.14	0.30	0.35	0.30
Dividend/earnings	**0.0%****	253.3%	85.1%	39.7%	81.8%
Dividend yield	**0.0%****	51.8%	4.1%	5.0%	4.8%
P/E ratio	**6.0**	4.9	21.0	8.0	16.8
Share capital and number of shares					
Share capital, EUR million	**53.6**	53.6	53.6	53.6	53.6
Number of shares					
At year-end	**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 year-end	**1,679**	5,226	5,547	5,765	5,833
Share price, EUR					
At year-end	**7.41**	7.99	7.40	7.05	6.21
Year high	**10.65**	8.13	7.82	7.20	7.69
Year low	**7.41**	7.26	6.68	5.63	5.27
Year average	**9.34**	9.43	7.16	6.58	6.31
Market capitalization at year-end* **	**113.5**	122.4	113.3	108.0	95.1
Trading volume					
Shares traded	**3,182,962**	6,130,098	1,320,599	1,563,216	453,814
Shares traded/total amount of shares	**20.8%**	40.0%	8.6%	10.2%	3.0%
Shares traded/total amount of B shares	**-**	-	9.2%	10.8%	3.1%
Turnover on the stock exchange, EUR million	**29.7**	57.8	9.5	10.3	2.9
Personnel					
Number of employees in the Group on average	**7**	7	6	6	6

* The key figures in 2012–2014 have not been adjusted to correspond to the IAS 28 change in accounting principles.

** The proposal of the Board of Directors.

*** A shares are valued according to the quotation of the B share during 2012–2014.

BASIS OF CALCULATION OF KEY FIGURES

Key figure		Formula
Return on equity	=	Result for the financial period / Shareholders’ equity (average of values on January 1 and December 31)
Return on investment	=	Result before extraordinary items and taxes + interest expenses and other financial expenses / Balance sheet in total – interest-free debt (average of values on January 1 and December 31)
Equity ratio	=	Shareholders’ equity / Balance sheet in total – advances received
Earnings per share	=	Result for the financial period / Issue-adjusted average number of shares
Shareholders’ equity per share	=	Shareholders’ equity / Issue-adjusted number of shares on the balance sheet date
Dividend/Earnings	=	Issue-adjusted dividend per share / Earnings per share
Dividend yield	=	Issue-adjusted dividend per share / Issue-adjusted closing price on the last trading day
P/E ratio	=	Issue-adjusted closing price on the last trading day / Earnings per share
Market capitalization	=	Number of shares x closing price on the last trading day
Discount on Net Asset Value	=	Net Asset Value – market capitalization / Net Asset Value

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000	Note	1/1–31/12/2016	1/1–31/12/2015
Realized gains and losses from investments	3	**-351**	824
Fair value movements of investments, unrealized	4	**12,004**	23,682
Dividends	5	**14,584**	4,907
Interest income		**978**	843
Total investment income		**27,215**	30,256
Personnel expenses	6	**-1,977**	-1,689
Depreciation and impairment charges	7	**-7**	-9
Other operating expenses	8	**-2,554**	-1,041
OPERATING PROFIT		**22,677**	27,517
Financial income and expenses	9	**-9**	157
RESULT BEFORE TAXES		**22,668**	27,674
Income taxes*	10	**-3,736**	-2,638
RESULT FOR THE FINANCIAL PERIOD		**18,932**	25,036
* Based on the result for the period			
Earnings per share, undiluted and diluted, EUR		**1.24**	1.63

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR 1,000	Note	**31/12/2016**	31/12/2015
Assets			
NON-CURRENT ASSETS			
Intangible assets	11	**4**	2
Tangible assets	12	**14**	17
Investment portfolio			
Growth Equity investments	13	**34,751**	28,379
Investments in private equity funds		**6,989**	4,217
Loan receivables from Growth Equity investments	14	**3,104**	1,660
		44,862	34,275
CURRENT ASSETS			
Financial assets held for trading			
Investments in listed shares	15	**63,552**	74,762
Investments in funds	16	**11,839**	32,876
Investments in interest-bearing securities	17	**10,516**	17,111
Receivables	18	**4,908**	657
Cash and cash equivalents	19	**4,886**	15,263
		95,701	140,669
		140,563	174,944
Shareholders' equity and liabilities			
SHAREHOLDERS' EQUITY	20		
Share capital		**53,608**	53,608
Share premium		**6,896**	6,896
Retained earnings		**45,121**	83,495
Result for the period		**18,932**	25,036
		124,557	169,035
LIABILITIES			
Current liabilities	21	**8,226**	1,842
Net deferred tax liabilities	22	**7,780**	4,067
		16,006	5,909
		140,563	174,944

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1,000	Note	1/1–31/12/2016	1/1–31/12/2015
CASH FLOW FROM OPERATING ACTIVITIES			
Result before taxes		**22,668**	27,674
Adjustments:			
Unrealized gains and losses		**3,068**	-23,180
Other operations which do not include cash transactions		**7**	45
Interest income		**-978**	-855
Dividend income		**-14,584**	-4,907
		10,181	-1,223
Changes in working capital			
Change in financial assets held for trading		**30,842**	1,092
Change in receivables		**-4,250**	2,214
Change in current liabilities		**158**	1,472
		26,750	4,778
Dividends received		**14,584**	4,907
Interest received		**978**	855
Received and paid taxes		**-23**	83
		15,539	5,845
CASH FLOW FROM OPERATING ACTIVITIES		**52,470**	9,400
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisitions of Growth Equity investments and private equity funds		**-4,635**	-3,859
Sales of Growth Equity investments and private equity funds		**425**	21
Loan receivables from Growth Equity investments		**-1,444**	215
Investments in intangible and tangible assets		**-6**	-8
CASH FLOW FROM INVESTING ACTIVITIES		**-5,660**	-3,631
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from loans		**10,000**	-
Repayments of loans		**-10,000**	-
Dividends paid		**-57,187**	-4,595
CASH FLOW FROM FINANCING ACTIVITIES		**-57,187**	-4,595
CHANGE IN CASH AND CASH EQUIVALENTS		**-10,377**	1,174
Cash and cash equivalents at the beginning of the period	19	**15,263**	14,089
Cash and cash equivalents at the end of the period	19	**4,886**	15,263

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR 1,000	Share capital	Share premium	Retained earnings	Result for the period	Total
Shareholders' equity 1 January 2015	53,608	6,896	81,904	6,186	148,594
Allocations			6,186	-6,186	0
Dividends			-4,595		-4,595
Result for the period				25,036	25,036
Shareholders' equity 31 December 2015	53,608	6,896	83,495	25,036	169,035
Shareholders' equity 1 January 2016	53,608	6,896	83,495	25,036	169,035
Allocations			25,036	-25,036	0
Dividends			-63,410		-63,410
Result for the period				18,932	18,932
Shareholders' equity 31 December 2016	53,608	6,896	45,121	18,932	124,557

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Group information

Norvestia is an investment company whose twofold investment strategy consists of market investments and Growth Equity. Market investments are made primarily in Nordic listed shares, hedge funds and bonds. Growth Equity investments are made in Nordic unlisted companies, growth-oriented listed companies and private equity funds.

The Group's parent company Norvestia Oyj is a Finnish publicly listed company whose share is listed on Nasdaq Helsinki. Norvestia Oyj is domiciled in Helsinki and its registered address is Pohjoisesplanadi 35 E, 00100 Helsinki, Finland. Norvestia Oyj is the parent company of Norvestia Industries Oy and Norventures Oy, and a subsidiary of CapMan Group. The parent company of Norvestia Oyj and the entire Group is CapMan Plc, which is domiciled in Helsinki and its registered address is Ludviginkatu 6, 00130 Helsinki, Finland.

The Board of Directors approved the consolidated financial statements to be published 1 February 2017. According to the Finnish Limited Liability Companies Act, the Annual General Meeting shall have the right to adopt, reject or amend the financial statements after their publication. A copy of the consolidated financial statements is available on the company homepage www.norvestia.fi/reports or at the head office of the parent company at Pohjoisesplanadi 35 E, 00100 Helsinki, Finland.

Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). International Accounting Standards (IAS), IFRS standards and their IFRIC and SIC Interpretations valid at 31 December 2016 have been applied. The International Reporting Standards refer to standards and their interpretations approved for adoption within the EU in accordance with the procedure enacted in EC regulation 1606/2002, included in the Finnish Accounting Standards and regulations based on them. The notes to the consolidated financial statements also comply with the Finnish accounting and corporate legislation which supplements the IFRS.

All amounts in the notes are presented in thousands of euros (EUR 1,000).

New and revised standards and interpretations effective from 1 January 2016 do not have a material effect on the consolidated financial statements.

Voluntary change in accounting principle since 1 January 2016

Valuing investments in associates at fair value through profit or loss

Norvestia's Board has decided to apply the venture capital organization exemption of the IAS 28 standard and to value associates and joint ventures at fair value through profit or loss in Norvestia's consolidated IFRS financial statements according to the IAS 39 standard from 1 January 2016. As a result, all Norvestia's investments are valued at fair value through profit or loss. Norvestia considers the valuation of investments at fair value to give more meaningful information about the real value of investments and to better describe the company's business, the company's way of reviewing its investments and making decisions relating to them. Deferred tax liability is allocated to the change in value of Growth Equity investments.

Similarly, investments in unlisted private equity funds previously booked as available-for-sale financial assets are reclassified as financial assets at fair value through profit or loss. Thus, in future any change in value is recognized directly in profit or loss, and not in the statement of comprehensive income. Norvestia believes that classifying investments as assets at fair value through profit or loss better describes their nature and the accumulation of returns taking into account the company's business.

The change in question is a voluntary change in accounting principle according to the IAS 28 standard which requires that comparative figures be presented retrospectively according to the new accounting principles, including the balance sheet at the beginning of the first comparative period. The presentation of the balance sheet and income statement has been clarified as described below and the information on comparative periods has been presented according to the new balance sheet and income statement formulas.

The balance sheets and income statements created in accordance with the new accounting principles for 2015 and for interim financial periods which ended 31 March 2015, 30 June 2015 and 30 September 2015, as well as the opening balance 1 January 2015 of the comparative period have been published on a separate stock exchange release 14 April 2016. In addition, the company has defined the presentation of realized and unrealized gains compared to the stock exchange release published 14 April 2016. The definition of presentation has no effect on total investment income.

Clarification of presentation of balance sheet and income statement

Again, the presentation of Norvestia's balance sheet and income statement has been clarified to better describe the company's business. In the balance sheet Norvestia's investments have been divided into the investment portfolio (non-current assets) and into financial assets held for trading (current assets). Investments are further divided in the respective portfolios according to their nature and risks into six different categories: Growth Equity, investments in private equity funds, loan receivables from Growth Equity investments, investments in listed shares and funds as well as interest-bearing investments.

In the income statement the company's returns are presented as gains from investment activities with realized and unrealized returns separately in their own lines. Because all investments are now valued at fair value through profit or loss, the unrealized fair value movements of investments will no longer be recognized in the comprehensive income.

Significant discretion used by management in preparing consolidated financial statements

a. Determining fair values
The company's management must use its discretion in determining the fair values of investments in unlisted companies. The discretion is related to both selecting the most suitable valuation method and determining the assumptions used in the selected methods. Valuation methods are selected investment by investment.

b. Venture capital organization status
Norvestia's management has determined, in connection with Norvestia's new strategy, that its subsidiary Norvestia Industries Oy is a venture capital organization defined in the IAS 28 standard, in which case valuing investments in associates and joint ventures at fair value is possible in the consolidated financial statements. Norvestia Industries Oy mainly focuses on private equity investment activities by investing in unlisted growth companies with the aim of contributing to the increase in their value by actively participating in company development and making a return mainly through the value increase of its portfolio companies in the medium and long term.

Basis of consolidation

Subsidiaries

The consolidated financial statements include the financial statements of the parent company and its directly or indirectly owned subsidiaries. Subsidiaries are companies in which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Acquired subsidiaries are included in the consolidated financial statements from the date of acquisition, i.e. the moment when the Group has gained control, until the date on which control ceases. The subsidiaries are listed in note 27.

The Group's internal shareholdings are eliminated using the acquisition method. The cost of an acquisition and the acquired company's identifiable assets, liabilities and contingent liabilities are measured at fair value on the date of acquisition. Costs related to the acquisition are expensed as incurred. All internal transactions, receivables and liabilities are fully eliminated in the consolidated financial statements.

Possible non-controlling interest of the acquired entity is measured either at fair value or at proportionate interest in the acquiree's net assets. The acquisition-specific choice affects both the amount of recognized goodwill and non-controlling interest. The excess of the aggregate of consideration transferred, non-controlling interest and possibly previously held equity interest in the acquiree, over the Group's share of the fair value of the identifiable net assets acquired, is recognized as goodwill.

Foreign currency items

The consolidated financial statements are presented in euros which is the functional and reporting currency of the Group and the parent. Transactions in foreign currency are recorded in euros at the exchange rate on the date of the transaction. Assets and liabilities denominated in foreign currency are converted to euros using the average exchange rates at the balance sheet date, confirmed by the European Central Bank. All differences are recognized in the statement of comprehensive income.

Currency exchange rates used in the consolidated financial statements:

	Rate 31/12/2016	Rate 31/12/2015
1 EUR = USD	**1.0541**	1.0887
SEK	**9.5525**	9.1895
NOK	**9.0863**	9.6030
GBP	**0.85618**	0.7340
JPY	**123.4000**	131.0700

Revenue recognition

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

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.

Pension plans

The Group's pensions are recognized in the income statement during the financial period to which the pensions relate. The Group's pensions comply with the legislative TyEL-insurance. The Group has no voluntary pension arrangements. The insurance through the TyEL-pension scheme is classified as a defined contribution plan.

Leases

The Group has only operating leases, meaning that the risks and rewards of ownership incidental to the leased item have not essentially transferred to the Group. Operating lease payments are recognized as a rental expense in even installments in the income statement over the lease term.

Income taxes

Tax expenses in the statement of comprehensive income 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 from earlier periods.

Deferred taxes are calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts and taxable values of the assets and liabilities. Deferred taxes are calculated using the current tax rate. The carrying amounts of the deferred tax assets are reviewed on each balance sheet date and are recognized to the extent that it is probable that taxable income, against which all or part of the deferred tax assets can be applied, will materialize in the future.

Income tax relating to items recognized directly in equity is recognized in equity, not in the statement of comprehensive income. Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off tax assets against 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 result for the financial period by the weighted average number of shares outstanding. The diluted earnings per share is not shown, as the company has issued no instruments with a diluting effect.

Intangible assets

IT software products procured externally are recognized on the balance sheet as intangible assets with finite useful lives, if it is probable that the expected future economic benefits that are attributable to the assets will flow to the Group and the cost of the assets can be measured reliably.

Intangible assets are measured at cost less accumulated depreciation and impairment losses. Intangible assets are amortized on a straight-line basis over the estimated useful life of the asset of five years.

Tangible assets

Tangible assets are stated on the balance sheet 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 meets the maximum amounts regulated in the Finnish tax law corresponding to 25% of the remaining residual value. This is estimated to correspond to the useful life of the assets.

Financial assets

All investments of the Group are classified as financial assets at fair value through profit or loss. Gains and losses are recognized in the income statement in “Realized gains and losses from investments” and/or “Fair value movements of investments, unrealized”.

The classification of financial assets is determined upon initial recognition on the basis of why they were originally acquired. All purchases and sales of financial assets are recognized on the trade date, i.e. the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized from the statement of financial position when the contractual rights to the cash flow of the financial asset expire or when the risks and rewards of ownership have been substantially transferred outside the Group. Financial assets are classified as short-term if they are held for trading or if they mature within 12 months.

The group financial assets at fair value through profit or loss are divided into two parts: investment portfolio (non-current assets) and financial assets held for trading (current assets). The investment portfolio consists of investments in unlisted growth companies (including loan receivables from Growth Equity investments) and in private equity funds. Financial assets held for trading consist of investments in listed shares and funds as well as interest investments.

Investments in listed shares

The group mainly consist of listed shares that are measured at fair value by the last trade price on active markets on the balance sheet date. Derivative financial instruments that do not fulfill the principles of hedge accounting, are also classified as held for trading.

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 does not use hedge accounting in derivative contracts. Fair values of derivative contracts are based on quoted market rates on the balance sheet date or, in an illiquid market, on values determined by the counterparty. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Investments in funds and interest-bearing securities

Investments in funds and interest-bearing securities consist mainly of funds whose fair value is determined as the funds’ Net Asset Value at the balance sheet date. Investments in interest-bearing securities also includes bonds, the fair value of which is based on the last trade price on the balance sheet date or, in an illiquid market, on values determined by the counterparty.

Growth Equity portfolio

Growth Equity investments consist of unlisted shares, investments in private equity funds and loan receivables from Growth Equity investments. The unlisted shares have no active market and therefore the fair value is determined quarterly by using valuation methods according to the International Private Equity and Venture Capital Valuation Guidelines (IPEV). The valuations are based on forecasted cash flows or peer group multiples. In estimating fair value of an investment, a method that is the most appropriate in light of the facts, nature and circumstances of the investment is applied. External valuations are made at least once a year to verify the fair values of Growth Equity investments.

The fair value of the private equity fund investments is the latest fund value announced by the private equity fund management company. The value is calculated according to the International Private Equity and Venture Capital Valuation Guidelines (IPEV).

Loan receivables from Growth Equity investments are classified at fair value using discounted cash flow models (taking into account the valuation of conversion options) or at acquisition price in case of new investments.

Loans and other receivables

Loans and other receivables include interest and loan receivables from associated companies, sales receivables, and other receivables with fixed or determinable payments that are not quoted on an active market. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the loans and receivables are derecognized or impaired. Receivables are classified as long-term if their maturity exceeds 12 months.

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The Group considers that there is evidence of impairment if the debtor has significant financial difficulties or if it is likely that the debtor will enter into bankruptcy or financial reorganization. Impairment losses are profit or loss within financial expenses. Subsequent recoveries of amounts previously written off are credited against financial expenses.

Cash and cash equivalents

Cash and cash equivalents consist of cash, short-term deposits and money market investments with an original maturity of three months or less. In the consolidated statement of cash flows, cash and cash equivalents consist of items 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.

Operating profit

Operating profit consists of investment income deducted with personnel expenses, depreciation and impairment charges and other operating expenses. Exchange rate differences are included in the operating profit if they arise from items related to operating activities. Otherwise they are recognized as financial income or expense.

New IFRS standards and interpretations

The IASB has published the following standards, amendments to standards and interpretations which have not yet been adopted in the consolidated financial statements. Each standard and interpretation will be adopted by the Group as they become effective, or if the effective date is other than the first date of the financial period, from the beginning of the accounting period following the effective date.

• IFRS 9 Financial Instruments (effective for accounting periods beginning on or after 1 January 2018) will bring changes to classification and measurement of financial assets, their impairment assessment and hedge accounting.

A debt instrument is measured at amortized cost only if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and the contractual cash flows under the instrument solely represent payments of principal and interest. All other debt and equity instruments, including structured investments products, are recognized at fair value. All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss). Impairment of financial asset will be based on a new expected credit loss method. The new hedge accounting rules align hedge accounting more closely with common risk management practices.

The company assesses that the amendments do not have a significant effect on future consolidated financial statements as the Group already recognizes all financial assets at fair value through profit and loss.

Other prospective standards and interpretations that have not yet been adopted will not have a material effect on future consolidated financial statements.

2. SEGMENT INFORMATION, NON-CURRENT ASSETS HELD FOR SALE, DISCONTINUED OPERATIONS AND CORPORATE ACQUISITIONS

Only one segment is reported in the financial statements 2016 since the Group's internal reporting structure does not create a basis for reporting several segments. No geographical breakdown is prepared as all operations are located in Finland.

No non-current assets were classified as held for sale in 2016. There were no discontinued operations or corporate acquisitions in 2016.

NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000

3. REALIZED GAINS AND LOSSES FROM INVESTMENTS

	2016	2015
Investments in listed shares*	**-2,010**	947
Investments in funds	**1,438**	-152
Investments in interest-bearing securities	**275**	29
Growth Equity investments	**-89**	-
Investments in private equity funds	**35**	-
Total	**-351**	824

* Investments in listed shares include EUR -1.1 million (-0.7) of realized gains from derivatives.

4. FAIR VALUE MOVEMENTS OF INVESTMENTS, UNREALIZED

	2016	2015
Investments in listed shares*	**5,913**	7,832
Investments in funds	**704**	2,843
Investments in interest-bearing securities	**467**	-1,795
Growth Equity investments	**4,636**	12,515
Investments in private equity funds	**284**	2,287
Total	**12,004**	23,682

* Investments in listed shares include EUR -0.2 million (-0.2) of unrealized gains from derivatives.

5. DIVIDENDS

	2016	2015
Investments in listed shares	**4,582**	4,816
Growth Equity investments	**10,002**	91
Total	**14,584**	4,907

Total return for investment classes can be calculated by adding up the figures in notes 3–5.

6. PERSONNEL AND BOARD EXPENSES

	2016	2015
Salaries	**-1,666**	-1,429
Pension costs from defined contribution plans	**-261**	-218
Other personnel expenses	**-50**	-42
Total	**-1,977**	-1,689
Personnel on average	**7**	7

The salaries, fees and employee benefits of the Board of Directors and the Managing Director are disclosed in note 27.

7. DEPRECIATION AND IMPAIRMENT CHARGES

Depreciations	2016	2015
Intangible assets	**-2**	-3
Machinery and equipment	**-5**	-6
Total	**-7**	-9

8. OTHER OPERATING EXPENSES

Audit fees	2016	2015
PricewaterhouseCoopers Oy		
Audit	**-43**	-31
Audit related services	**-33**	-
Other services	**-57**	-
Total	**-133**	-31

In 2016 the Group had non-recurring expenses related to the CapMan exchange offer amounting to EUR 1.6 million.

9. FINANCIAL INCOME AND EXPENSES

	2016	2015
Interest income	**1**	12
Interest expenses	**-79**	0
Exchange rate differences	**69**	145
Total	**-9**	157

10. INCOME TAXES

	2016	2015
Deferred taxes	**-3,465**	-2,594
Tax at source from foreign dividends	**-23**	-22
Taxes from previous periods	**-248**	-22
Total	**-3,736**	-2,638

Reconciliation of taxes, corporate tax rate for 2016 and 2015 was 20.0%.

	2016	2015
Result before taxes	**22,668**	27,674
Tax at local rate (20.0%)	**-4,534**	-5,535
Income not subject to taxes	**1,071**	2,941
Non-deductible expenses for tax purposes	**-2**	0
Profits taxable in other countries according to local taxation	**-23**	-22
Taxes from previous periods	**-248**	-22
Taxes in the income statement	**-3,736**	-2,638

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR 1,000

11. INTANGIBLE ASSETS

	2016	2015
Acquisition cost 1 January	**90**	90
Additions	**4**	-
Acquisition cost 31 December	**94**	90
Accumulated depreciation 1 January	**-88**	-85
Depreciation for the period	**-2**	-3
Accumulated depreciation 31 December	**-90**	-88
Carrying amount 31 December	**4**	2

12. TANGIBLE ASSETS

	2016	2015
Acquisition cost 1 January	**103**	95
Additions	**2**	8
Acquisition cost 31 December	**105**	103
Accumulated depreciation 1 January	**-86**	-80
Depreciation for the period	**-5**	-6
Accumulated depreciation 31 December	**-91**	-86
Carrying amount 31 December	**14**	17

13. GROWTH EQUITY INVESTMENTS

	2016	2015
At the beginning of the period	**28,379**	11,885
Additions	**2,000**	3,176
Disposals	**-282**	-
Dividends	**-9,895**	-35
Unrealized gains	**14,549**	13,353
At the end of the period	**34,751**	28,379

Growth companies

Growth companies consist of Aste Helsinki which offers media production and consulting, Coronaria Hoitoketju which offers health care services, Fluido which offers cloud services consulting, Idean Enterprises which offers customer experience design services, Polystar Instruments which develops telecommunications business intelligence software solutions, and Touhula Varhaiskasvatus which offers early childhood and preschool education. Investments in associates are diversified into various industries and therefore the company assesses the related risks to be relatively small.

The fair value of Growth Equity investments was EUR 34.8 million (28.4). External valuations are made at least once a year to verify the fair values of Growth Equity investments.

	Assets	Liabilities	Revenue	Profit	Norvestia's ownership
Aste Holding Oy, Helsinki	3,570	3,077	6,451	-301	40.0%
Coronaria Hoitoketju Oy, Oulu	38,669	27,662	90,584	2,734	19.8%
Fluido Oy, Espoo	3,291	2,137	8,209	-144	37.6%
Idean Enterprises Oy, Helsinki	6,530	3,742	19,802	-311	27.2%

Figures in the table above are presented for growth companies where the Group has a significant influence. The figures are based on the latest financial statements of the companies. Aste Holding's latest financial period ended 31 December 2016 and the figures are based on the consolidated financial statements from the period 1 January to 31 December 2016. Coronaria Hoitoketju's, Fluido's and Idean Enterprises' latest financial period ended 31 December 2016 but the financial statements for that period were not yet available. Therefore, the figures in the table for these companies are based on the consolidated financial statements from the period 1 January to 31 December 2015. The ownership interests are shown undiluted as per 31 December 2016.

14. LOAN RECEIVABLES FROM GROWTH EQUITY INVESTMENTS

Loan receivables from Growth Equity investments are classified at fair value using discounted cash flow models (taking into account the valuation of conversion options) or at acquisition price in case of new investments. The Group has granted Enevo Oy a convertible loan of EUR 1.1 million (-) and Touhula Varhaiskasvatus Oy a loan of EUR 2.0 million (-).

15. INVESTMENTS IN LISTED SHARES

	2016	% of assets	2015	% of assets
Fair value	**63,552**	**45.2**	74,762	42.7
Acquisition value	**48,931**		57,202	
Unrealized gains	**14,621**		17,560	

Listed shares and derivative contracts are recognized at fair value by the last trade price on active markets on the balance sheet date.

Derivative contracts

Norvestia uses standardized derivative contracts to make the portfolio management more effective. The fair values of the derivative contracts as well as the underlying values are given in the table below. The fair values are adjusted for the corresponding share's dividend income. Derivative contracts are recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. The fair value of futures corresponds to the futures' gain or loss. The maturity of the derivative contracts does not exceed 3 months. Hedge accounting is not used.

Equity derivatives	**2016**	2015
Sold put options, open positions		
Underlying value	**-**	172
Fair value	**-**	-5
Sold call options, open positions		
Underlying value	**-**	-111
Fair value	**-**	-3
Index derivatives		
Bought call options, open positions		
Underlying value	**5,024**	1,765
Fair value	**109**	28
Sold futures, open positions		
Underlying value	**-19,440**	-32,740
Fair value	**-275**	-80
Foreign exchange derivatives		
Sold futures, open positions		
Underlying value	**-**	-10,523
Fair value	**-**	-66

16. INVESTMENTS IN FUNDS

	2016	% of assets	2015	% of assets
Fair value	**11,839**	**8.4**	32,876	18.8
Acquisition value	**6,386**		19,904	
Unrealized gains	**5,453**		12,972	

The fair value of investments in funds is determined as the funds' Net Asset Value at the balance sheet date.

Breakdown of fund investments by fair value	**2016**	2015
Hedge funds	**5,247**	18,866
Equity funds	**6,592**	14,010
Total	**11,839**	32,876

17. INVESTMENTS IN INTEREST-BEARING SECURITIES

	2016	% of assets	2015	% of assets
Fair value	**10,516**	**7.5**	17,111	9.8
Acquisition value	**9,827**		17,128	
Unrealized gains/losses	**689**		-17	

The fair value of investments in bond funds is determined as the funds' Net Asset Value at the balance sheet date. The fair value of bonds is based on the last trade price on the balance sheet date or, in an illiquid market, on values determined by the counterparty.

Breakdown of financial assets by fair value	**2016**	2015
Bonds	**6,681**	10,380
Bond funds	**3,835**	6,731
Total	**10,516**	17,111

18. RECEIVABLES

	2016	**% of assets**	2015	% of assets
Accounts receivable	**3,934**		348	
Loans to related parties	**470**		-	
Interest receivables from Growth Equity investments	**140**		84	
Deferred revenue and other accruals	**364**		225	
Total	**4,908**	**3.5**	657	0.4

19. CASH AND CASH EQUIVALENTS

	2016	**% of assets**	2015	% of assets
Cash in hand and balances with banks	**4,886**	**3.5**	15,263	8.7

20. SHAREHOLDERS' EQUITY

The Annual General Meeting of 15 March 2016 authorized the Board of Directors to acquire up to 1,531,656 shares publicly on the Helsinki stock exchange by 31 May 2017. No acquisitions were made in 2016. 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 1,531,656 shares, the authorization being effective until 31 May 2017. The maximum amount of shares in the authorization, i.e. 1,531,656 shares equalled, at the time of the decision, 10.0% of the total share capital and the total amount of votes.

Dividends

The Board of Directors proposes that no dividend be distributed for 2016.

Share premium

The amount exceeding the par value of shares received by the company in connection with share subscription was earlier recognized in the share premium account.

21. CURRENT LIABILITIES

	2016	2015
Accounts payable	**1,067**	185
Other current liabilities	**6,295**	70
Premiums received from derivatives	**-**	43
Collateral for share loans	**-**	783
Accrued liabilities and deferred income	**864**	761
Total	**8,226**	1,842

22. DEFERRED TAXES

Changes in deferred taxes during 2016	31 December 2015	Recorded in the income statement	**31 December 2016**
Deferred tax assets			
Tax losses carried forward	3,740	-2,258	**1,482**
Deferred tax liabilities			
Unrealized gains	-7,807	-1,455	**-9,262**
Net deferred tax liability	-4,067		**-7,780**

Changes in deferred taxes during 2015	31 December 2014	Recorded in the income statement	31 December 2015
Deferred tax assets			
Tax losses carried forward	3,683	57	3,740
Deferred tax liabilities			
Unrealized gains	-5,156	-2,651	-7,807
Net deferred tax liability	-1,473		-4,067

All changes in deferred taxes are recorded in the income statement. The deferred tax asset has been fully recognized from the tax losses carried forward from the financial period of 2008. In 2011 and 2012 more losses were accumulated due to the parent company's negative taxable income. The Group has accumulated taxable profit in 2009, 2010, 2013, 2014, 2015 and 2016 against which part of the losses have been used. The company evaluates that a sufficient amount of taxable profit will be generated in the future against which the losses can be fully utilized. The Board of Directors regularly reviews the probability of the realization of the tax benefit and the deferred tax asset is written down if needed. Deferred tax liabilities are recognized from the unrealized gains of investments.

OTHER NOTES

EUR 1,000

23. CONTINGENT LIABILITIES

Securities given as collateral for derivatives trades	2016	2015
Carrying amount of pledged securities	**9,580**	4,910
Fund commitments		
Commitment to invest in Amanda V East Ky	**584**	868
Commitment to invest in Hamilton Lane European Partners SICAV-SIF - PEF IX	**3,971**	-
Commitment to invest in Lifeline Ventures Fund I Ky	**275**	473
Commitment to invest in Lifeline Ventures Fund III Ky	**4,506**	5,000
Commitment to invest in Open Ocean Fund 2015 Ky	**2,553**	2,968
Total	**11,889**	9,309

24. OPERATING LEASES

The Group has rented its premises and entered into an operating lease agreement for some of its office equipment. All payments are fixed.

Future minimum lease payments from non-cancellable operating leases:	2016	2015
Within 1 year	**48**	47
After 1 year but within 5 years	**2**	4
Over 5 years	**-**	-
Total	**50**	51

25. MANAGEMENT OF FINANCIAL RISKS

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 bonds and loan receivables from Growth Equity investments. The Growth Equity market is less liquid than the capital markets, which increases Norvestia's liquidity risk. The Board of Directors decides on the main policies for risk management.

Market risks in investment operations

In its operations the Group is exposed to market risks arising from price fluctuations of its investments. Performance is greatly affected by economic developments and share price movements both in Finland and abroad. One of the guiding principles of Norvestia's investment activities is to diversify its investments and thereby reduce overall risks, as well as to pursue steady asset growth. From time to time a significant part of investments may be focused on certain types of investments and securities, the possible negative development of which may substantially decrease Norvestia's result. Norvestia occasionally hedges its investments with options and futures, although there may be situations where such hedges are not effective.

Sensitivity analysis of the effects of market price changes on the Group's financial assets	2016		2015	
	10% down	**10% up**	10% down	10% up
Investments in listed shares	**-4,498**	**5,725**	-4,262	5,544
Investments in funds	**-1,184**	**1,184**	-3,288	3,288
Investments in interest-bearing securities	**-1,052**	**1,052**	-1,711	1,711
Growth Equity investments	**-3,475**	**3,475**	-2,838	2,838
Investments in private equity funds	**-699**	**699**	-422	422
Loan receivables from Growth Equity investments	**-310**	**310**	-166	166
Total	**-11,218**	**12,445**	-12,687	13,969

Norvestia's management follows the Sharpe ratio and the volatility of 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. For comparison, the OMX Helsinki CAP Yield Index has been added to the table below.

	2016		2015	
	Sharpe	**Volatility**	Sharpe	Volatility
Norvestia Group's Net Asset Value (dividend-adjusted)	**2.2**	**5.5%**	1.8	9.7%
OMX Helsinki CAP Yield Index	**1.2**	**11.0%**	0.8	19.7%

Changes in interest rate levels have an effect on Norvestia's result generated from cash and bonds. If the interest rate had decreased/increased by one percentage unit the effect on the result of Norvestia Group would have been -0/+49,000 (-5,000/+163,000). The opposite effect would typically be seen in the returns on the assets held for trading.

Currency risk

Changes in exchange rates, particularly between the Swedish krona, the US dollar and the euro, impact the company's performance. Any strengthening/weakening of these currencies against the euro would improve/weaken the returns from Norvestia's investments.

At year-end, 85.0% of the Group's assets were in euros, 7.9% in Swedish krona, 6.9% in US dollars and 0.2% in other currencies.

Investments denominated in foreign currencies according to fair values, in euros		SEK	USD	JPY	NOK	GBP	Total
	2016	**10,769**	**9,344**	**3**	**8**	**199**	**20,323**
	2015	22,744	9,611	1,195	516	505	34,571

Sensitivity analysis of the effects of changes in exchange rates		SEK	USD	JPY	NOK	GBP	Total
5% decrease against euro	**2016**	**-538**	**-467**	**0**	**0**	**-10**	**-1,016**
5% increase against euro	**2016**	**538**	**467**	**0**	**0**	**10**	**1,016**
5% decrease against euro	2015	-1,137	-481	-60	-26	-25	-1,729
5% increase against euro	2015	1,137	481	60	26	25	1,729

Credit risk

Credit risks arise from changes in the result caused by counterparties failing to meet their commitments. Bonds and loan receivables from Growth Equity instruments therefore include credit risks, and to minimize these, the company has diversified its investments. As bonds are made in Nordic listed companies, the risks are regarded as small. Loan receivables from Growth Equity investments are unlisted, but because the companies' profit-making ability is on a good level the risk is regarded as small.

31 December 2016, Norvestia had EUR 6.7 million (10.4) invested in bonds. The longest maturity of these investments was 4.9 years and the average maturity was 3.7 years. The amount of loan receivables from Growth Equity investments was EUR 3.1 million (1.7). None of the investments were past due.

Capital management

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

26. FAIR VALUES OF FINANCIAL ASSETS

The table below (see next page) presents the fair values of each category of financial assets which correspond to the values of the consolidated statement of financial position. There are no enforceable netting agreements in place. The fair value of the investments corresponds to their carrying amount.

Financial assets at fair value	Note	2016	2015
Investments in listed shares	15	**63,552**	74,762
Investments in funds	16	**11,839**	32,876
Investments in interest-bearing securities	17	**10,516**	17,111
Growth Equity investments	13	**34,751**	28,379
Investments in private equity funds		**6,989**	4,217
Loan receivables from Growth Equity investments	14	**3,104**	1,660
Total		**130,751**	159,005

Fair value hierarchy of financial assets measured at fair value

		Fair values at the end of the financial period		
	31 December 2016	Level 1	Level 2	Level 3
Investments in listed shares	63,552	63,552	-	-
Investments in funds	11,839	6,592	5,247	-
Investments in interest-bearing securities	10,516	5,675	4,841	-
Growth Equity investments	34,751	-	-	34,751
Investments in private equity funds	6,989	-	-	6,989
Loan receivables from Growth Equity investments	3,104	-	-	3,104
Total	**130,751**	**75,819**	**10,088**	**44,844**

During the reporting period ending 31 December 2016, there were no transfers between Level 1 and Level 2 fair value measurements. Fair values at Level 1 are based on quoted prices in active markets for each asset and liability. Fair values at Level 2 are based mostly on inputs other than quoted prices included at Level 1, but still on inputs that are observable for each asset and liability either directly as a price or indirectly derived from the price. The fair values of shares at Level 3 are defined using a cash-flow based valuation method or peer group multiples. The valuation is conducted quarterly according to the IPEV Guidelines. The fair values of private equity fund investments are based on reports by the management companies of the private equity funds. Loan receivables from Growth Equity investments are classified at fair value using discounted cash flow models (taking into account the valuation of conversion options) or at acquisition price in case of new investments.

Reconciliation of the financial assets measured at fair value at Level 3	2016	2015
At the beginning of the period	**34,256**	15,867
Additions	**7,732**	3,859
Disposals	**-2,078**	-237
Dividends	**-9,895**	-35
Unrealized gains	**14,829**	14,802
At the end of the period	**44,844**	34,256

During the reporting period ending 31 December 2016, there were no transfers into and out of Level 3 fair value measurements. Norvestia's voluntary change in accounting principle results in the valuation of Growth Equity investments at fair value from 1 January 2016. As a result of the change, gains from the Growth Equity portfolio are reported in the first four rows of the income statement divided into Realized gains and losses from investments, Fair value movements of investments, unrealized, Dividends and Interest income. The comparative figures in the table above have been adjusted to correspond with the change in the accounting principle.

Sensitivity analysis of level 3 investments 31 December 2016

Asset	Fair value	Valuation method	Unobservable inputs	Used input (weighted average)	Fair value sensitivity +/-10%
Growth Equity	EUR 34.8 million	DCF	WACC	12.4%	EUR -2.3/+3.0 million
		Peer group	Peer group earnings multiples	EV/Sales 2017 1.3x EV/EBITDA 2017 11.8x	EUR +/-1.4 million
			Discount to peer group multiples	-4.2%	EUR -/+ 0.5 million
Investments in PE funds	EUR 7.0 million	Reports from PE fund management company	N/A	N/A	N/A
Loan receivables from Growth Equity investments	EUR 3.1 million	Acquisition price	N/A	N/A	N/A

Several inputs including acquisition price, the nature of the investment and sector, market conditions and discount rate, credit risk, trading values on public exchanges for comparable securities, current and projected revenue and operating performance as well as financing transactions subsequent to the acquisition of the investment, are taken into account in valuations. The development stage of the company also has a significant effect on the selection of the valuation method. Comparable peer group analysis is not usually a suitable valuation method for fast growing unlisted companies as the peer group typically consists of significantly larger, mature-stage listed companies. Due to the qualitative nature of the valuation methodologies, they are mainly based on Norvestia's judgment.

Valuation methods used by Norvestia are as follows:

- discounted cash flow
- earnings multiple valuation, whereby public peer group multiples are used to estimate the value of a particular investment
- acquisition price, particularly with new investments.

27. RELATED PARTY TRANSACTIONS

12 May 2015, Norvestia became an associated company of CapMan Group and since then Norvestia has had a related party relationship with the CapMan Group. In addition to CapMan, Norvestia Group's related parties include the parent company and subsidiaries. Aste Holding Oy, Coronaria Hoitoketju Oy, Idean Enterprises Oy and Fluido Oy are also related parties due to significant influence. Related parties also include the Group's key management personnel, i.e. Board of Directors and Managing Director. The consolidated financial statements include the financial statements of Norvestia Oyj and its entirely owned subsidiaries Norvestia Industries Oy and Norventures Oy.

Interests in Group companies	Domicile	Ownership interest, %
Norventures Oy	Helsinki	100.0
Norvestia Industries Oy	Helsinki	100.0

The growth companies, where the Group has significant influence, are listed in note 13.

The following transactions were carried out with related parties:	2016	2015
Related party		
Aste Holding Oy	43	102
Interest income		
Coronaria Hoitoketju Oy	26	85
Interest income		
Idean Enterprises Oy	-	6
Purchases		

Purchases from related parties were made at normal market prices. During 12 May 2015 to 31 December 2016 Norvestia had no related party transactions with CapMan Group.

Loans to related parties

The Group has granted the key personnel of a growth company a loan of EUR 0.5 million (-) to an interest rate of 3%. The loan has been granted in December 2016 and expires latest in December 2018. The Group has received company's shares as a pledge for the loan.

Salary and fees to the Managing Director		Salary	Bonus	In total
Managing Director, Norvestia Oyj	2016	-286	-248	-534
	2015	-289	-248	-537

The salary consists of cash payments excluding benefits. The total value of the benefits of the Managing Director in 2016 was EUR 2,000 (2,000). The Managing Director has no other pension benefits than statutory benefits. In 2016, the pension costs of the Managing Director amounted to EUR 135,000 (94,000). The term of notice for the Managing Director is one month and the compensation for notice corresponds to eight months' salary.

Fees to the Board of Directors	2016	2015
Heikki Westerlund, Chairman (12/6/2015–)	-58	-32
J.T. Bergqvist, Chairman (–12/6/2015)	-	-23
Hannu Syrjänen, Vice Chairman (12/6/2015–)	-36	-18
Hilmar Thór Kristinsson, Vice Chairman (–12/6/2015)	-	-14
Brjánn Bjarnason (21/3/2014–12/6/2015)	-	-14
Georg Ehrnrooth	-37	-33
Niko Haavisto (12/6/2015–)	-33	-18
Robin Lindahl (–12/6/2015)	-	-15
Arja Talma (12/6/2015–)	-37	-18
Total	-201	-185

The Board of Directors was paid a fee only for Board work. There are no given money loans, pension benefits or other collateral or liability obligations.

PARENT'S INCOME STATEMENT

EUR 1,000	Note	**1/1–31/12/2016**	1/1–31/12/2015
NET TURNOVER	2	**85,769**	58,794
Purchases of securities		**-34,852**	-50,869
Change in inventories		**-30,842**	-1,092
Personnel expenses	3	**-1,202**	-1,172
Depreciation and impairment charges	4	**-7**	-9
Other operating expenses	5	**-2,328**	-830
OPERATING PROFIT		**16,538**	4,822
Financial income and expenses	6	**-9**	157
RESULT BEFORE TAXES		**16,529**	4,979
Income taxes	7	**-23**	-44
RESULT FOR THE FINANCIAL PERIOD		**16,506**	4,935
Earnings per share, EUR		**1.08**	0.32

PARENT’S BALANCE SHEET

EUR 1,000	Note	**31/12/2016**	31/12/2015
Assets			
NON-CURRENT ASSETS			
Intangible assets	8	**4**	2
Tangible assets	9	**14**	17
Holdings in Group companies	10	**12,754**	16,054
		12,772	16,073
CURRENT ASSETS			
Inventories	11	**62,951**	93,793
Receivables	12	**5,531**	1,806
Cash at bank and in hand		**4,466**	14,531
		72,948	110,130
		85,720	126,203
Shareholders' equity and liabilities			
SHAREHOLDERS' EQUITY	13		
Share capital		**53,608**	53,608
Share premium		**7,658**	7,658
Retained earnings		**30**	58,505
Result for the financial period		**16,506**	4,935
		77,802	124,706
CURRENT LIABILITIES	14	**7,918**	1,497
		85,720	126,203

PARENT'S CASH FLOW STATEMENT

EUR 1,000	1/1–31/12/2016	1/1–31/12/2015
CASH FLOW FROM OPERATING ACTIVITIES		
Result before taxes	**16,529**	4,979
Adjustments:		
Depreciation according to plan	**7**	9
	16,536	4,988
Change in working capital:		
Increase/decrease (-/+) in inventories	**30,842**	1,092
Increase/decrease (-/+) in interest-free short-term trade receivables	**-3,724**	2,000
Increase/decrease (+/-) in interest-free short-term debt	**197**	1,218
	27,315	4,310
Direct taxes paid	**-23**	83
CASH FLOW FROM OPERATING ACTIVITIES	**43,828**	9,381
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in subsidiaries	**-5,700**	-2,500
Return of capital from subsidiaries	**9,000**	-
Investments in intangible and tangible assets	**-6**	-8
CASH FLOW FROM INVESTING ACTIVITIES	**3,294**	-2,508
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid and other distribution of profit	**-57,187**	-4,595
CASH FLOW FROM FINANCING ACTIVITIES	**-57,187**	-4,595
CHANGE IN LIQUID ASSETS INCREASE (+)/DECREASE (-)	**-10,065**	2,278
Liquid assets 1 January	**14,531**	12,253
Liquid assets 31 December	**4,466**	14,531

NOTES TO THE PARENT'S FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES FOR THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the Finnish Limited Liability Companies Act, Accounting Act and the Decree on Accounting. In addition, the rules and recommendations concerning companies listed on Nasdaq Helsinki have been taken into account.

All amounts in the notes are presented in thousands of euros (EUR 1,000).

Valuation principles

Inventories are reported according to the principle of lower of cost or market and by applying the FIFO-principle. Listed shares, other securities, funds and bonds are measured at lower of cost or fair value. Unlisted shares and holdings are recognized at lower of cost or probable realizable value.

Current receivables are measured at the amount that is estimated to be received from them.

Assets and liabilities denominated in foreign currencies are converted by using the average exchange rates on the balance sheet date, confirmed by the European Central Bank.

Intangible assets

IT software procured externally are recognized in the balance sheet as intangible assets with finite useful lives, if it is probable that the expected future economic benefits that are attributable to the assets will flow to the Group and the cost of the assets can be measured reliably.

Intangible assets are measured at cost less accumulated depreciation and impairment losses. Intangible assets are amortized on a straight-line basis over the estimated useful life of the assets of five years.

Tangible assets

Tangible assets are booked in the balance sheet at cost less accumulated depreciation according to plan. The depreciation according to plan of fixed assets meets the maximum amounts regulated in the Finnish tax law and corresponds to 25% of the remaining residual value. This is estimated to correspond to the useful life of the assets.

Pension plans

Pensions are recognized as costs in the income statement for the entire financial period. The pensions of the personnel comply with the legislative TyEL-insurance and the parent company has no voluntary pension plans.

Leases

Lease payments are recognized in the income statement as other operating expenses in even installments over the lease term.

Income tax

Tax expenses in the income statement consist of taxes on the taxable income for the financial period and taxes payable for or tax refunds from prior periods. Taxes on the taxable income for the financial period are calculated according to the Finnish tax rate.

NOTES TO THE PARENT'S INCOME STATEMENT

EUR 1,000

2. NET TURNOVER

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

	2016	2015
Sale of securities	**80,267**	53,070
Dividend income	**4,582**	4,851
Interest income	**768**	656
Other income	**152**	217
Total	**85,769**	58,794

3. PERSONNEL AND BOARD EXPENSES

	2016	2015
Salaries	**-1,026**	-997
Pension expenses	**-147**	-147
Other personnel expenses	**-29**	-28
Total	**-1,202**	-1,172
where of the Managing Director's salary	**-534**	-537

The salaries are cash payments excluding benefits. The total value of the benefits of the Managing Director in 2016 was EUR 2,000 (2,000). The Managing Director has no other pension benefits than statutory benefits. In 2016, the Managing Director's pension costs amounted to EUR 135,000 (94,000). The term of notice for the Managing Director of Norvestia Oyj is one month and the compensation for notice corresponds to eight months' salary. In 2016, a bonus of EUR 248,000 (248,000) was booked to the Managing Director.

Fees to the Board of Directors	2016	2015
Heikki Westerlund, Chairman (12/6/2015–)	**-58**	-32
J.T. Bergqvist, Chairman (–12/6/2015)	**-**	-23
Hannu Syrjänen, Vice Chairman (12/6/2015–)	**-36**	-18
Hilmar Thór Kristinsson, Vice Chairman (–12/6/2015)	**-**	-14
Brjánn Bjarnason (21/3/2014–12/6/2015)	**-**	-14
Georg Ehrnrooth	**-37**	-33
Niko Haavisto (12/6/2015–)	**-33**	-18
Robin Lindahl (–12/6/2015)	**-**	-15
Arja Talma (12/6/2015–)	**-37**	-18
Total	**-201**	-185

The Board of Directors was paid a fee only for Board work. There are no given money loans, pension benefits or other collateral or liability obligations.

Personnel	2016	2015
Personnel on average	**4**	4

4. DEPRECIATION AND IMPAIRMENT CHARGES

	2016	2015
Intangible assets	**-2**	-3
Machinery and equipment	**-5**	-6
Total	**-7**	-9

5. OTHER OPERATING EXPENSES

Audit fees	2016	2015
PricewaterhouseCoopers Oy		
Audit	**-43**	-31
Audit related services	**-33**	-
Other services	**-57**	-
Total	**-133**	-31

In 2016 the parent company had non-recurring expenses related to the CapMan exchange offer amounting to EUR 1.6 million.

6. FINANCIAL INCOME AND EXPENSES

	2016	2015
Interest income	**1**	12
Interest expenses	**-79**	0
Exchange rate differences	**69**	145
Total	**-9**	157

7. INCOME TAXES

Norvestia Oyj has EUR 0.9 million (3.4) deferred tax assets based on losses incurred in previous financial periods, which have not been booked in the balance sheet.

NOTES TO THE PARENT'S BALANCE SHEET

EUR 1,000

8. INTANGIBLE ASSETS

	2016	2015
Acquisition cost 1 January	**90**	90
Additions	**4**	0
Acquisition cost 31 December	**94**	90
Accumulated depreciation 1 January	**-88**	-85
Depreciation for the period	**-2**	-3
Accumulated depreciation 31 December	**-90**	-88
Net carrying amount 31 December	**4**	2

9. TANGIBLE ASSETS

	2016	2015
Acquisition cost 1 January	**103**	95
Additions	**2**	8
Acquisition cost 31 December	**105**	103
Accumulated depreciation 1 January	**-86**	-80
Depreciation for the period	**-5**	-6
Accumulated depreciation 31 December	**-91**	-86
Net carrying amount 31 December	**14**	17

10. HOLDINGS IN GROUP COMPANIES

	2016	2015
Acquisition cost 1 January	**16,054**	13,554
Additions	**5,700**	2,500
Disposals	**-9,000**	-
Acquisition cost 31 December	**12,754**	16,054

	Business ID	Share capital	Number of shares	Ownership interest, %	Carrying amount
Norventures Oy, Helsinki	1604596-7	200	200,000	100.0	221
Norvestia Industries Oy, Helsinki	2140759-8	3	100	100.0	12,533

11. SECURITIES THAT CONSTITUTE INVENTORIES

	2016	2015
Carrying amount	**62,951**	93,793
Fair value	**85,907**	124,749
Unrealized gain	**22,956**	30,956

12. RECEIVABLES

	2016	2015
Accounts receivable	**3,934**	348
Loan receivables from Group companies	**1,233**	1,233
Accrued income	**364**	225
Total	**5,531**	1,806

13. SHAREHOLDERS' EQUITY

Changes in shareholders' equity	Share capital	Share premium	Retained earnings	Result for the period	Total
Shareholders' equity 1 January 2016	53,608	7,658	58,505	4,935	124,706
Allocations			4,935	-4,935	0
Dividends			-63,410		-63,410
Result for the period				16,506	16,506
Shareholders' equity 31 December 2016	53,608	7,658	30	16,506	77,802

Distributable non-restricted equity	2016	2015
Retained earnings	**30**	58,505
Result for the period	**16,506**	4,935
Total	**16,536**	63,440
Restricted equity		
Share capital	**53,608**	53,608
Share premium	**7,658**	7,658
Total	**61,266**	61,266

14. CURRENT LIABILITIES

	2016	2015
Accounts payable	**1,007**	57
Other current liabilities	**6,281**	58
Premiums received from derivatives	**-**	43
Collateral for share loan	**-**	783
Accrued liabilities and deferred income	**630**	556
Total	**7,918**	1,497
Essential components of accrued liabilities and deferred income		
Salaries and social security expenses	**389**	389
Unrealized loss from futures	**96**	66
Other expenses	**145**	101
Total	**630**	556

OTHER NOTES

EUR 1,000

15. DERIVATIVE CONTRACTS

Norvestia uses standardized derivative contracts to make the portfolio management more efficient. The fair values of the derivative contracts as well as the underlying values are given in the table below. The fair values are adjusted for the corresponding share's dividend income. The premium for the derivative contracts is recognized in inventories, for which the principle of lower of cost or market is applied. The fair value of futures corresponds to the futures' gain or loss. The maturity of derivative contracts does not exceed 3 months. Hedge accounting is not used.

Equity derivatives	**2016**	2015
Sold put options, open positions		
Underlying value	**-**	172
Fair value	**-**	-5
Sold call options, open positions		
Underlying value	**-**	-111
Fair value	**-**	-3
Index derivatives		
Bought call options, open positions		
Underlying value	**5,024**	1,765
Fair value	**109**	28
Sold futures, open positions		
Underlying value	**-19,440**	-32,740
Fair value	**-275**	-80
Foreign exchange derivatives		
Sold futures, open positions		
Underlying value	**-**	-10,523
Fair value	**-**	-66

16. CONTINGENT LIABILITIES

Securities given as collateral for derivatives trades	**2016**	2015
Carrying amount of pledged securities	**7,615**	3,669

PROPOSAL FOR DISTRIBUTION OF PROFIT

The parent company's distributable reserves in the financial statements amount to EUR 16,535,933.

According to the balance sheet 31 December 2016 the following amounts are at the disposal of the general meeting:

• Retained earnings	30,060 EUR
• Result for the financial period	16,505,873 EUR
	16,535,933 EUR

The Board of Directors proposes to the general meeting that no dividend will be paid on the company's shares and that the result of the financial year 2016 will be carried further in the retained earnings.

Helsinki, 1 February 2017

Heikki Westerlund
Chairman of the Board

Hannu Syrjänen
Vice Chairman

Georg Ehrnrooth

Niko Haavisto

Arja Talma

Juha Kasanen
Managing Director

The Auditor's report has been issued today.

Helsinki, 1 February 2017
PricewaterhouseCoopers Oy
Authorised Public Accountants

Lauri Kallaskari, Authorised Public Accountant

AUDITOR'S REPORT
(TRANSLATION OF THE FINNISH ORIGINAL)

TO THE ANNUAL GENERAL MEETING OF NORVESTIA OYJ

Report on the audit of the financial statements

Opinion

In our opinion,

- the consolidated financial statements give a true and fair view of the group's financial performance and financial position in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

What we have audited

We have audited the financial statements of Norvestia Oyj (business identity code 0586253-1) for the year ended 31 December 2016. The financial statements comprise:

- the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

Basis for opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Materiality

- We have applied an overall group materiality on EUR 1.2 million.

Group scoping

- The group audit scope includes Norvestia Oyj and its subsidiaries Norvestia Industries Oy and Norventures Ab.

Key audit matters

- Valuation of Growth Equity investments

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	EUR 1.2 million
How we determined it	1% of net assets
Rationale for the materiality benchmark applied	We chose net assets as the benchmark because, in our view, it is the benchmark against which the performance and fair value development of the investments of the Group is most commonly measured by users of the financial statements, and is a generally accepted benchmark. We chose 1% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

Using this criteria we selected apart from the parent company also subsidiaries Norvestia Industries Oy and Norventures Ab, which include the Growth investment portfolio, into our audit scope and at the same time ensured that we get sufficient coverage to our audit, in order to issue an audit opinion for the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group
Valuation of Growth Equity investments
Refer to the Note 13 in the Group financial statements.
The valuation of Growth Equity investments has been defined as a key audit matter, as the fair valuation model for unlisted companies includes complex key assumptions and variables, management judgment and manual input.

Norvestia's fair valuation policy is based on the International Private Equity and Venture Capital Valuation (IPEV) guidelines and IFRS. The valuations are primarily based on discounted forecasted cash flows and peer group multiples.

How our audit addressed the key audit matter
We assessed the appropriateness of management's valuation policies.

We obtained an understanding of management's oversight, processes and controls around the fair valuation of the investments by performing walkthrough procedures, assessing the design effectiveness of relevant controls and testing the operating effectiveness of those controls.

Our substantive audit procedures were focused around the following:
- We reconciled the Growth Equity investment valuation reports to the balance sheet;
- We evaluated the process by which the future cash flow forecasts were compiled. We tested the key underlying assumptions for the cash flow forecasts and we assessed the implied growth rates beyond the forecasted period;
- We corroborated cash flow discount factor assumptions to underlying documentation and observable inputs, as appropriate;
- We verified the appropriateness of the peer groups used; and
- We agreed on a sample basis the peer group multiples used to available external market data.

We also assessed whether the Group's disclosures in note 13 in the consolidated financial statements in relation to the valuation of Growth Equity investments are compliant with the relevant accounting requirements.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may

involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other reporting requirements

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion
- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the information included in the report of the Board of Directors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 1 February 2017
PricewaterhouseCoopers Oy
Authorised Public Accountants

Lauri Kallaskari
Authorised Public Accountant

aste

Aste is a media integrator that helps its customers manage communications and marketing by combining creative approaches, technical solutions and multichannel production. The people at Aste build innovative media communications providing comprehensive digital and print communication as well as marketing solutions for various types of organizations, publishers and brands. At the moment Aste’s 70 committed professionals are helping more than 200 brands and enterprises to process and share content in the right way and in the right place.

BOARD OF DIRECTORS AND MANAGEMENT

Chairman

Heikki Westerlund
M.Sc. (Economics)
Helsinki
b. 1966

CEO, CapMan Plc

Key employment history:
2010–2013 Chairman of the Board, CapMan Plc
2005–2010 CEO, CapMan Plc

Member of the Board:
Orion Corporation and Walki Group Oy

Board membership in Norvestia began:
12 June 2015

Shareholdings in Norvestia Oyj: -

Vice Chairman

Hannu Syrjänen
B.Sc. (Economics), Master of Laws
Helsinki
b. 1951

Key employment history:
2001–2010 President and CEO, and Chairman of the Executive Management Group, Sanoma Corporation
1999–2001 Member of the Executive Management Group, SanomaWSOY Oyj
1989–2001 President and CEO, Vice President and Deputy CEO, and Executive Vice President, Rautakirja Corporation

Chairman of the Board:
Orion Corporation, VR Group Ltd, Lehtipiste Ltd and The Finnish Fair Corporation

Member of the Board:
EDSA s.a.r.l. and John Nurminen Foundation

Board membership in Norvestia began:
12 June 2015

Shareholdings in Norvestia Oyj: -

Other Members of the Board

Georg Ehrnrooth
Agrologist
Lapinjärvi
b. 1966

Chairman of the Board:
eQ Plc, Corbis S.A., Fennogens Investments S.A., Geveles Ab and Louise and Göran Ehrnrooth Foundation among others

Member of the Board:
Oy Forcit Ab, Anders Wall Foundation and Paavo Nurmi Foundation among others

Board membership in Norvestia began:
12 March 2010

Shareholdings in Norvestia Oyj: -



Niko Haavisto
M.Sc. (Business)
Espoo
b. 1972

CFO, CapMan Plc

Key employment history:
2006–2010 Director of Financial Control and Planning, Oriola-KD Corporation
2005–2006 Financial Controller, GE Healthcare Finland

Board membership in Norvestia began:
12 June 2015

Shareholdings in Norvestia Oyj: -

Arja Talma
M.Sc. (Finance), eMBA
Helsinki
b. 1962

Key employment history:
2013–2015 Senior Vice President, Kesko Corporation
2011–2013 President, Rautakesko Ltd
2005–2011 Senior Vice President, CFO, Kesko Corporation
2004–2005 Vice President, Corporate Controller, Kesko Corporation
2001–2003 Executive Vice President, Oy Radiolinja Ab

Chairman of the Board:
Serena Properties AB

Member of the Board:
Aktia Bank Plc, Metso Corporation, Posti Group Corporation and Sponda Plc

Board Membership in Norvestia began:
12 June 2015

Shareholdings in Norvestia Oyj: -

Managing Director

Juha Kasanen
Master of Science (Technology),
Licentiate of Science (Economics)
Espoo
b. 1957

Key employment history:
2000–2003 Investment Manager, Norvestia Oyj
1991–2000 Supervision, development and research of capital markets, Bank of Finland and Finnish Financial Supervision Authority
1989–1991 Stock broker and analyst

Chairman of the Board:
Norvestia Industries Oy

Managing Director and Chairman of the Board:
Norventures Oy

Employment in Norvestia began:
1 February 2000
Began as acting Managing Director:
20 October 2003
Managing Director since:
19 October 2004

Shareholdings in Norvestia Oyj: -

Auditor

PricewaterhouseCoopers Oy
APA Lauri Kallaskari,
Main Responsible Auditor
APA Mikko Nieminen, Deputy Auditor

Audit Committee

Arja Talma, Chairman
Georg Ehrnrooth, member
Niko Haavisto, member

NORVESTIA GROUP'S CORPORATE GOVERNANCE STATEMENT 2016

Norvestia Oyj is a publicly listed company, registered in Finland. The company's share is listed on Nasdaq Helsinki. Norvestia Group's decision-making and governance comply with the Finnish law and with Norvestia Oyj's Articles of Association.

In this corporate governance statement, Norvestia Oyj complies with the Finnish Corporate Governance Code. The code was issued by the Securities Market Association and came into force on 1 October 2015. The Corporate Governance Code is available at www.cgfinland.fi.

Annual General Meeting

The Annual General Meeting (AGM) is the company's highest decision-making body and normally convenes once a year. At the AGM shareholders exercise their right to vote on company affairs. The AGM decides on matters laid down in the Limited Liability 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. The most significant shareholders make a proposal for the composition of the Board of Directors to the AMG. The AGM elects the Chairman, Vice Chairman and other members of the Board of Directors and the auditors, and decides on their remuneration.

Notice to a general meeting is posted on the company website at least 21 days beforehand. In addition, the minutes of the general meeting including voting results and appendices relating to the resolutions of the general meeting are posted on the company website within two weeks of the general meeting.

Board of directors

The Board of Directors is tasked with organizing the company's management and operations appropriately, and ensuring that the company complies with all relevant laws and regulations. The Board monitors the company's bookkeeping and ensures that the company's assets are managed appropriately. The Board appoints the Managing Director and decides on the Managing Director's remuneration.

Composition

Every year the AGM elects Board members for a term lasting until the following AGM. The AGM also elects a Chairman and a Vice Chairman from among the Board members. The notice of the general meeting contains a proposal for the composition of the Board of Directors.

According to Norvestia's Articles of Association, the Board of Directors consists of 3–8 regular members and at most four vice members. The Board of Directors consisted of five regular members at year-end 2016.

The Board consists of the following persons:

Chairman:

Heikki Westerlund, b. 1966
M.Sc. (Economics)
CEO, CapMan Plc

Vice Chairman:

Hannu Syrjänen, b. 1951
B.Sc. (Economics), Master of Laws

Other members of the Board:

Georg Ehrnrooth, b. 1966
Agrologist

Niko Haavisto, b. 1972
M.Sc. (Business)
CFO, CapMan Plc

Arja Talma, b. 1962
M.Sc. (Finance), eMBA

More information about the Board members can be found on pages 52–53 in the Annual Report.

Independence of Board members

All Board members are independent of the company. Board members independent of significant shareholders of the company are Hannu Syrjänen, Georg Ehrnrooth and Arja Talma. Heikki Westerlund and Niko Haavisto represent the largest shareholder, CapMan Plc.

Diversity

The company sees diversity as an essential element in the attainment of its strategic objectives. The proposal of the most significant shareholders to the AGM regarding Board composition is always based on qualifications and competences of the candidates. The Board must comprise a sufficient number of sufficiently diverse members with mutually complementing experience and versatile expertise, and thereby qualifications to discharge Board duties efficiently.

When reviewing the composition of the Board, the most significant shareholders consider, among others, whether the Board is sufficiently diverse in terms of professional and educational backgrounds, gender and age, and whether it represents an appropriate balance of sound judgment, skills and experience to be able to address the needs of the company's business operations and strategic agenda.

Currently, Norvestia's Board comprises five members. The Board members' degrees are in three different areas of study with the majority of the degrees in economics. The target is that both genders are sufficiently represented in the Board. Currently, women count for 20% of the Board. When it comes to age, the Board members represent different ages between 45 and 66 years.

Working procedures

Each year, at the meeting held after the AGM, the Board lays down its own working procedures, rules of procedure for the Managing Director and working procedures for the audit committee. The Board's working procedures 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 rights to sign for the company. The Board also conducts an annual internal self-evaluation of its work.

Information to the Board

The Board receives once a month the company's portfolio report which includes detailed information about the company's investments and their returns. Company performance is presented at every Board meeting. The Board also receives drafts of the interim reports, financial statements and annual reports before the Board meeting in which these matters are handled.

Meetings

In 2016, the Board met 16 times with a participation activity of 98%.

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 development and performance and approve external reports, such as interim reports, financial statements and annual reports. Strategic questions are discussed if necessary. An agenda is drawn up for each Board meeting and distributed to the members in advance. All meetings are minuted and the minutes are then reviewed and distributed to the members of the Board and auditors.

Audit committee

The Board selects an audit committee from among its members. The members must have the qualifications necessary to perform the responsibilities of the audit committee. The primary duty of the committee is to monitor the work of the auditors and any issues arising therein. The audit committee additionally 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 auditors, examining the auditors' reports and evaluating any advisory services supplied by the auditors. The committee reports to the Board regularly.

Members of the Audit Committee are Arja Talma (Chairman), Georg Ehrnrooth (member) and Niko Haavisto (member). All members are independent of the company, Arja Talma and Georg Ehrnrooth are as well independent of significant shareholders of the company.

In 2016, the audit committee met 5 times with a participation activity of 100%.

The company has no other Board committees.

Managing director

Juha Kasanen, b. 1957
Master of Science (Technology), Licentiate of Science (Economics)

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.

Remuneration

The AGM annually approves the fees paid to Board members, and the Board decides on the salary and other benefits of the Managing Director. The Board decides on any bonuses paid to the Managing Director. The Board members are remunerated only for Board work.

In accordance with the decision of the AGM on 15 March 2016, the Board members are remunerated as follows:

- the Chairman of the Board is paid an annual fee of EUR 58,000
- the Vice Chairman is paid an annual fee of EUR 32,000
- other members are paid an annual fee of EUR 32,000.

In addition, a meeting fee of EUR 350 is paid for work on Board committees. All travel and accommodation expenses of Board members are paid according to invoice. There are no given money loans, pension benefits or other collateral or liability obligations to the Board.

The pension benefits of the Managing Director are based on the Finnish Employees' Pensions Act (TyEL). In 2016 the Managing Director's pension costs amounted to EUR 135,000. The term of notice is one month and the compensation for notice corresponds to eight months' salary. The Managing Director is paid a monthly fixed salary and a bonus. The bonus is based on the company's annual Net Asset Value return after expenses and taxes. The company's Board of Directors confirms the basis of the bonus. The bonus potential is set at 90% of the yearly fixed salary.

In 2016 a total of EUR 536,000 was booked in salary, benefits and bonus to the Managing Director. The share of fixed salary was EUR 288,000 of which benefits EUR 2,000. The share of bonus was EUR 248,000.

The main features of internal supervision and risk management

The aim of internal supervision and risk management is to ensure that the company operates in the most efficient and profitable manner, that its financial information is reliable, and that regulations and operating principles are followed.

Internal supervision is carried out by the company's management. The Board carries the ultimate responsibility for supervision of bookkeeping and financial management. The Managing Director is responsible for the practical organization of internal supervision and risk management.

The Managing Director is responsible for ensuring that the company and its subsidiaries have appropriate internal control. The parent company reviews the financial statements of its subsidiaries. The basic idea behind the company's internal control system is that a third party always examines any completed work.

The Board of Directors and the Managing Director are responsible for the company's risk management and decide upon matters concerning risk. The main risks arising from the company's financial instruments are market risks and foreign currency risks. In addition, credit risks arise from the company's bonds and loan receivables from Growth Equity investments. The Growth Equity market is less liquid than the capital markets, which increases Norvestia's liquidity risk. One of the guiding principles of the company's investment activities is to diversify its investments and thereby reduce overall risks. Additionally the company protects its investments from time to time with options and by selling index futures.

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 AGM elects the auditor, whose term extends until the end of the first AGM following the auditor's election. The proposal for auditor is presented in the notice of the general meeting.

In connection with the annual financial statements, auditors prepare an 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 the management of bookkeeping, financial statements and administration of the company.

Auditors' expenses are compensated according to invoice. In 2016, EUR 43,000 was booked for audit work in Norvestia Group and Norvestia Oyj.

Insider governance

Norvestia follows EU's Market Abuse Regulations (MAR) that entered into force on 3 July 2016 and the guidelines for insiders issued by Nasdaq Helsinki.

The requirement to maintain public insider registers ceased as MAR entered into force. The information of Norvestia's public insider register until 2 July 2016 is available on Norvestia's website until 3 July 2017. As of 3 July 2016, Norvestia discloses the transactions in Norvestia's financial instruments of persons discharging managerial responsibilities and their closely associated persons in line with MAR to the extent the value of the transactions exceed in aggregate EUR 5,000 during a calendar year. The total shareholdings will be published as part of the Annual Report pursuant to the Finnish Corporate Governance Code. The company maintains a list of persons discharging managerial responsibilities at Norvestia and their closely associated persons. The list is not public. In accordance with MAR, Norvestia has defined this group to include members of its Board of Directors, Managing Director and Senior Investment Director.

Norvestia's managers (as described above) or employees are not permitted to execute transactions in financial instruments issued by the company for a closed period of at least 30 calendar days prior to the publication of Norvestia's financial statements or interim reports. The publication dates are announced annually over a stock exchange release.

As of 3 July 2016, Norvestia no-longer maintains a permanent insider register. All persons holding inside information are included in project-specific insider lists, which are established in accordance with MAR following a decision to suspend the disclosure of inside information.

Corporate governance on company website

The company's corporate governance statement is updated on the company website at www.norvestia.fi/governance.

PERSONNEL

MARKET INVESTMENTS

JUHA KASANEN
Managing Director

VILLE KETTUNEN
Investment Manager

GROWTH EQUITY

JUHA MIKKOLA
Senior Investment Director

HEIKKI JUNTTI
Investment Manager

SAARA KAUPPILA
Analyst

ADMINISTRATION

JONNA VAARNANEN
Financial Director

EERIKA LEHTILÄ-VUORIO
HR and Investor Relations

KEY TERMS

Net Asset Value

Net Asset Value (NAV) of the Group is of central importance to an investment company such as Norvestia. NAV 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 NAV in a given period indicates the return on investments. NAV also corresponds to shareholders' equity according to IFRS, without the minority share.

Discount on Net Asset Value

The discount on NAV, expressed in percentages, is the difference between NAV and market capitalization in relation to NAV. Such discount on NAV is typical for investment companies.

Taxation

Investment companies book 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 acquisition value. The corporate tax rate for 2016 and 2015 was 20.0%.

When comparing the return of an investment company such as Norvestia with the returns of investment funds, for example, differences in taxation should be taken into account. This applies to taxation on both profit and dividend distribution. The effects of taxation are taken fully into account in Norvestia's NAV. Dividends received by Norvestia from listed companies are mainly tax-free.

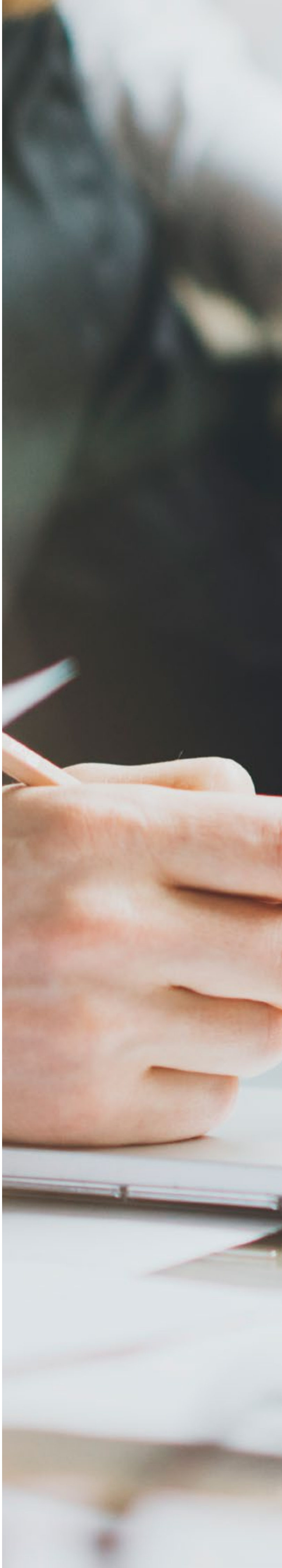
Volatility

Volatility, or standard deviation, measures statistically the extent of fluctuations in the value of a portfolio and so indicates the risk level associated with investments. 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 Yield Index calculated on monthly observations was 11.0% in 2016 whereas the volatility of Norvestia's NAV (dividend-adjusted) was 5.5%.

Sharpe Ratio

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 the Sharpe ratio of an investment, the higher its risk-adjusted return. Sharpe ratio can be used to compare returns between investments with different risk levels. If an investment has generated returns below the risk-free rate its Sharpe ratio is negative. On page 7 Norvestia's Sharpe ratio is compared with the Sharpe ratio of the OMX Helsinki CAP Yield Index.

EXPLICITLY ABOUT INVESTING. READ THE FINNISH BLOG PUNAINEN MUKI AT WWW.NORVESTIA.FI/BLOGI AND PARTICIPATE IN THE DISCUSSION.



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