

# Annual Report



## Financial Information in 2003

27 February 2003	Financial statements for 2002
14 March 2003	Annual report for 2002
21 March 2003	Annual General Meeting of HEX Plc
12 May 2003	Interim Report for January to March 2003
5 August 2003	Interim Report for January to June 2003
3 November 2003	Interim Report for January to September 2003

HEX Plc publishes its financial information in Finnish and English.

The Annual Report, Interim Reports and releases are available on the HEX web site [www.hex.com](http://www.hex.com). Publications can be ordered via the web site or from:

**HEX Plc**  
**Corporate Communications**  
**P.O. Box 361**  
**FIN-00131 Helsinki**

We kindly ask shareholders to notify the appropriate account operator of changes in their personal and address information.

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# CEO's Review



The year 2002 in the securities market was characterised by uncertainty and decreased demand. Share prices declined in Finland for the third year in a row. HEX Group's business developed well with regard to the market conditions, and turnover increased by 0.9 per cent to 92.9 million euro (2001: 92.1 million euro).

New sales were generated in outsourcing services and the Baltic countries; the turnover of Securities Services and Information Solutions increased by 62 per cent, and turnover of the Baltic Operations increased by 240 per cent. Turnover of the transaction business (Trading, Settlement and Depository and Issuer Services) decreased slightly due to price cuts and declining transaction volumes during the year.

The Group's result was burdened with heavy investments made in previous years in the transaction business, quality and reliability assurance and new business development. Profit decreased by 12.5 per cent to 20.0 million euro (22.8 million euro).

The weakened market situation has changed HEX's operating environment. HEX reduces its expenses and makes its operations more efficient in response to the changed operating environment. In 2002 we pursued cost efficiency by centralising IT operations, discontinuing certain unprofitable product areas and controlling expenses in general.

## Together with our customers locally and across borders

HEX is building a strong regional market that combines the benefits of local and borderless operations. In addition to our local expertise and service, our extensive distribution network pro-

vides our customers with connections to international capital. Our investment product range and the ease of access to our market attract both local and international investors and trading members.

We are engaged in direct competition with the largest marketplaces in the world. We have been successful so far – the liquidity of shares has increased, the turnover velocity has increased to a high level by European standards and our market share of worldwide Nokia trading has increased to 58 per cent.

The corporate scandals in the USA have also shaken investor confidence in issuers and market players in Europe, and both issuers and other market players have had to respond to increased demands for openness.

Confidence in the Finnish capital markets has been and still is justified. Holdings are transparent and disclosure of information by listed companies is of a good standard; the latter will be further strengthened by the upcoming transition to International Accounting Standards. HEX has supported the reliability of the market by making supervision more efficient, for example by specifying its rules in more detail and establishing a Listing Committee partly manned by outside experts.

For the marketplace to develop in a balanced manner, it is essential that both domestic and foreign trading members operate competitively and that domestic investors remain active. Small and medium-sized companies seeking public listing gain particular benefits from a strong local capital market. Our goal is to increase the attractiveness of the home market by reliable, efficient and, above all, customer-oriented operations.

We conduct regular discussions with

trading members and clearing parties, building common understanding on the development of operational functions, market microstructure, technology and products. Customer relations are also supported by a new categorisation of customers, customer-specific teams and customer relations management software.

Customers will be important for our operations also in 2003. Our customer service will become even more efficient at the beginning of April when the transaction business (Trading, Settlement and Depository, as well as Issuer Services) will be divided into new Marketplace and Operations business units.

### Cost efficiency benefits the customer

Our production costs rank among the lowest of all stock exchanges in Europe, and our pricing is clearly competitive. However, maintaining cost efficiency continues to be a crucial challenge for us and we will continue to make our operations more efficient.

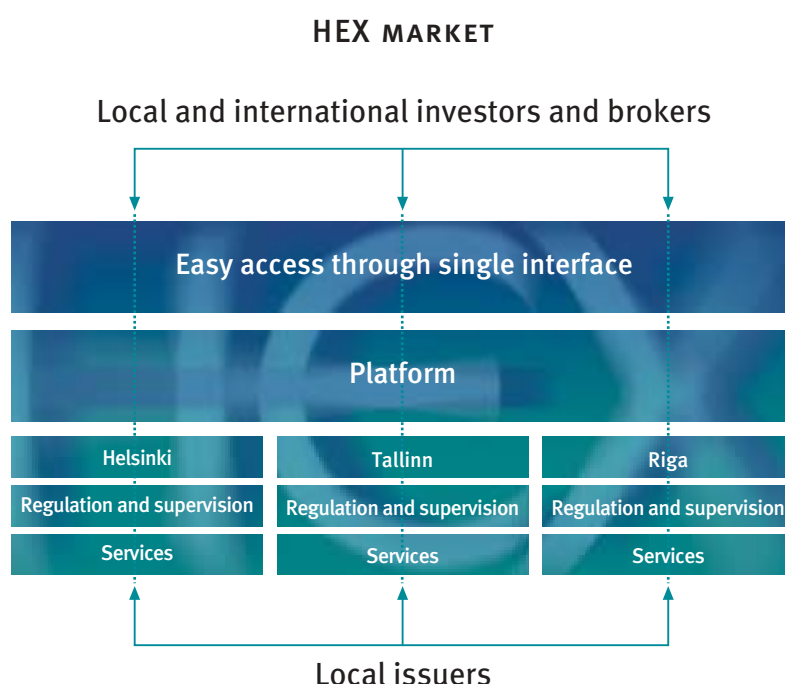
The investments required by changes

in the market may call for increased transaction volumes. We have sought increases in size by means of precision partnerships. Co-operation has been successful in the Baltic countries, for example, where our home market expanded to Latvia. The approaching membership of the EU and voluntary funded pension systems are strengthening the long-term growth outlook of the Baltic capital markets.

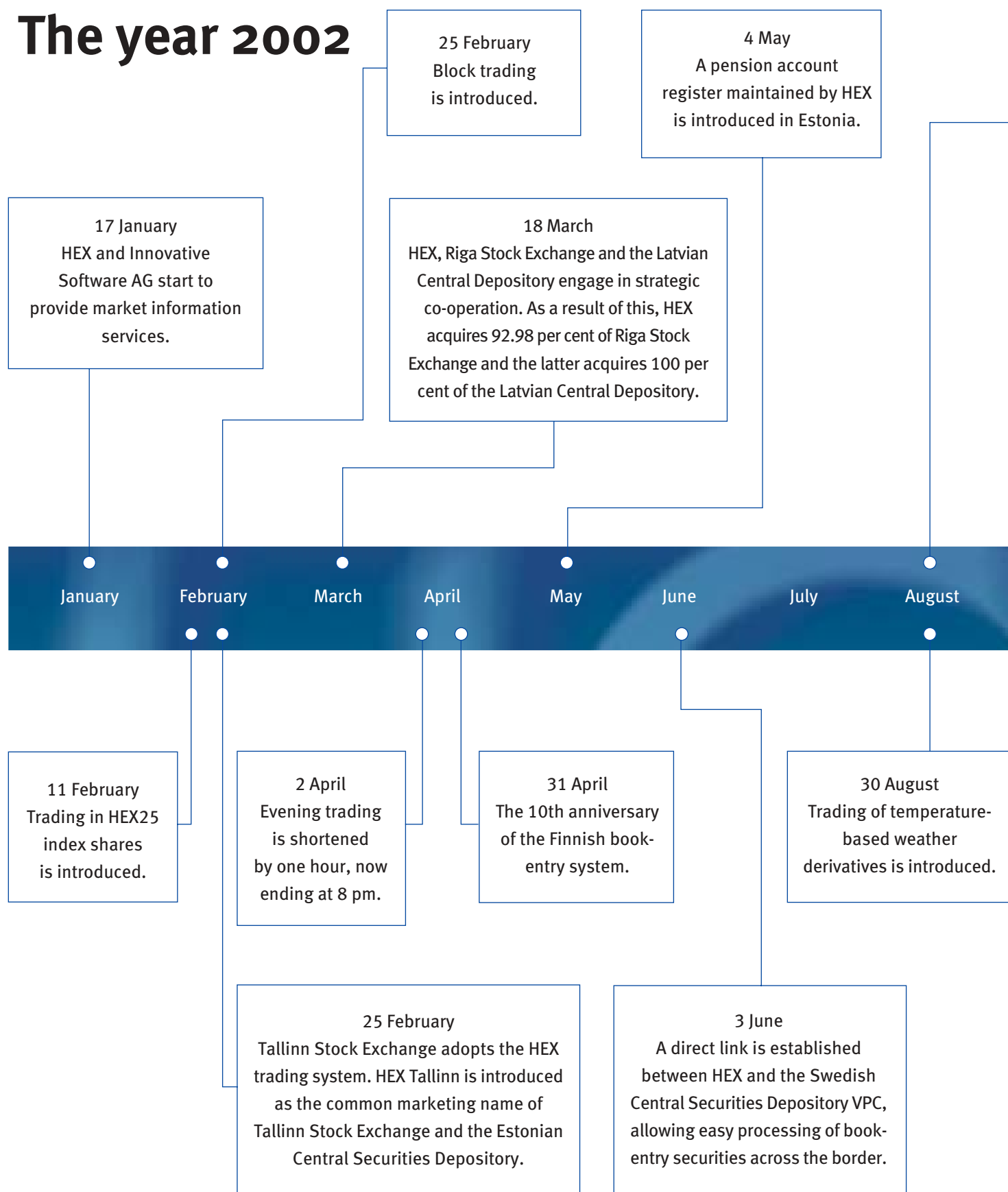
The oldest part of HEX, the Helsinki Exchanges, celebrated its 90th anniversary in the autumn. I wish to thank our customers, partners, and above all, personnel for HEX's ability to grow into an internationally interesting player. The structure of the marketplace industry will most certainly change in 2003. Together, we will do our best to ensure that our local, reliable market will continue to operate efficiently in the future.



*Jukka Ruuska*



# The year 2002



1 August

The Group's IT organisation is reformed by merging business development units with Corporate IT. The change aims to ensure quality and reliability and improve cost efficiency.



7 October  
The 90th anniversary of the Helsinki Exchanges.

18 December  
Trading in most liquid Swedish shares is introduced.

September      October      November      December

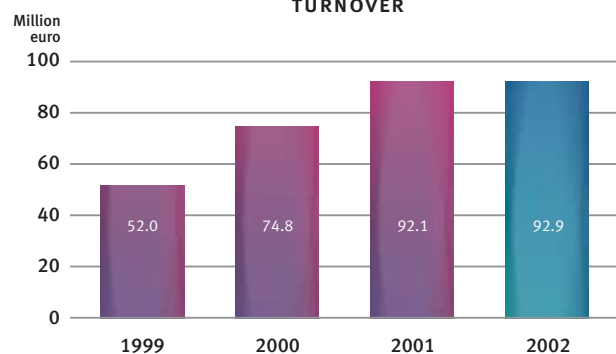
1 September  
The Listing Committee starts its operations.

18 December  
The arbitration proceedings related to VAT refunds are completed. HEX will refund a total of 11.3 million euro in VAT and associated interest from the years 1995 to 2000 to the trading members and clearing parties.

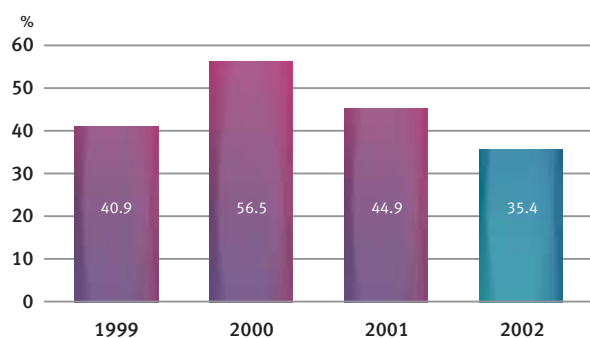
## KEY RATIOS

	2002	2001	2000	1999
Turnover, million euro	92.9	92.1	74.8	52.0
Operating profit, million euro	27.4	30.0	30.7	16.4
as percentage of turnover	29.5	32.6	41.1	31.5
Profit before extraordinary items and taxes, million euro	28.6	32.2	32.4	18.9
as percentage of turnover	30.8	35.0	43.3	36.4
Net profit, million euro	20.0	22.8	23.0	13.6
Earnings per share, euro	1.48	1.70	1.71	1.01
Shareholders' equity per share, euro	6.26	5.78	4.88	3.68
Return on investment, per cent	35.4	44.9	56.5	40.9
Return on equity, per cent	24.6	31.6	39.9	29.3
Equity ratio, per cent	77.1	70.9	73.8	83.2
Personnel on average	427	320	250	198

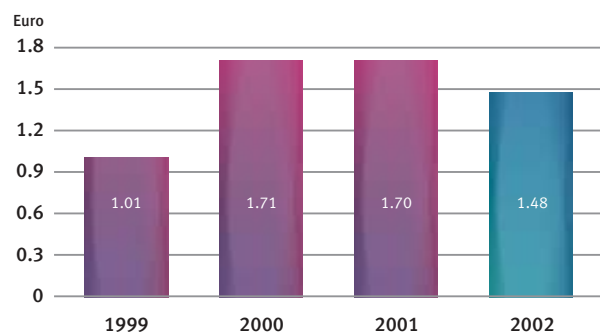
### TURNOVER



### RETURN ON INVESTMENT



### EARNINGS PER SHARE





# HEX in Brief

HEX operates the stock exchange and central securities depository in Finland, Estonia and Latvia and provides market parties with reliable services of a high quality. As of 1 April 2003, HEX has five business units: Marketplace, Operations, Securities Services, Information Solutions and Baltic Operations.

## Vision

HEX provides comprehensive automated investment services, irrespective of the customer's domicile.

## Mission

HEX creates opportunities for success stories by bringing together investors, issuers and capital.

## Values

### Reliability

HEX is a transparent marketplace, the quality and reliability of which correspond to customer needs. Our goal is to exceed business standards concerning the quality and reliability of operations.

### Customer orientation

HEX offers its customers comprehensive automated investment services, irrespective of the customer's domicile. The processes and interfaces are designed from the customer's point of view and are kept clear and easy to use. Product development and changes to the field of business are carried out in co-operation with the customers.

### Appreciation of individuals

HEX respects the individuality of people and offers all its employees the chance to succeed at work. We encourage individuals to influence their own goals and job description.

### Profitability

HEX aims at profitable growth in selected areas. The service offering is extended with care, and overall efficiency is continuously monitored and developed.

### Continuous development

HEX is a fast, innovative and active player in its field of business. Thanks to continuous product development, our products remain interesting and competitive.

## Strategy

The goal of HEX is to improve its strategic position in its field of business. We strive to attain our goal by

- operating in a reliable, efficient and customer-oriented way
- strengthening the attractiveness of our home market
- actively influencing the development of the European securities market regulation and structure

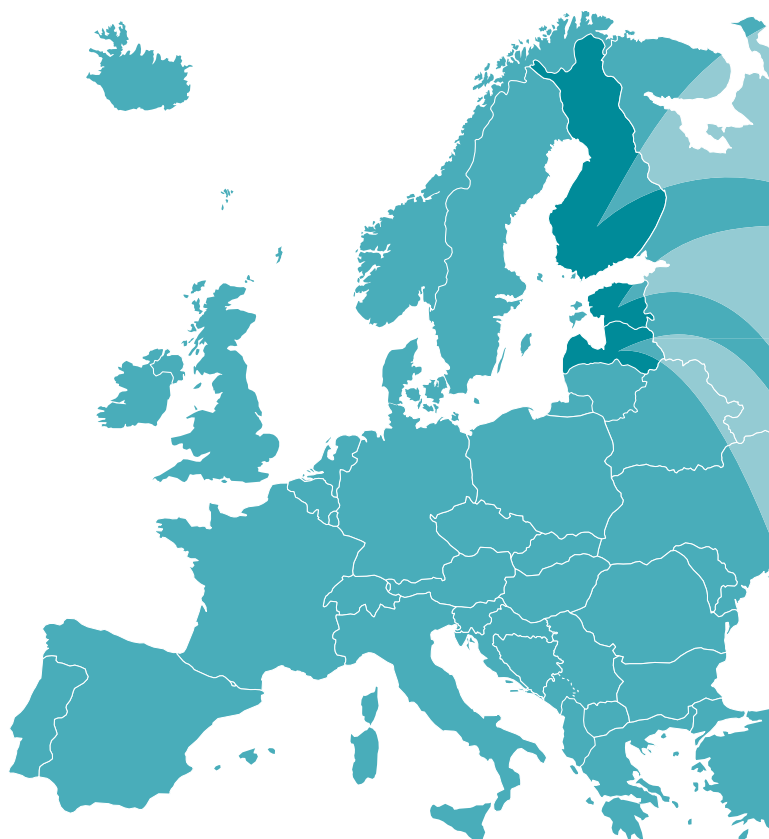


## ORGANISATION AS OF 1 APRIL, 2003



\* member of Executive Board

## HEX MARKETS



Finland	
Population	5.2 million
GNP growth 2002*e	1.4%
GNP growth 2003*e	2.8%
*Source: Bank of Finland	

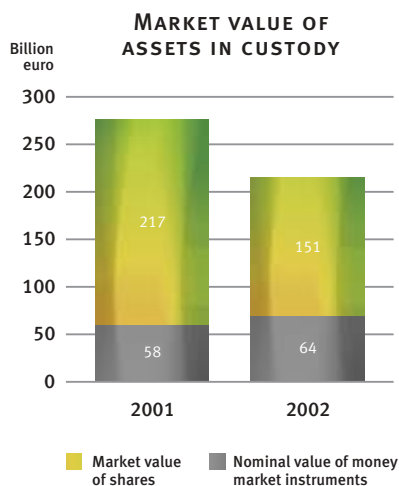
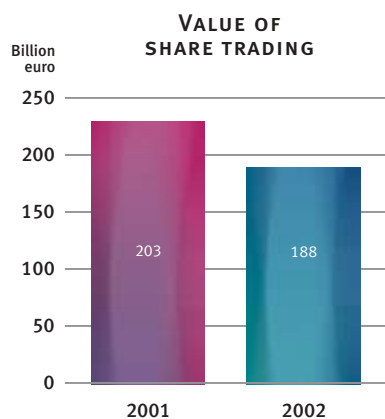
Estonia	
Population	1.4 million
GNP growth 2002*e	5.3%
GNP growth 2003*e	4.7%
*Source: Bank of Estonia	

Latvia	
Population	2.4 million
GNP growth 2002*e	5.7%
GNP growth 2003*e	5.5%
*Source: Bank of Latvia	

Eurozone	
GNP growth 2002*e	0.9%
GNP growth 2003*e	2.3%
*Source: Bank of Finland	



# Marketplace Helsinki



The sentiment in the securities markets was uncertain, and share prices fell for the third year in a row. The HEX All-Share Index closed at 34 per cent below the previous turn of the year. Mainly due to declining share prices, the estimated amount of equity assets held by Finns decreased by 40 per cent and the proportion of shares in the financial assets of Finns dropped. The amount of mutual fund investments, insurance savings and bank deposits increased somewhat.

The accounting scandals in the United States and the decreased profit expectations of listed companies added their character to the year's investment sentiments. The share of foreign investors in the total market value of Finnish listed companies declined from 71 per cent to 63 per cent during the year.

Characteristic of the market situation, the year saw many local and international corporate arrangements. Mainly due to corporate arrangements, nine companies were de-listed. However, the most

important corporate arrangement of the year, the merger between Swedish telecommunications company Telia and Finnish Sonera did not result in de-listing in Helsinki. Active cooperation between the parties and the linking of the shares to the Finnish book-entry system made it possible to quote TeliaSonera AB shares in Helsinki in the euro currency.

Due to prolonged uncertainty, the listing market remained quiet, and only three new companies including TeliaSonera were listed in the Helsinki Exchanges. The declining share prices and de-listings resulted in the total market value of listed companies falling from 217 billion euro to 152 billion euro.

## Extended range of investment products

HEX has opened the market for new types of investment instruments. Covered warrants, which were introduced in the previous year, continued their success; a total of 173 new series were

issued, and the trading volume in covered warrants more than quadrupled to 488 million euro.

At the beginning of the year, HEX introduced the index share market. The first traded product is an index share based on the HEX25 index, which is also the first mutual fund in the book-entry system. The range of derivatives products was extended in August with the introduction of temperature-based weather derivatives.

In December, HEX opened the opportunity to trade in the shares of seven Swedish companies in the euro currency within the HEX trading system.

### Helsinki's share of Nokia trading still increasing

Trading in shares remained lively despite the downward trend. The number of trades increased by almost ten per cent to 3.5 million and the turnover velocity of shares increased from 93 per cent to 117

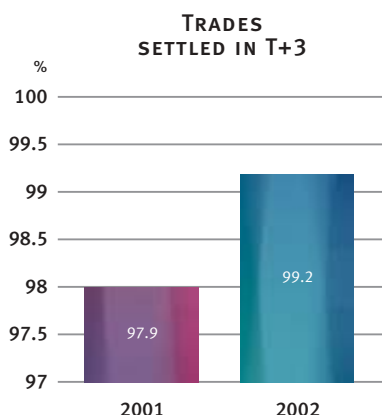
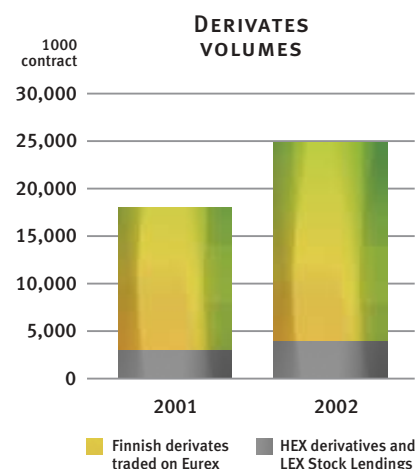
per cent. At 188 billion euro, the total value of share trading fell short of the previous year by only seven per cent, and the number of shares traded increased by no less than 40 per cent. Due to falling prices, the average size of a transaction fell by 15 per cent to 53,746 euro.

An increasing proportion of global trading in Nokia Corporation's shares concentrates in Helsinki. Helsinki's share of Nokia trading increased from 49 per cent to 58 per cent. Nokia was the most traded share by a large margin, with a 70 per cent share of the total value of trading on all lists.

Investors also actively leveraged the price volatility in the derivatives markets, where Nokia was clearly the most traded stock option on Eurex, HEX's derivatives partner.

During the year, nine new trading members entered the Helsinki Exchanges, raising the total number of trading members to 43. Interest in HEX market information continued to spread, with the number of vendors reaching 111 by the end of the year.

The settlement rate of share trading increased steadily during the year, and in a total of 99.2 per cent of trades, the shares were delivered from the seller's book-entry account to the buyer's book-entry account in the settlement period (T+3) defined in the rules. The increase in the settlement rate was supported by increased share lending.



#### New listings 2002

TeliaSonera AB (Main List)  
QPR Software Plc (NM-List)  
Biotie Therapies Corporation (Prelist)

#### List transfers

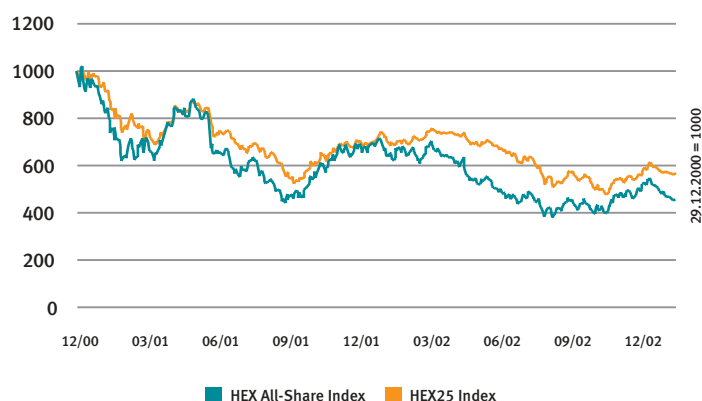
Ilkka-Yhtymä Oyj II series shares  
from I-list to Main List  
Marimekko Corporation  
from I-list to Main List

#### Available for trading, Swedish Shares List

Atlas Copco AB A  
Ericsson, Telefonab. L M B  
Sandvik AB  
Securitas AB  
Skandia Försäkringsab.  
Skandinaviska Enskilda Banken A  
Svenska Handelsbanken A

At the end of the year, a total of 169 share series of 149 companies were traded on the Helsinki Exchanges.

#### INDEXED DEVELOPMENT 2001–2002

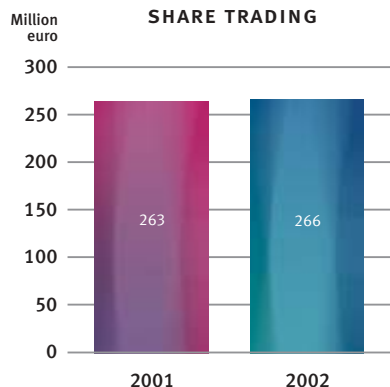


The All-Share Index reached its annual high in January at 9,036 points and annual low in August at 4,834 points. The All-Share Index closed at 5,775 points in 2002.

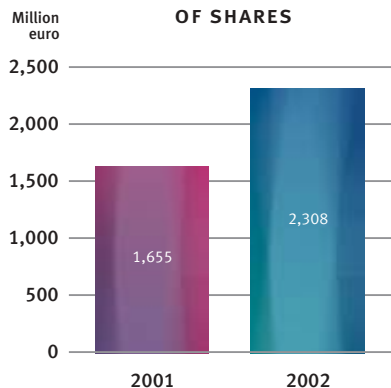


# Marketplace Tallinn

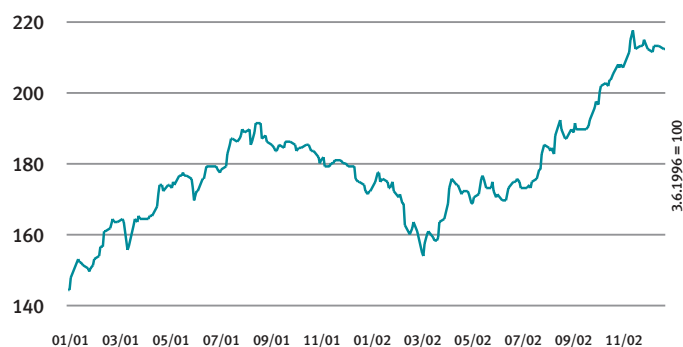
VALUE OF SHARE TRADING



MARKET VALUE OF SHARES



TALSE INDEX 2001-2002



Economic growth in Estonia remained strong in 2002, despite the weakening global economy. The Bank of Estonia estimated the gross national product to increase by 5.3 per cent.

The acceptance of Estonia to join the EU and NATO in 2004 brought more confidence to continuing growth, as did the fact that Moody's upgraded Estonia's credit rating to class A1, one of the best in Central and Eastern Europe.

The positive development was reflected in the Estonian securities market, which was one of the most successful in the world. The TALSE Index reached its four-year high in December and closed at 212 points, 43 per cent higher than at the beginning of the year.

The total value of share trading in the stock exchange increased slightly from the previous year to 266 million euro.

The increased number of institutional long-term investors and decreased number of private investors reduced the number of share trades in the stock exchange. The turnover velocity

decreased to 12 per cent from 16 per cent in 2001.

Retail investors' increased tendency to invest via professional fund managers (annual fund inflow and number of fund unit holders doubled compared to previous year) and emergence of local pension funds indicate the further institutionalisation of the market.

Corporate arrangements reduced the number of listed companies from 17 to 14. The global slowdown in the listing market was visible also in Tallinn; no new companies were listed during the year.

The transition to the HEX trading system brought four new members to HEX Tallinn. There were 13 trading members at the end of the year.

The first remote account operator started to operate in the Estonian CSD during the year. The operations of HEX Back Office and Custody Services Ltd, part of the HEX Group, make it easier for foreigners to invest in Estonian securities.

The HEX trading environment brought a further increase in foreign ownership of Estonian securities. The share of foreign investors increased to 81 per cent from 78 per cent a year earlier.





# Marketplace Riga

2002 was a year of success for the Latvian national economy. The Latvian central bank estimated the gross national product to increase by 5.7 per cent. Economic stability was reflected by the upgrade in Moody's credit rating from Baa2 to A2.

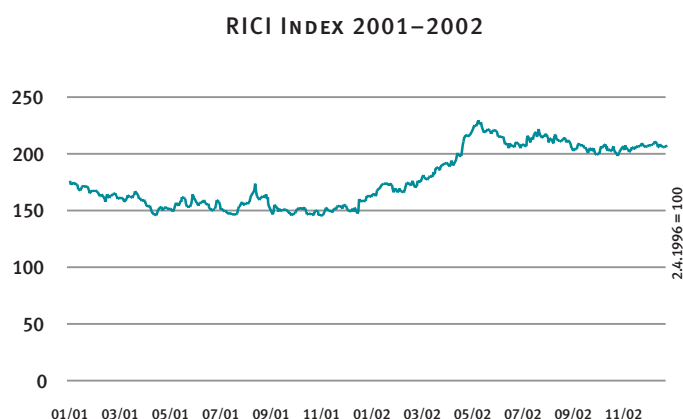
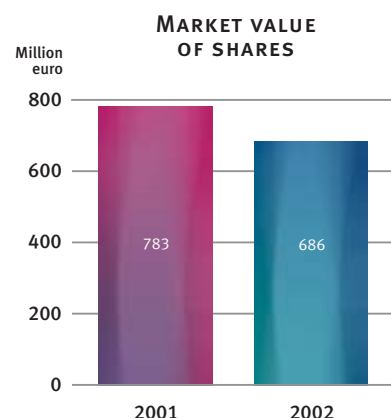
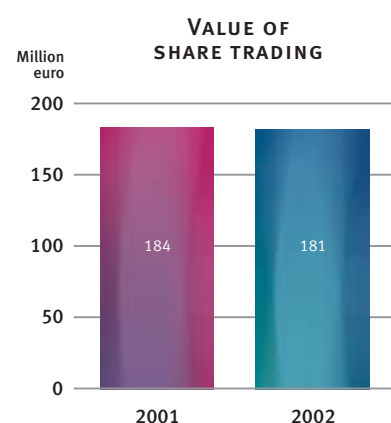
Towards the end of the year, the stable development gained international recognition and Latvia was accepted as a member of the European Union and NATO starting in 2004. The international alliances are expected to have a continuing positive effect on the national economy.

The share trading volume in 2002 was 181 million euro. The RICI Index increased by 27 per cent during the year, closing at 207 points. The Latvian market saw the largest listing of its history when 51 per cent of the shares in Latvian Shipping Company (LASCO) were auctioned in the Riga Stock Exchange in June. All the offered shares

were sold and the value of the auction amounted to 60.7 million euro. Riga Stock Exchange acted as the Lead Manager of the Lasco privatisation offering cash part.

At the end of 2002 the shares of 62 companies were quoted in the Riga Stock Exchange, with a total market value of 686 million euro. Riga Stock Exchange continued to be the leading marketplace for debt instruments in the Baltic countries, with a total trading volume of 328 million euro. The increased stability of the national economy has made long maturity times of bonds more common not only in the public sector but in private bonds as well.

The state pension system is expected to bring new capital to the market. Starting in the beginning of 2003, the voluntary funded pension market was opened for private fund companies as well.



As of 1 April 2003 HEX has five business units: Marketplace, Operations, Securities Services, Information Solutions and Baltic Operations. In 2002 there were six business units: Trading, Settlement and Depository, Issuer Services, Securities Services, Information Solutions (eHEX) and Baltic Operations.

# Business review

## Trading

The Trading business unit offers Finnish and foreign investors and trading members efficient trading services for Finnish shares, derivatives, bonds and other financial instruments, such as covered warrants. In addition, Trading produces market information.

In derivative operations, HEX co-operates with the world's largest derivatives market, Eurex. The most popular Finnish derivatives are traded in the trading system of Eurex.

## New investment opportunities

New regulations related to block trading - that is, trading in large lots of shares - entered into force in February. Large lots of shares may now be traded at prices deviating from the prevailing price level. Trading in index shares was also introduced in February.

The range of derivative products was extended in late August with temperature-based weather derivatives. These are derivatives contracts where the underlying factor is the development of a predetermined weather variable during the contract period.

A new list for trading in Swedish shares was established in the trading system in December. The goal is to provide investors and trading members with the opportunity to easily trade Swedish shares in the euro currency in a familiar trading environment.

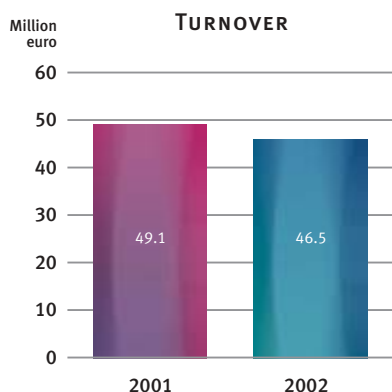
## Changes to trading hours

During the year, HEX discussed its trading hours with the trading members and investors. On the basis of feedback, a decision was made to shorten evening trading. At first, evening trading was shortened by one hour in April, now ending at 8 pm. A decision to cut evening trading by another half hour, ending at 7.30 pm, was made in December. The latter change will become effective from 1 April 2003.

## System development

Version development of the trading system made it possible to introduce Estonian shares, new financial instruments and new types of offers to the system, among other things. Correspondingly, market information related to Estonian shares and new products was introduced in the HEXfeed market information distribution system.

The focal point of trading system development was the construction of a new trading interface. During 2003, the new interface will replace both of the currently used trading interfaces.



## Settlement and Depository

The Settlement and Depository business unit is responsible for processing Finnish and foreign securities in the HEX register and settlement systems. The business unit settles shares and debt securities from the seller to the buyer and processes the company events of issuers in the book-entry system, including dividends and various capital arrangements. Links to foreign securities depositories allow foreign securities to be transferred across borders and kept in depositories outside the country of issue.

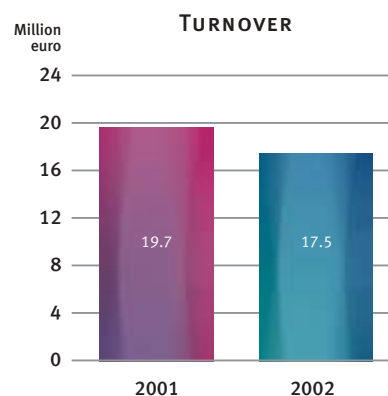
A crucial theme in 2002 was to improve the service level and cost effectiveness of settlement and depository operations. Together with the market parties, Settlement and Depository prepares for expected changes in international operating models, including multi-layered account and settlement structure, central counterparty (CCP) structure and an extended range of financial instruments.

Development operations were focused on the construction of a new

clearing and settlement system, HEX-Clear. The RTGS-based HEXClear will replace the current clearing and settlement systems. The crucial target of HEXClear is to make settlement operations more effective and reduce the risks associated with the operations. The system is linked to the book-entry register in real time.

The HEX link network was extended to the Swedish Central Securities Depository VPC. The link facilitates easy transfer of securities across the border and allows Swedish securities to be deposited in the Finnish book-entry system. The link was activated at the end of the year in connection with the Telia-Sonera merger. The establishment of the Swedish Shares list and the introduction of other Swedish share series to trading were also based on active utilisation of the link.

Construction of a link with the Estonian Central Securities Depository was initiated at the end of the year.



The account operator service of Finnish Central Securities Depository was transferred to Securities Services on 1 January 2002.

### CCP

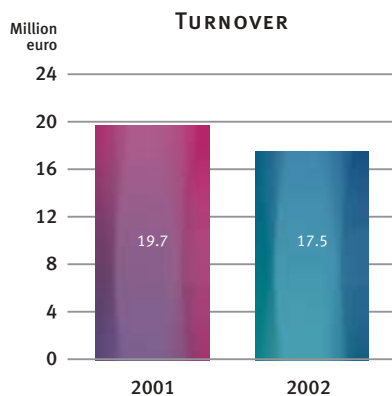
An organisation acting as the counterparty for both the seller and the buyer in every trade executed in the marketplace. CCP will guarantee delivery and reduce the settlement risk.

### RTGS

Continuous real-time settlement of trades on a trade-by-trade basis without using the net principle that requires separate guarantees.







## Issuer Services

The operating areas of Issuer Services include the listing of securities on the Exchanges, electronic registration of holdings in the book-entry system, and information services related to securities holding, trading and insider issues. The Issuer Services' offering also includes the implementation of corporate and capital arrangements and meeting services, as well as training.

The uncertain market situation is characterised by various corporate arrangements. One of the most significant corporate arrangements in 2002 was the merger between Sonera and Telia. Active cooperation between the parties and the introduction of the Telia-Sonera AB share to the book-entry link between Finland and Sweden provide a sound basis for the quotation of the company's shares in euro currency in Helsinki since December.

The range of financial instruments in the Exchanges was supplemented by index shares. Trading in an index share based on the HEX25 index was introduced in February. The HEX25 index share is the first mutual fund issued in the book-entry system.

The Internet-based insider register service NetSire was opened to issuers. Listed companies may now publish the holdings of their insiders on the Internet.

### Market reliability as the theme

The malpractices related to corporate accounting in the United States and the consequent regulatory actions were reflected on the international operating environment. In addition to European companies listed in the US, the development is expected to affect also other

companies and international marketplaces in Europe.

As a part of the actions to enhance the quality and reliability of the HEX market, Issuer Services adjusted the prerequisites for listing, the listing process and the information disclosure obligations of listed companies in more detail.

A new prerequisite for listing is that corporate management, results monitoring, risk management and responsibility relations must comply with stock exchange requirements. A Listing Committee subordinate to the Board of Directors of the Exchanges and comprising five members was established. It decides on the admission of shares to the Main List, I List and NM List. In addition, the role of the main advisor responsible for listing arrangements was specified in more detail.

Investors got a new tool for evaluating the finances of listed companies when cash flow statements were introduced as an obligatory part of financial reporting in the beginning of 2003. Companies on the I List, NM List or Pre-List with a short history, as well as companies where shareholders' equity is less than share capital, are also required to submit a substantiated statement of the sufficiency of funds over the next 12 months.

The instructions regarding the acquisition of own shares were supplemented with regard to insider regulations.

The Company Disclosure and Financial Reports Evaluation announced at the beginning of the year encourages listed companies to openness and consistency in the disclosure of information. The goal of the competition is to increase interest in the contents and quality of information. A total of 50 listed companies participated in the competition in 2002.

## Securities Services

The Securities Services business area provides outsourcing services for parties operating in the securities markets.

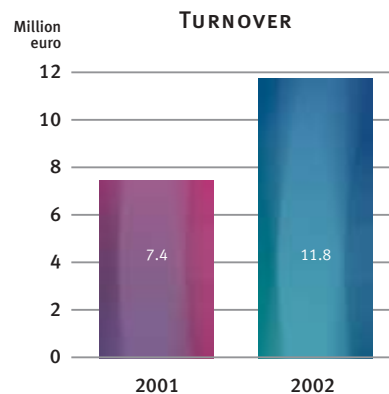
Securities Services expanded its offering to securities settlement and depository operations in Estonia. The business unit started to operate as a remote account operator in the Estonian CSD when the trading of Estonian shares was transferred to the HEX system.

The Clearing and Settlement Service of Securities Services received its first foreign trading member customers.

The Book-entry Service was used by 15 clients, whose share of all settlement transactions was approximately 40 per

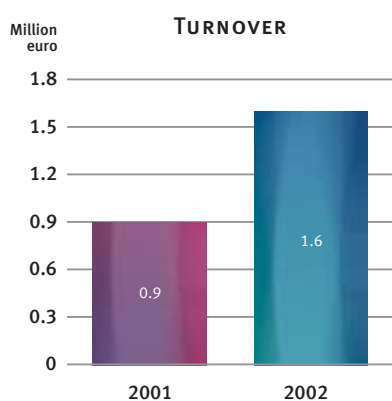
cent, and the share of the market value of all book-entry securities in the depository was slightly less than 10 per cent.

In addition to acquiring new customers, Securities Services focused on system development during the year. Book-entry services initiated a substantial development project aiming to improve reporting. The HEXBos system of HEX Risk Management and Back Office Services was extended with HEX derivatives, share lending products and features that improve the guarantee management of trading members. An electronic lending pool was introduced for share lending purposes in late April. The new pool automates lending from the lending pool of HEX.



The account operator service of Finnish Central Securities Depository was transferred to Securities Services on 1 January 2002.





## Information Solutions (eHEX)

Information Solutions (eHEX) provides companies with information services utilising electronic distribution channels.

In the spring, restructuring arrangements were executed in eHEX. As a result, the operations have comprised the Information Solutions unit since April. Information Solutions offers fund services, performance measurement services, investor relations services and global market information services. The eHEX Broker Platform service was discontinued.

In January, Information Solutions introduced the new HEX Global Market Information service comprising the presentation of customised market information in electronic distribution channels. The target group includes market parties offering online network services, such as trading members, banks, mutual fund companies and media. The service is offered in co-operation with IS Innovative Software AG of Germany.

The Performance Measurement service offering was extended with a new service for larger transaction volumes, targeted at mutual funds and institutional investors. In transaction-based analysis products, the analysis of interest-bearing instruments was under particular development.

The Investor Relations service established its position as a provider of electronic IR services. At the end of the year, 15 listed companies of various sizes in different sectors used the service. The competitiveness of the service was further improved by adding new components.

The number of funds included in the list of mutual funds increased significantly during the year, with a total of 150 new funds entering the list. The first Estonian mutual fund company was also added to the mutual fund list maintained by HEX, with Trigon Capital listing two of its mutual funds in May. At the end of the year, the mutual funds report included almost 800 different funds.





## Baltic Operations

Baltic Operations maintains the stock exchange, central securities depository and funded pension systems in Estonia and Latvia. The structure of the business unit was under substantial changes in 2002. HEX acquired 92.98 per cent of the Riga Stock Exchange, which in turn became the only shareholder in the Latvian Central Depository.

The trading of shares listed in the Tallinn Stock Exchange was transferred to the HEX trading system in late February, when the Tallinn Stock Exchange and Estonian CSD adopted HEX Tallinn as their common marketing name. HEX Tallinn started to market Estonian listed companies to Finnish investors.

### Register operations on the rise

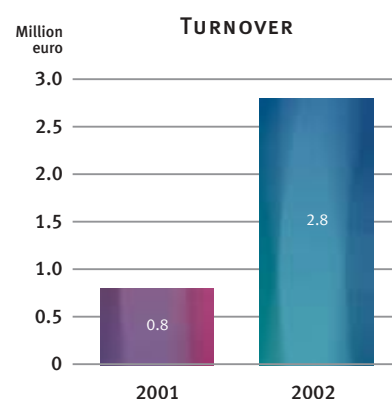
Substantial growth is expected in the Estonian and Latvian markets due to government pension reforms. The pension reforms have created a system of voluntary pension fund savings supplementing the obligatory pension system. Both countries have chosen the central securities depository belonging to the

HEX Group as the supplier and maintainer of the account register for the funded pension system.

In Latvia, the second part of the pension system has been operating for a year, and 330,000 people have joined. At the beginning of 2003 the funded pension system opened to private fund companies; before that, only the government could operate as a pension fund manager in Latvia.

In Estonia, the voluntary funded pension system was introduced in May. The popularity of voluntary pension savings outperformed the original expectations by more than double, when 209,000 people joined the system during the first year. The Estonian CSD started to calculate the EPI index representing the weighted return on the pension funds.

All joint stock companies in Estonia must register their shares in the Estonian CSD register by 1 July 2003 at the latest. By the end of 2002, 4,850 companies, or 76 per cent of all joint stock companies, had registered their shares.



# Corporate Governance

## Shareholders' meeting

The Annual General Meeting is held annually by the end of June on a date specified by the Board of Directors. The Meeting deals with issues pertaining to it according to law and the Articles of Association.

As stipulated in the securities market legislation and the Articles of Association, exercising voting rights at the shareholders' meeting is restricted to a maximum of one-twentieth of the votes represented at the meeting. Calculation of the shareholder's votes takes into consideration, among other things, the companies belonging to the same Group.

## Board of Directors

The Annual General Meeting elects a minimum of six and a maximum of nine Board members for a one-year term. The term of office begins and ends following the election carried out by the Annual General Meeting. The Board of Directors elects a Chairman and Vice Chairman from amongst its members.

The Board of Directors deals with company administration and the appropriate organisation of operations, as well as makes decisions on the basis of proposals by the CEO concerning matters on which the law, rules and regulations, or the authorities, require a Board decision. The Board also makes decisions on the Group's strategy and structure, the basis for control systems, employee incentive pay schemes and other significant matters, such as substantial agreements and financing arrangements.

The Board of Directors elects the Group's CEO and deputy CEO, and appoints the Group's Executive Board.

The Board of Directors normally convenes once a month. In 2002, the Board convened 16 times.

Eight Board members were elected in 2002. The board members are introduced on pages 46–47.

## CEO

The President and CEO is in charge of the Group's day-to-day administration, in line with the strategy approved by the Board of Directors with the goal of achieving the operational and financial targets set by the Board.

## Compensation to the management

The Annual General Meeting confirms the compensation paid to the Chairman, Vice Chairman and Members of the Board each year. According to the resolution of the Annual General Meeting on 22 March 2002, the Chairman of the Board receives 1,600 euro per month, the Vice Chairman receives 1,265 euro per month and each Member of the Board receives 1,095 euro per month as compensation. In accordance with the resolution of the Annual General Meeting, separate meeting compensation is also paid, amounting to 420 euro per meeting for the Chairman and 250 euro per month for the Vice Chairman and each Member of the Board.

The CEO of the HEX Group and any persons employed by the Group do not receive any additional compensation

for acting as a Member of the Board or CEO in a subsidiary.

The Board of Directors decides on the salaries and other benefits paid to the CEO of HEX Plc, his deputy and other members of the Executive Board.

## Organisation of Operations

The Executive Board operates subordinate to the CEO. The Executive Board is responsible for preparing strategic policies, preparing and monitoring strategic projects, allocating resources, and supervising key operations and significant operative decisions, as well as dealing with matters related to the preparations and arrangements for the Board of Directors' meetings.

The Group's operational control is the responsibility of the business organisation. As of 1 April 2003, there are five business units: Marketplace, Operations, Securities Services, Information Solutions, and Baltic Operations. The business units' heads report to the CEO of the Group.

## Operations subject to licensing

Helsinki Securities and Derivatives Exchange, Clearing House Ltd (Helsinki Exchanges), operates in the areas of securities exchange, option corporation and clearing of options transactions on the basis of a licence granted by the Ministry of Finance. Helsinki Exchanges also arranges other public trading of securities (I List, NM List, Pre-List, ML Market) in accordance with regulations confirmed by the Ministry of Finance. Helsinki Exchanges also arranges other professional trading on the Swedish Shares list.

The Finnish Central Securities Depository Ltd operates as a central securities



depository on the basis of a licence granted by the Finnish Government and as a clearing party on the basis of a licence granted by the Ministry of Finance.

HEX Back Office and Custody Services Ltd (HBO) operates as a custodian in accordance with the Investment Funds Act on the basis of a licence granted by the Finnish Government.

ASTallinna Börs (Tallinn Stock Exchange) operates as a securities exchange on the basis of a licence granted by the Estonian Financial Supervision Authority.

AS Eesti Väärtpaberikeskus (EVK) operates as a central securities depository and as a clearing party.

a/s Rīgas Fondu Birža (Riga Stock Exchange) operates as a securities exchange on the basis of a licence granted by the Latvian Financial and Capital Market Commission.

a/s Latvijas Centrālais Depozitārijs (LVK) operates as a central securities depository and as a clearing party.





# Supervision

## Internal auditing and risk management

Internal auditing and risk management methods are intended to ensure efficient and profitable operations, reliable information and compliance with the rules, regulations and operating principles.

HEX management regularly assesses the risks related to the operations, defines the required supervisory procedures and monitors the functionality of supervision. Internal auditing unit evaluates the adequacy, functionality and appropriateness of internal auditing within the entire Group.

In connection with annual strategic planning, management conducts a self-evaluation of risks and their management methods, and the Board of Directors of the Group discusses the evaluation results. Required development actions are taken into account in annual plans. Similar project-specific risk evaluations are conducted in connection with all projects.

The main risk management tools for measurable risks include limits, which are used to restrict the extent of risks. Non-measurable risk management tools

include methods that aim at preventing risks from materializing.

Internal auditing operations within the Group are based on international professional standards and internal auditing models. The internal auditing unit reports on its work to the Group's CEO and Board of Directors.

## Financial auditing

The audit of Finnish companies within the HEX Group is the responsibility of PricewaterhouseCoopers Oy, with Eero Suomela, Authorised Public Accountant, as the principal auditor and Juha Wahlroos, Authorised Public Accountant, as the second auditor of Finnish Central Securities Depository Ltd.

The auditor for companies within the Tallinn Stock Exchange group is AS PricewaterhouseCoopers.

The auditor for companies within the Riga Stock Exchange group is Deloitte & Touche Audits SIA.

Auditors' fees are paid by invoice.



## Insider regulations

The HEX insider instructions are divided into two parts. The first part contains the marketplace insider rules concerning the Board of Directors, the personnel and other persons with the duty to declare (“personnel”). The marketplace insider rules contain the legislative duties to declare, that maintain the confidentiality of the marketplace operations. In addition, the rules contain extensions to the legislative requirements concerning the scope of persons and procedures.

The marketplace insider rules cover securities and derivatives listed on the Helsinki Exchanges, the Tallinn Stock Exchange and the Riga Stock Exchange, as well as securities and derivatives separately specified in the instructions. The insider instructions state that the personnel have the duty to declare all acquisitions and transfers of these securities and derivatives. In addition, the personnel are subject to a so-called short-term trading ban of three months.

Information about personnel holdings in accordance with the marketplace insider rules is available in the NetSire system of the Finnish Central Securities Depository as far as Finnish book-entry securities are concerned.

The second part of the insider instructions contains the HEX insider regulations. The procedures and administration of the HEX insider rules correspond to the insider rules given to the listed companies by the Helsinki Exchanges. The scope of the rules includes the permanent insiders and per-project insiders of HEX. Permanent insiders include persons who, in their duties, regularly possess information affecting the value of securities and derivatives issued by HEX (HEX securities). Any acquisitions or transfers of HEX securities by a permanent insider are subject to permission from the person in charge of insider issues.

# Financial statements

## Board of Directors' report

### Financial performance

HEX Group's business developed well with regard to the market situation. The Group's outsourcing services providers Securities Services and Information Solutions' turnover increased by 62 per cent and Baltic Operations' turnover increased by 240 per cent. HEX maintained its strong international competitive position in stock trading, and the market share in global Nokia trading grew from 49 per cent to 58 per cent.

Turnover increased by 0.9 per cent to 92.9 million euro (2001: 92.1 million euro), with costs rising to 65.5 million euro (62.0 million euro). The increase in costs was due to investments in the quality and reliability of transaction business, as well as new products and services. The biggest increase was in personnel costs, which were 26.7 million euro (24.1 million euro).

Operating profit decreased by 8.7 per cent to 27.4 million euro (30.0 million euro). The operating profit corresponded to 29.5 per cent of net sales (32.6%). Financial income decreased to 1.2 million euro (2.2 million euro) due to a decrease in the value of share-based mutual funds. Financial income in the comparable period 2001 was increased by an exchange rate gain from a mature bond.

Profit before extraordinary items and taxes amounted to 28.6 million euro (32.2 million euro), 11.3 per cent down from the previous year. Net profit equalled 20.0 million euro (22.8 million euro).

Earnings per share amounted to 1.48 euro (1.70 euro), while equity per share grew by 8.3 per cent to 6.26 euro (5.78 euro).

Capital expenditure totalling 13.1 million euro (15.3 million euro) were channelled mainly into information technology.

### Making the operations more efficient

The market situation has changed HEX's operating environment. The market value of listed shares has decreased, and HEX's business environment has not developed as expected. At the same time, prices have been decreased in order to maintain competitiveness. Due to the changes in the operating environment, HEX has taken measures to reduce its costs and make its operations more efficient.

The eHEX business unit was restructured in the spring. Thereafter, eHEX has comprised the Information Solutions unit.

The IT organisation of the Group was restructured at the beginning of August by merging business development units with IT. The change aims to ensure quality and reliability and improve cost efficiency.

HEX has investigated alternatives for acquiring a single, common, modern and more cost effective office for the group's operations in Helsinki. A land area was reserved for the purpose in Hakaniemenranta.

### New subsidiaries

HEX and IS Innovative Software AG of Germany started to provide market information services in January. The two companies established a new subsidiary, HEX Information Services Ltd, for these operations. HEX holds 70 per cent of the new company, with a 30 per cent share held by IS Innovative Software AG.

In March, HEX, the Riga Stock Exchange and the Latvian Central Depository started a strategic partnership based on HEX's majority holding in the new Riga Stock Exchange Group. HEX offered to purchase at least 75 per cent of the shares of Riga Stock Exchange (RSE) from the existing shareholders on the condition that RSE acquires the entire stock of the Latvian Central Depository.

The arrangements between HEX and the shareholders of the Riga Stock Exchange were finalised in August and the arrangements between the shareholders of Riga Stock Exchange and the Latvian Central Depository were finalised in October. As a result of the arrangements HEX holds 92.98 per cent of the Riga Stock Exchange, which, in turn, holds the entire stock of the Latvian Central Depository.

### Business operations

#### Trading

Turnover of Trading amounted to 46.5 million euro (49.1 million euro), and profitability decreased considerably while remaining in a good level.

The development was affected by price cuts during the year, the decline in the market value of shares and the decreased value of trading.

Starting on 1 January 2002, Eurex decreased the market-making fees collected from brokers, which resulted in an approximately 20 per cent decrease in income from derivatives trading. HEX lowered the fees levied on brokers involved in cash transactions at the beginning of April.

HEX's competitive position in share trading remained strong internationally, and HEX's marketshare in global Nokia trading increased to 58 per cent. Investors' interest in Nokia was also manifest in derivatives markets, where Nokia was the by far the most traded equity option in Eurex.

The product range of Trading extended. Trading in weather derivatives started in August, followed by the shares of seven Swedish companies in December.

#### Settlement and Depository

The business unit generated 17.5 million euro (19.7 million euro) of turnover, while profit remained in the negative. Turnover was decreased by the transfer of the account operator service of the Finnish Central Securities Depository to the Securities Services business unit.

Profit was affected by decreases in the values of deposited assets, companies in the book-entry system and money market instruments.

A link between HEX and the Swedish Central Securities Depository was introduced in June.

#### Issuer Services

Turnover of Issuer Services amounted to 16.5 million euro (16.7 million euro), and profitability remained good. The development was affected by a decrease in the market value of shares and small interest in listing.

During the review year, three companies were listed in the Helsinki Exchanges, and nine companies were de-listed. At the end of the year, 169 share series of 149 companies were traded in the exchanges.

The investment product range was extended with the introduction of the index share market.

As part of the actions to improve the quality and reliability of the market, Issuer Services defined the prerequisites for listing, the listing process and the information disclosure obligations of listed companies in more detail.

#### Securities Services

Turnover of Securities Services amounted to 11.8 million euro (7.4 million euro), with strong development efforts pushing the result to the negative. Contributors to the expansion of the business included the introduction of HEX Back Office and Custody Services Ltd (HBO) in September 2001 and the transfer of the account operator service of the Finnish Central Securities Depository to the Securities Services business unit.

Securities Services extended its service offering to cover settlement and depository services for securities trading in Estonia when HBO started as a remote account operator in the Estonian CSD.

#### Information Solutions (eHEX)

Information Solutions generated 1.6 million euro (0.9 million euro) of turnover, while profit remained in the negative. Restructuring arrangements were executed in the business

unit. As a result, eHEX has comprised the Information Solutions unit since April. The eHEX Broker Platform software was discontinued.

HEX started to provide market information services together with IS Innovative Software AG.

#### Baltic Operations

Turnover of Baltic Operations amounted to 2.8 million euro (0.8 million euro from May to December 2001). The increase in turnover was due to the Riga Stock Exchange acquisition and the growth of register services. The business operations were profitable, but the business unit's result was negative due to integration and acquisition costs. The Riga Stock Exchange Group was merged with Baltic Operations starting on 1 September 2002.

The Estonian funded pension account register, administered by HEX Tallinn, was introduced in May. The Latvian Central Depository, part of HEX, was selected as the supplier and maintainer of the account register for the Latvian funded pension system.

#### Shares and shareholders

The number of HEX Plc shares at the end of the period amounted to 13,471,728, and the company had a share capital of 26,943,456 euro. The company had 214 registered shareholders. The largest shareholder groups and breakdown of share ownership are presented on pages 42-44 of the Annual Report.

During the period under review, the Board of Directors had no current authorisations to issue any stock, convertible bonds or option rights, or any authorisations to purchase or hand over any of the company's own stock.

Through the personnel stock-option incentive scheme, the company's share capital can increase by, at most, 2,693 600 euro and employee shareholding in the company can reach, at most, 9.1 per cent of shares and voting rights. The figure includes the holdings of the Executive Board of the HEX Group and its Secretary, which can rise to a maximum of 1.1 per cent in total as a result of the incentive scheme.

In accordance with the subscription rules of the stock-option scheme for HEX Plc employees, the original subscription price of 12.50 euro has been reduced to 10.70 euro on the basis of dividends paid. The redemption period for A options in the incentive scheme started on 1 November 2002. 53 200 A options which were in a group's subsidiary's custody have been annulled.

The personnel option scheme is described in more detail in the note 19 to the accounts.

## Human resources

At the end of the year, the number of personnel in an active employment relationship was 449 (397), 425 of whom had permanent employment contracts. The increase in personnel was mainly due to the purchase of Riga Stock Exchange Group, which employed 44 persons at the end of the year.

The average number of employees in 2002 was 427 (320).

## Other events

### Changes in the Articles of Association

The Annual General Meeting decided to amend the Articles of Association on 22 March 2002. The description of the company's line of business was specified in more detail, and the references to deputy members of the Board were removed. In addition, the Articles of Association were amended so that no person of 65 years of age or older may be appointed a Board member or auditor.

### Temporary CEO

Mr. Jukka Ruuska, President and CEO of the HEX Group, was on sick leave from 22 July to 20 September 2002. During that period, his duties were performed by the deputy to the CEO, Mr. Heikki Sirve.

### Arbitration proceedings

The arbitration proceedings related to VAT refunds were completed in December. HEX will refund a total of 11.3 million euro in VAT and associated interest from the years 1995 to 2000 to the trading members and clearing parties. However, HEX is allowed to deduct reasonable expenses from the VAT refunds.

The refund had minor significance for HEX Plc's financial results.

The tax authorities had refunded 9.9 million euro of VAT and 1.4 million euro of accrued interest to HEX as a consequence of a resolution by the Helsinki Administrative Court in 2001. Due to the uncertainty regarding further processing of the VAT refund, HEX booked a corresponding reserve of 11.3 million euro in its 2001 annual accounts.

### Current legal proceedings

The Market Court has decided not to investigate the appeals against the Finnish Competition Authority's decision regarding the competitive position of the HEX Group. HEX has appealed to the Supreme Administrative Court against the decision of the Market Court.

### Proposal on distribution of dividend

The Board of Directors proposes to the Annual General Meeting, that 1.00 euro per share (1.00 euro) or a total of

13,471,728 euro (13,471,728 euro) should be paid out as dividend. The record date of the dividend is 26 March 2003 and the dividend will be paid 2 April 2003.

### Events after the period under review

The administration of the account register in the Latvian voluntary funded pension system was transferred to HEX's Baltic Operations on 1 January 2003.

Eurex lowered its intermediating and market-making prices for derivatives brokers from the beginning of February 2003. The new prices are estimated to cut the income from derivatives trading in Eurex by approximately 15 per cent.

The organisation of HEX Group's transaction business (Trading, Settlement and Depository, Issuer Services) will change on 1 April 2003. The transaction business will be divided into new Marketplace and Operations business units. The other business units will remain unchanged. The reform aims to improve the efficiency of customer service and processes.

Mr. Mika Björklund, Executive Vice President of Issuer Services, will report to Jouni Torasvirta from 1 April onwards. Mr. Lasse Musakka, member of the Executive Board, has resigned from his tasks with effect from 11 April.

The composition of HEX's Executive Board from 3 February 2003 onwards is as follows: Mr. Jukka Ruuska, President and CEO, Mr. Teuvo Rossi, CFO, Ms. Liisa Jauri, Executive Vice President of Corporate Planning, Mr. Jouni Torasvirta, Executive Vice President of the Marketplace business unit, Mr. Heikki Sirve, Executive Vice President of the Operations business unit and Corporate IT, and Mr. Veli Matti Salmenkylä, Executive Vice President of the Securities Services business unit.

In February, HEX Group, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industry and Employers (TT) nominated a committee to review the corporate governance recommendation for Finnish listed companies given by the Central Chamber of Commerce and TT in 1997.

### Outlook for 2003

The unstable market situation continued in January and February 2003, discouraged by the international political climate. The value of share trading in January decreased by 24 per cent in comparison with the same period in 2002 and the market value of shares decreased 9 per cent from the turn of the year. Similar market situation continued in February.

HEX Group's business development is heavily dependent on market situation. The reduction of fees effective since the beginning of February are estimated to cut the income from derivatives trading in Eurex by approximately 15 per cent.

HEX will secure its long term competitiveness by continuously making its operations more effective. HEX focuses on the quality and reliability of its services and customer satisfaction.

## Profit and loss statement

	Note	Group 1.1.2002–31.12.2002 1000 €	Group 1.1.2001–31.12.2001 1000 €	Parent company 1.1.2002–31.12.2002 1000 €	Parent company 1.1.2001–31.12.2001 1000 €
<b>TURNOVER</b>					
Settlement income	1	1,130,643	579,683	-	-
Settlement expenses	1	-1,130,643	-579,683	-	-
Fee income	2	34,509	36,736	-	-
Other income	2	58,406	55,314	25,120	21,203
		92,915	92,050	25,120	21,203
Personnel costs	3	-26,668	-24,146	-11,053	-10,380
Depreciation, amortisation and write-downs					
Scheduled depreciation and amortisation	5	-8,124	-7,661	-2,921	-1,768
Other operating costs		-30,707	-30,212	-13,480	-11,758
<b>OPERATING PROFIT</b>		<b>27,416</b>	<b>30,031</b>	<b>-2,334</b>	<b>-2,703</b>
Financial income and expenses					
Other interest and financial income					
Intra-group items		-	-	535	1,820
Extra-group items		2,053	2,670	2,290	3,043
Decline in value of securities carried as current assets		-478	-303	-	-
Interest and other financial expenses					
Intra-group items		-	-	-1,117	-923
Extra-group items		-411	-162	-10	-11
		1,164	2,205	1,698	3,929
<b>PROFIT BEFORE EXTRAORDINARY ITEMS</b>		<b>28,580</b>	<b>32,236</b>	<b>-636</b>	<b>1,226</b>
Extraordinary items					
Extraordinary income	6	-	2,472	25,000	22,472
Extraordinary expenses	6	-215	-2,472	-10,000	-8,472
		-215	-	15,000	14,000
<b>PROFIT BEFORE TAXES</b>		<b>28,365</b>	<b>32,236</b>	<b>14,364</b>	<b>15,226</b>
Year-end allocations	7				
Increase (-) or decrease (+) in cumulative difference between actual and scheduled depreciation and amortisation		-	-	324	-69
Income taxes	8	-8,444	-9,389	-4,837	-3,950
Minority share		57	-9	-	-
<b>NET PROFIT</b>		<b>19,978</b>	<b>22,838</b>	<b>9,851</b>	<b>11,207</b>

Consolidated Balance Sheet	Note	Group 31.12.2002 1000 €		Group 31.12.2001 1000 €		Parent company 31.12.2002 1000 €		Parent company 31.12.2001 1000 €	
<b>ASSETS</b>									
FIXED ASSETS	9								
Intangible assets									
Intangible rights		2,860		3,411		2,143		3,033	
Goodwill		2,096		2,430		-		-	
Other capitalised expenditure		11,293	16,249	6,905	12,746	1,070	3,213	656	3,689
Tangible assets									
Machinery and equipment			8,511		7,698		3,327		3,280
Investments									
Intra-group holdings	10		-		-	39,881		38,356	
Other shares and holdings			725		614	440	40,321	440	38,796
<b>CURRENT ASSETS</b>									
Deferred tax asset	17		1,835		4,214	-		-	
Short-term receivables	11								
Settlement receivables		411		101,912		-		-	
Fee receivables		14		415		-		-	
Sales receivables		8,309		9,517		23		18	
Intra-group receivables		-		-		15,045		11,672	
Other receivables		880		2,323		-		-	
Accrued income and other deferred expenses		12,652	22,266	4,947	119,114	2,854	17,922	865	12,555
Financial securities	12								
Other securities			57,139		56,647		9,068		12,490
Cash on hand and deposit			4,514		11,835		208		725
<b>Total assets</b>		<b>111,239</b>		<b>212,868</b>		<b>74,059</b>		<b>71,535</b>	
<b>SHAREHOLDER'S EQUITY AND LIABILITIES</b>									
Shareholders' equity									
Share capital	13	26,943		26,943		26,943		26,943	
Premium fund		3,465		3,465		3,465		3,465	
Reserve fund		565		564		565		564	
Retained earnings		33,364		24,060		7,529		9,794	
Net accounting period profit		19,978		22,838		9,851		11,207	
<b>TOTAL SHAREHOLDER'S EQUITY</b>		<b>84,315</b>		<b>77,870</b>		<b>48,353</b>		<b>51,973</b>	
MINORITY SHARE		1,041		761					
STATUTORY RESERVES									
Other compulsory reserves	16	-		11,380		-		-	
ACCUMULATED ADJUSTMENTS									
Depreciation difference	15	-		-		121		445	
LIABILITIES									
Deferred tax liabilities	17	88		190		-		-	
Long-term liabilities									
Other debts		182		72		-		-	
Short-term liabilities	18								
Settlement debt		492		101,919		-		-	
Accounts payable		2,197		3,514		452		1,935	
Intra-group liabilities		-		-		17,765		11,970	
Other liabilities		670		637		212		210	
Accrued expenses and deferred income		22,254	25,613	16,525	122,595	7,156	25,585	5,002	19,117
<b>Total shareholders' equity and liabilities</b>		<b>111,239</b>		<b>212,868</b>		<b>74,059</b>		<b>71,535</b>	

## Sources and application of funds

	Group 31.12.2002 1000 €	Group 31.12.2001 1000 €	Parent company 31.12.2002 1000 €	Parent company 31.12.2001 1000 €
<b>Cash flow from operations</b>				
Operating profit	27,416	30,031	-2,334	-2,703
Adjustments:				
Scheduled depreciation and amortisation	8,124	7,488	2,921	1,768
Financial income and expenses	1,164	2,205	123	914
Cash flow before working capital changes	36,704	39,724	710	-21
Change in working capital				
Increase (-)/decrease (+) in current non-interest-bearing receivables	108,254	-96,724	-3,454	31,033
Increase (+)/decrease (-) in current non-interest-bearing payables	-102,439	104,479	6,054	-21,407
Cash flow from business operations before financial items and taxes	42,519	47,479	3,310	9,605
Direct taxes paid	-23,325	-3,449	-6,335	-2,489
<b>Cash flow from operations</b>	<b>19,194</b>	<b>44,030</b>	<b>-3,025</b>	<b>7,116</b>
<b>Cash flow from investments</b>				
Investments in tangible and intangible assets	-12,552	-13,767	-2,492	-4,767
Investment in Group company	-	-	-1,525	-1,360
Profit from assignment of other investments	-	-	-	531
Purchases of other shares	-	-	-	-2
<b>Cash flow from investments</b>	<b>-12,552</b>	<b>-13,767</b>	<b>-4,017</b>	<b>-5,598</b>
<b>Cash flow of financing</b>				
Dividend paid	-13,472	-10,777	-13,472	-10,777
Dividend received			1,575	3,015
Paid and received Group contributions			15,000	14,000
<b>Cash flow of financing</b>	<b>-13,472</b>	<b>-10,777</b>	<b>3,103</b>	<b>6,238</b>
<b>Change in cash and equivalents</b>	<b>-6,830</b>	<b>19,486</b>	<b>-3,939</b>	<b>7,756</b>
<b>Funds on 1 January</b>	<b>68,482</b>	<b>48,996</b>	<b>13,215</b>	<b>5,459</b>
<b>Funds on 1 December</b>	<b>61,652</b>	<b>68,482</b>	<b>9,276</b>	<b>13,215</b>



## Notes to the Financial Statements

### Extent of consolidated financial statements

In addition to the parent company, Finnish Central Securities Depository Ltd, Helsinki Securities and Derivatives Exchange, Clearing House Ltd, HEX Securities Services Ltd Oy, HEX Back Office and Custody Services Ltd, HEX Securities Technology Ltd Oy, AS Tallinna Börs, AS Eesti Väärt-paberikeskus, AS Arvelduskoda, a/s Rīgas Fondu Birža (Riga Stock Exchange), a/s Latvijas Centrālais Depozitārijs (Latvian Central Depository), HEX Information Services Ltd, Helsingin Arvopaperiparkki Oy and Hexfiles Oy are included in the consolidated financial statements for 2002.

The new subsidiary, HEX Information Services Ltd was included in the Group's accounts as of 31 January 2002 and a/s Rīgas Fondu Birža and a/s Latvijas Centrālais Depozitārijs as of 1 September 2002.

Hexfiles Ltd, Helsingin Arvopaperiparkki Oy and AS Arvelduskoda had no activity during the financial period.

In addition to the parent company, Finnish Central Securities Depository Ltd, Helsinki Securities and Derivatives Exchange, Clearing House Ltd, HEX Securities Services Ltd Oy, HEX Securities Technology Ltd Oy, Helsingin Arvopaperiparkki Oy, and Hexfiles Oy are also included in the consolidated financial statements for 2001. AS Tallinna Börs, AS Eesti Väärt-paberikeskus and AS Arvelduskoda were included in the Group's accounts as of 1 May 2001 and HEX Back Office and Custody Services Ltd as of 1 October 2001.

### Consolidation principles

The consolidated financial statements have been drafted on the acquisition cost method.

The difference between the acquisition cost and the equity equalling the shares acquired in the subsidiary companies AS Tallinna Börs, HEX Back Office and Custody Services Ltd and Riga Stock Exchange has been partly allocated to fixed assets and partly presented as consolidated goodwill.

Intra-group transactions, gross margins, and intra-group receivables and liabilities have been eliminated in the consolidated financial accounts.

The annual statement items of overseas subsidiaries have been entered in euro at the mean exchange rate on the account closing date.

Imputed tax claim and deferred tax liability are calculated on the basis of temporary differences between taxes and financial accounts using the tax rate adopted for the following years at the moment of closing the books. The imputed tax claim is given in the amount of the probable claim and the deferred tax liability in its entirety.

The financial statements are drafted as prescribed by the Finnish Financial Supervision Authority, the Accounting Act and the Accounting Degree.

### Valuation and periodisation principles

Fixed assets are valued at acquisition cost deducted by depreciation according to plan. Allowance for depreciation according to plan is made on a straight-line basis over the financial life of the item.

#### Principles for depreciation according to plan

	years
Machinery and equipment	3–5
Transportation	3–5
Intangible rights	3–5
Improvements to leased premises	10
Other capitalised expenditure	3–10
Goodwill	5

Receivables are shown at their par value, but, however, at the most at their probable value, and debts are shown at their par value.

Foreign currency denominated receivables and debts are converted into euro at the rate valid on the date of closing the books.

Financial securities are valued at acquisition cost or at market value below acquisition cost.

The Group has arranged pension insurance coverage with an insurance company for its Finnish personnel.

## Notes to the Profit and Loss Accounts

### 1. Turnover

Turnover comprises premiums on derivatives written by Helsinki Securities and Derivatives Exchange, Clearing House Ltd as well as payments received by Helsinki Securities and Derivatives Exchange, Clearing House Ltd in net cash derivative settlements and for shares delivered. Since the Helsinki Securities and Derivatives Exchange, Clearing House Ltd acts as counter-party in all trades; its settlement income always equals settlement expenditure.

### 2. Distribution of turnover by business unit

	Group 2002 1000 €	Group 2001 1000 €	Parent company 2002 1000 €	Parent company 2001 1000 €
Trading	46,493	49,139	-	-
Settlement and Depository	17,498	19,727	-	-
Issuer Services	16,539	16,670	-	-
Securities Services	11,811	7,410	-	-
Information Solutions (eHEX)	1,621	886	-	-
Baltic Operations	2,826	831	-	-
Other operations	226	259	13	180
Intra-group turnover and other operations	-4,099	-2,872	25,107	21,023
Total	92,915	92,050	25,120	21,203

The account operator service of Finnish Central Securities Depository was transferred from Settlement and Depository to Securities Services in 2002.

### 3. Personnel costs

	Group 2002 1000 €	Group 2001 1000 €	Parent company 2002 1000 €	Parent company 2001 1000 €
Salaries and remuneration	21,572	19,414	8,897	8,301
Payroll add-on costs				
Pension costs	3,445	3,142	1,424	1,348
Other add-on costs	1,651	1,590	732	731
Total	26,668	24,146	11,053	10,380

The average number of personnel employed

427                      320                      132                      104

### 4. Management salaries and remuneration

	Group 2002 1000 €	Group 2001 1000 €	Parent company 2002 1000 €	Parent company 2001 1000 €
Managing Directors, their deputies and members of the Board of Directors	1,467	1,054	546	486

### 5. Depreciation according to plan

	Group 2002 1000 €	Group 2001 1000 €	Parent company 2002 1000 €	Parent company 2001 1000 €
Immaterial rights	1,717	1,101	1,428	837
Other capitalised expenditure	2,879	3,886	107	58
Machinery and equipment	3,528	2,674	1,386	873
Total	8,124	7,661	2,921	1,768

## 6. Extraordinary items

	Group 2002 1000 €	Group 2001 1000 €	Parent company 2002 1000 €	Parent company 2001 1000 €
Extraordinary income				
Group contribution from Helsinki Securities and Derivatives Exchange, Clearing House Ltd	-	-	25,000	20,000
Refunding of value-added taxes	-	2,472	-	2,472
Total extraordinary income	-	2,472	25,000	22,472
Extraordinary expenses				
Group contribution to HEX Securities Services Ltd Oy		-	5,000	1,000
Group contribution to HEX Securities Technology Ltd Oy	-	-	5,000	5,000
Statutory provision relating to value-added taxes	-	2,472	-	2,472
Expenses relating to value-added taxes	215	-	-	-
Total extraordinary expenses	215	2,472	10,000	8,472

According to the decision of the Supreme Administrative Court dated 18 January 2001, the income and expenses from securities trading and clearing of trades are not VAT-liable. The Helsinki District Court ruled on 7 September 2001 that the HEX Group shall be entitled to a refund for the value-added taxes paid by the Helsinki Stock Exchange in 1995-2000 for services conducted in the exchange business, other public trading and settlement operations. In 2001 and 2000, value-added tax refunds and interest payments on the capital were entered under extraordinary income. Corresponding amounts were entered under statutory extraordinary expenses and statutory provisions, due to the uncertainty involved in the further processing. On 18 December 2002, an Arbitration Court ruled that HEX is liable to reimburse a number of brokers and clearing parties for the value added tax and interest payments that have been refunded to HEX and that HEX is also liable to pay interest on the VAT refund as of the day HEX received the refund. However, HEX is entitled to deduct reasonable expenses incurred during the process. In the accounting period 2002, a statutory provision has been entered as accrued liability and the costs as extraordinary expenses.

## 7. Year-end allocations

	Group 2002 1000 €	Group 2001 1000 €	Parent company 2002 1000 €	Parent company 2001 1000 €
Difference between tax relief capital allowance and depreciation according to plan	-	-	324	-69

## 8. Income taxes

	Group 2002 1000 €	Group 2001 1000 €	Parent company 2002 1000 €	Parent company 2001 1000 €
Income taxes on extraordinary items	-62	-	4,350	4,060
Income taxes on standard operations	6,229	11,029	487	-110
Change in imputed tax claim and deferred tax liability	2 277	-1,640	-	-
Total	8,444	9,389	4,837	3,950

## Notes to the Balance Sheet

### 9. Fixed assets

	Group 2002 1000 €	Group 2001 1000 €	Parent company 2002 1000 €	Parent company 2001 1000 €
<b>Intangible assets</b>				
Intangible rights on 1 Jan.	15,048	12,419	10,415	8,023
Procured during accounting period	1,390	2,714	570	2,476
Sold during accounting period	-336	-85	-32	-84
Intra-item transfers	112	-	-	-
Acquisition cost on 31 Dec.	16,214	15,048	10,953	10,415
Accumulated depreciation according to plan	-13,354	-11,637	-8,810	-7,382
Intangible rights 31 Dec.	2,860	3,411	2,143	3,033
 Goodwill on 1 Jan.	2,603	-		
Procured during accounting period	192	2,603		
Acquisition cost on 31 Dec.	2,795	2,603		
Accumulated depreciation according to plan	-699	-173		
Goodwill on 31 Dec.	2,096	2,430		
 Other capitalised expenditure on 1 Jan.	28,166	23,668	4,318	3,892
Procured during accounting period	6,666	4,498	521	426
Acquisition cost on 31 Dec.	34,832	28,166	4,839	4,318
Accumulated depreciation according to plan	-23,539	-21,261	-3,769	-3,662
Other capitalised expenditure on 31 Dec.	11,293	6,905	1,070	656
 <b>Tangible assets</b>				
Machinery and equipment				
Machinery and equipment on 1 Jan.	20,397	15,341	11,192	9,242
Procured during accounting period	4,609	5,348	1,448	2,139
Sold during accounting period	-90	-292	-15	-189
Intra-item transfers	-97			
Acquisition cost on 31 Dec.	24,819	20,397	12,625	11,192
Accumulated depreciation according to plan	-16,308	-12,699	-9,298	-7,912
Machinery and equipment on 31 Dec.	8,511	7,698	3,327	3,280
 <b>Shares and partnerships</b>				
Shares and partnerships on 1 Jan.	614	990	38,796	37,966
Procured during accounting period	263	155	1,525	1,362
Sold during accounting period	-152	-531	-	-532
Acquisition cost on 31 Dec.	725	614	40,321	38,796
Shares and partnerships on 31 Dec.	725	614	40,321	38,796

## 10. Group companies on 31 December, 2002

	Group ownership share %	Parent company ownership share %	Share capital 1000 €	Turnover 1000 €
Helsingin Securities and Derivatives Exchange, Clearing House Ltd, Helsinki	100	100	17,600	50,964
Finnish Central Securities Depository Ltd, Helsinki	100	100	7,560	31,219
HEX Securities Services Ltd Oy, Helsinki	100	100	1,681	6,808
HEX Securities Technology Ltd Oy, Helsinki	100	100	150	1,491
Hexfiles Oy, Helsinki	100	100	8	-
Helsingin Arvopaperiparkki Oy, Helsinki	100	100	8	-
HEX Back Office and Custody Services Oy, Helsinki	95	-	8,300	3,563
Riga Stock Exchange, Riga	92.98	92.98	1,160	841
Riga Stock Exchange owns 100 per cent of Latvian Central Depository				
HEX Information Services Ltd	70	70	100	130
AS Tallinna Börs, Tallinn	61.6	61.6	486	1,985
AS Tallinna Börs owns 100 per cent of AS Eesti Väärtpaperikeskus and AS Arvelduskoda				

## 11. Receivables

	Group 2002 1000 €	Group 2001 1000 €	Parent company 2002 1000 €	Parent company 2001 1000 €
Short-term				
Settlement receivables	411	101,912	-	-
Fee receivables	14	415	-	-
Sales receivables	8,309	9,517	23	18
Intra-group receivables:				
Accrued income and deferred liabilities	-	-	15,045	11,672
Other receivables	880	2,323	-	-
Accrued income and deferred liabilities	12,652	4,947	2,854	865
Total short-term liabilities	22,266	119,114	17,922	12,555
Significant claims under Accrued income and deferred liabilities:				
Value-added taxes	-	545	-	545
Information sales	493	496	-	-
Finnish Central Securities Depository Ltd	-	-	3,074	1,147
Helsinki Securities and Derivatives Exchange, Clearing House Ltd	-	-	160	1,722
HEX Securities Services Ltd Oy	-	-	10,984	8,549
HEX Securities Technology Ltd Oy	-	-	107	250
HEX Back Office and Custody Services Ltd	-	-	577	-
HEX Information Services Ltd	-	-	144	-
Derivative premiums	769	1,082	-	-
Taxes	8,987	-	1,912	-
Other	2,403	2,824	941	324
Total	12,652	4,947	17,899	12,537

Settlement receivables in 2001 consist of derivative instruments that were due on 21 December and paid on 2 January 2002.

## 12. Financial securities

	Group 2002 1000 €	Group 2001 1000 €	Parent company 2002 1000 €	Parent company 2001 1000 €
Difference between replacement price and book value	1,773	2,366	731	537

## 13. Shareholders' equity

	Group 2002 1000 €	Group 2001 1000 €	Parent company 2002 1000 €	Parent company 2001 1000 €
Share capital 1 Jan.	26,943	26,943	26,943	26,943
Share capital 31 Dec.	26,943	26,943	26,943	26,943
Premium fund 1 Jan.	3,465	3,465	3,465	3,465
Premium fund 31 Dec.	3,465	3,465	3,465	3,465
Reserve fund 1 Jan.	565	564	565	564
Reserve fund 31 Dec.	565	564	565	564
Retained earnings 1 Jan.	46,898	34,837	21,001	20,571
Dividend distribution	-13,472	-10,777	-13,472	-10,777
Conversion difference	-62	-	-	-
Retained earnings 31 Dec.	33,364	24,060	7,529	9,794
Accounting period profit	19,978	22,838	9,851	11,207
Total shareholders' equity	84,315	77,870	48,353	51,973
Accumulated differential entered under consolidated shareholders' equity	203	465		

## 14. Calculation of distributable funds on 31 December

	Group 2002 1000 €	Group 2001 1000 €	Parent company 2002 1000 €	Parent company 2001 1000 €
Retained earnings from previous accounting periods	33,364	24,060	7,529	9,794
Accounting period profit	19,978	22,838	9,851	11,207
– portion of accumulated depreciation differential and voluntary provisions entered under shareholders' equity	-203	-465	-	-
Total	53,139	46,433	17,380	21,001

The minimum shareholders' equity requirement for HEX Securities Services Ltd Oy is 5 million euro.

## 15. Accumulated year-end allocations

The parent company's accumulated year-end appropriations consist of accumulated depreciation differential.

## 16. Statutory provisions

	Group 2002 1000 €	Group 2001 1000 €	Parent company 2002 1000 €	Parent company 2001 1000 €
Statutory provision	-	11,380	-	-

According to the decision of the Supreme Administrative Court dated 18 January 2001, the income and expenses from securities trading and clearing of trades are not VAT-liable. On 7 September 2001, the Helsinki District Court decided that the HEX Group shall be entitled to a refund for the value-added taxes paid by the Helsinki Stock Exchange in 1995-2000 for services conducted in the exchange business, other public trading and settlement operations.

In 2001 and 2000 value-added tax refunds and interest payments on the capital were entered under extraordinary income. Corresponding amounts were entered under statutory extraordinary expenses and statutory provisions, due to the uncertainty involved in the further processing.

On 18 December 2002, an Arbitration Court ruled that HEX is liable to reimburse a number of brokers and clearing parties for the value added tax and interest payments that have been refunded to HEX and that HEX is also liable to pay interest on the VAT refund as of the day HEX received the refund. However, HEX is entitled to deduct from the refund reasonable expenses incurred during the process. In the accounting period 2002 a statutory provision has been entered as accrued liability and the costs as extraordinary expenses.

## 17. Consolidated deferred tax claim and imputed tax claim

	Group 2002 1000 €	Group 2001 1000 €
Imputed tax claim		
On periodisation	1,835	4,214
Deferred tax liability		
On year-end allocations	88	190



## 18. Short-term liabilities

	Group 2002 1000 €	Group 2001 1000 €	Parent company 2002 1000 €	Parent company 2001 1000 €
Settlement debts	492	101,919	-	-
Accounts payable	2,197	3,514	452	1,935
Intra-group liabilities:				
Accrued liabilities and deferred income	-	-	17,765	11,970
Other debts	670	637	212	210
Accrued liabilities and deferred income	22,254	16,525	7,156	5,002
Total short-term liabilities	25,613	122,595	25,585	19,117
Significant items under accrued liabilities and deferred income:				
Group contribution	-	-	-	1,000
Helsinki Securities and Derivatives Exchange, Clearing House Ltd	-	-	16,959	9,553
Finnish Central Securities Depository Ltd	-	-	3	1,367
HEX Securities Technology Ltd Oy	-	-	740	19
HEX Back Office and Custody Services Ltd	-	-	-	31
AS Tallinna Börs	-	-	63	-
VAT refund	11,380	-	-	-
Payroll with statutory add-ons	8,979	7,694	6,446	4,460
VAT	693	-	693	-
Taxes	307	7,531	-	229
Provision for free refunds	258	79	-	-
Other	637	1,221	17	313
Total	22,254	16,525	24,921	16,972

In 2001, settlement receivables consisted of derivative instruments, which were due on 21 December and paid on 2 January 2002

## 19. Stock Options

An extraordinary shareholders meeting of HEX Plc held on 2 November 2000 approved a personnel stock option scheme distinct from the shareholders' subscription privilege as part of an employee incentive and commitment programme. The Board of Directors was to decide on the distribution of the stock options. Of the stock options, 350,000 have been marked 'A', 350,000 have been marked 'B', 350,000 have been marked 'C' and 350,000 have been marked 'D'. The 53 200 A options that were in HEX Plc's subsidiary's custody have been annulled. As a consequence of the stock option scheme, share capital can increase by a maximum of 1,346,800 new shares or 2,693,600 euro at the most. Each stock option entitles the subscription of one share with the nominal value of two euro. The subscription price will be lowered after 1 December 2000 and before the share subscription by the amount of dividends on the record date of each dividend distribution. In accordance with the subscription rules of the stock-based incentive scheme for HEX Plc employees, the original subscription price of 12.50 euro has been reduced to 10.70 euro on the basis of dividends paid. The subscription price, however, is always, at least, the nominal value of the share. Subscribed and fully paid shares are entered in the subscribers book-entry account. The shares entitle to dividend for the financial period during which they have been subscribed. Other rights relating to the shares become valid upon the registration of the increase in share capital in the Trade Register. The subscription of the A options begins on 1 November 2002, of the B options on 1 November 2003, of the C options on 1 November 2004 and of the D options on 1 November 2005. The subscription period for all stock options will end on 30 November 2007. Subscription of shares is only possible if the company's share is subject to public trading. Should the company's share not be subject to public trading, the subscriber is entitled to compensation determined on the basis of the increase of shareholders' equity as follows: Cumulative net profit after the 2000 financial statements including adopted financial accounts preceding redemption time x 9.4 per cent / 1,400,000 shares. A financial benefit based on an employment relationship is taxable income for the beneficiary, which, according to the Act on Prepayment of Tax, is comparable to salary for which the employer is obliged to render withholding tax and social security fees. HEX Plc has asked the Central Pension Security Institute to give a statement confirming that the benefit acquired through the redemption of the option rights will not be added to the employees' TEL salary (TEL=Employees' Pensions Act). The statement will decide the handling of the benefit to the holders of the options rights at redemption.

## 20. Open liabilities

	Group 2002 1000 €	Group 2001 1000 €	Parent company 2002 1000 €	Parent company 2001 1000 €
<b>Other open liabilities</b>				
Mortgaged bank deposits and certificates of deposit	6,423	5,248	-	-
Total	6,423	5,248	-	-
The bank deposits and certificates of deposit have been pledged as collateral for the right to act as an account operator and as security for the liquidity limits of the clearing.				
<b>Liability engagements given on behalf of companies belonging to the same Group</b>				
Guarantees for covering commitments not related to the book-entry securities system	-	-	-	6,700
Non-joint commitment	-	1,682	-	-
Total	-	1,682	-	6,700

Of the subsidiaries, HEX Securities Services Ltd Oy, HEX Securities Technology Ltd Oy, Finnish Central Securities Depository Ltd, Helsinki Securities and Derivatives Exchange, Clearing House Ltd, and HEX Back Office and Custody Services Ltd are jointly liable as a value-added tax liability group for the tax for which HEX Plc is under obligation to report and to render accounts.

## 21. Contingent liabilities and other commitments

	Group 2002 1000 €	Group 2001 1000 €	Parent company 2002 1000 €	Parent company 2001 1000 €
<b>Amounts payable for leasing contracts</b>				
Payable during next financial period	23	17	3	13
Payable later	37	6	-	5
Total	60	23	3	18

### Other commitments

According to articles 29–32 of the Law on Book-Entry Accounts, the Finnish Central Securities Depository Ltd holds the responsibility for any errors in the activities of an account operator. According to article 17 of the Law on Book-Entry Accounts, the registration fund specified in article 18 of the same holds secondary responsibility for the liabilities of other account operators, if the account operator is unable to meet its liability for damages. However, the Finnish Central Securities Depository Ltd holds responsibility for any damages incurred before 1 January 1997. The Finnish Central Securities Depository Ltd acts as a clearing party as specified in chapter 4a of the Securities Markets Act, and has responsibility for these activities as specified in the regulations on clearing and settlement activities.

The risk-carrying capacity of the Finnish Central Securities Depository Ltd consists of 15.1 million euro in invested equity, a settlement fund with a total capital of 1.6 million euro at the end of the reporting period, a registration fund with a capital and guarantee deposits totalling 20.0 million euro and the Financial Loss and Liability Policy of the HEX Group, limited to 70 million euro.

Open interest at Helsinki Securities and Derivatives Exchange, Clearing House Ltd:

Number of trading-related open option and futures contracts

	Dec 31, 2002	Dec 31, 2001
HEX Stock Options	47,720	34,704
HEX Stock Futures	193,819	167,961
HEXTech Index Options	0	389
HEXTech Index Futures	0	31
LEX Stock Lendings	104,361	96,335

As required under the Finnish Financial Supervision Authority's instructions 201.8/Jan. 14, 1994, the minimum amount of shareholders' equity in Helsinki Securities and Derivatives Exchange, Clearing House Ltd calculated on the open risk of the option corporation is 1.7 million euro on 31 December 2002 and 2.5 million euro on 31 December 2001.

The credit limits on bank accounts taken by Helsinki Securities and Derivatives Exchange, Clearing House Ltd to secure the clearing of derivatives are 31 million euro.

## Key Ratios on Financial Performance

Turnover, million euro	92.9	92.1
Operating profit, million euro	27.4	30.0
% of turnover	29.5	32.6
Profit before extraordinary items	28.6	32.2
% of turnover	30.8	35.0
Profit before provisions and taxes	28.4	32.2
% of turnover	30.5	35.0
Net profit for the financial period, million euro	20.0	22.8
% of turnover	21.5	24.8
Return on equity, %	24.6	31.6
Return on investment, %	35.4	44.9
Equity ratio, %	77.1	70.9
Gross investment under fixed assets, million euro	13.1	15.3
% of turnover	14.1	16.6
Personnel, average during financial period	427	320

## Key Ratios per Share

Profit per share, euro	1.48	1.70
Profit per share adjusted by dilution		
effect of stock option scheme, euro	1.44	1.65
Shareholders' equity per share, euro	6.26	5.78
Shareholders' equity adjusted by dilution		
effect of stock option scheme, euro	6.91	6.50
Dividend per share, euro	1.00	1.00
Share issue adjusted average number of shares	13,471,728	13,471,728
Share issue adjusted average number of shares, dilution effect of stock option scheme observed	14,745,803	14,724,828

## Calculation of Financial Ratios

Operating Profit	Profit after depreciation according to plan
Return on Equity, %	$\frac{\text{Profit before extraordinary items} - \text{taxes} \times 100}{\text{Shareholders' equity} + \text{minority share (average at the beginning and at the end of financial period)}}$
Return on Investment, %	$\frac{\text{Profit before extraordinary items} + \text{interest and other financing costs} \times 100}{(\text{Balance sheet total-settlement debt}) - (\text{non-interest-bearing liabilities} - \text{settlement debt}) \text{ (average at the beginning and at the end of financial period)}}$
Equity Ratio, %	$\frac{\text{Shareholders' equity} + \text{minority share}}{\text{Balance sheet total} - \text{settlement debt} - \text{advances received}}$
Profit/Share, e	$\frac{\text{Profit before extraordinary items} - \text{taxes} -/+ \text{minority share}}{\text{Average number of shares adjusted by share issue}}$
Shareholders' Equity/Share, e	$\frac{\text{Shareholders' equity}}{\text{Average number of shares adjusted by share issue}}$

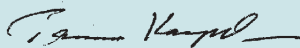
## Proposal of Parent Company's Board of Directors for Profit Allocation

The Board of Directors proposes that 1.00 euro per share or a total of 13,471,728 euro should be paid out as dividend from the distributable equity.

The Board of Directors proposes that 30,000 euro of the distributable funds should be appropriated for public-benefit purposes.

It is proposed that the remainder be allocated to retained earnings.

Helsinki, March 2, 2003



Tarmo Korpela  
Chairman of the Board



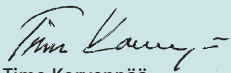
Jukka Ruuska  
President & CEO



Satu Huber



Hannu Karppinen



Timo Korvenpää



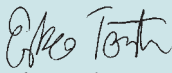
Sonja Lohse



Martti Porkka



Timo Ritakallio



Esko Torsti

## Auditors Report

### To the shareholders of HEX Plc

We have audited the accounts, the accounting records and the administration of HEX Plc for the accounting period 1 January–31 December 2002. The accounts prepared by the Board of Directors and the Managing Director include the report of the Board of Directors, consolidated and parent company profit and loss statements, balance sheets and notes to them. Based on our audit, we express our opinion on these accounts and administration.

We have conducted our audit in accordance with the Finnish Generally Accepted Auditing Standards. Thereby, we have examined, on a test basis, the accounting principles, content of the accounts and the overall financial statement presentation to sufficient extent in order to obtain reasonable assurance about whether the accounts are free of material misstatement. In the audit of the administration we have examined that the Board of Directors and the Managing Director have complied with the rules of the Finnish Companies' Act.

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

Helsinki, March 13, 2003

PricewaterhouseCoopers Oy  
Authorised Public Accountants



Eero Suomela  
APA







# Shares and Shareholders

## Shares and share capital

The Group's shares are book-entry securities in one series with equal rights to dividend. Each share entitles to one vote. The nominal value of the share is two euro, and a total of 13,471,728 shares are outstanding. The Group has a share capital of 26,943,456 euro.

The company does not have any outstanding authorisations related to the issue of shares or option rights or to purchasing or handing over any of the company's own stock.

## Shareholders

At the close of 2002, the company had 214 shareholders. The ten major shareholders and shareholder groups held 78.6 per cent of the share capital. A total of 15.7 per cent of shares were nominee registered. According to information published by OM AB (publ), the OM Group owns nominee registered shares that correspond to an approximate holding of 15.6 per cent of the company.

## Personnel stock option scheme

The number of HEX Plc shares that can be subscribed using option rights within the personnel stock option scheme is 1,346,800. The subscription of shares through the stock option scheme is possible only, if the company is publicly listed.

Through the stock option scheme, the share capital of the company can increase by a maximum of 2,693,600 euro.

The terms and conditions of the personnel stock option scheme are described in Section 19 of the notes to the balance sheet, on page 37.

## Board and Executive Board shareholdings

The Executive Board and its Secretary hold a total of 11,200 shares – that is, approximately 0.08 per cent of share capital and voting rights.

In the event that the personnel stock option scheme materializes in full, the shareholding of the Executive Board and its Secretary can rise to a maximum of

## DISTRIBUTION OF SHARE CAPITAL ON 31 DECEMBER 2002

Shares/shareholder	Number of shareholders	Per cent of shareholders	Number of shares	Per cent of shares
1–100	24	11.2	1,334	0.0
101–1,000	74	34.4	33,487	0.2
1,001–10,000	32	14.9	108,070	0.8
10,001–50,000	62	28.8	1,597,706	11.9
50,001–100,000	8	3.7	737,782	5.5
over 100,000	13	6.5	8,874,632	65.9
Nominee registered	1	0.5	2,118,717	15.7
Total	214	100.0	13,471,728	100.00

## DISTRIBUTION OF SHARE CAPITAL BY TYPE OF SHAREHOLDER ON 31 DECEMBER, 2002

	Number of share-holders	Per cent of shareholders	Number of shares	Per cent of shares and votes
Corporations	90	42.1	2,817,159	20.9
Banks and insurance companies	18	8.4	6,226,543	46.2
Public corporations	5	2.3	1,278,238	9.5
Non-profit corporations	9	4.2	949,682	7.1
Households	91	42.5	81,389	0.6
Nominee registered	1	0.5	2,118,717	15.7
Total	214	100.0	13,471,728	100.0

170,000 shares, or 1.1 per cent of share capital and voting rights.

### Shareholder control

The Group is subject to so-called shareholder control governed by the Securities Markets Act. A shareholder intending to increase or decrease his holdings past specified limits alone or jointly with others must notify the Financial Supervision Authority well in advance. The limits triggering the duty to declare are five, ten, twenty and fifty per cent, as well as one-third of the share capital or voting rights.

The Financial Supervision Authority has a three-month time period in which to oppose such a purchase if the available information gives reason to believe that the shareholding might pose a risk to the Group's operations. If the holding has been obtained despite the opposition of Financial Supervision or if the duty to declare has been neglected, Financial Supervision may prevent voting rights from being exercised in the Group.

### Shareholder agreement

The Finnish State, the Bank of Finland, OKR-Issuers Cooperative, Nordea Bank Finland Plc, the OKO Group, the Sampo Group and Aktia Savings Bank Plc signed a shareholder agreement on

25 February 2002, replacing a previous shareholder agreement signed on 8 December 1998. The latter shareholder agreement expired for OKR-Issuers Cooperative on 31 October 2002.

The parties agreed on a priority right pertaining to the purchase of their shares in the Group and on their stand on the election of the Board of Directors. The objective of the parties is to promote the continuous development and international competitiveness of Marketplace Helsinki.

### Shareholders' meeting

The Annual General Meeting of HEX Plc will be held on 21 March 2003 at 12.00 noon in Restaurant Pörssi, Fabianinkatu 14, Helsinki. The right to participate in the Annual General Meeting is given to a shareholder who, no later than Tuesday 11 March 2003, has been listed as a shareholder in the register maintained by the Finnish Central Securities Depository Ltd or who, in accordance with Sections 11 and 11a in Chapter 3a of the Companies Act, is entitled to participate in the Annual General Meeting.

### Voting restriction

According to the Securities Markets Act, no one is entitled to use more than five per cent of the votes represented at

the general meeting. Calculation of the shareholder's votes takes into consideration, among other things, the companies belonging to the same Group.

We request that the shareholder declares, together with the registration, any issues in his knowledge that are mentioned in Article 13 of the Articles of Association and that should be taken into account when applying the voting restriction.

### Payment of dividends

The Board of Directors proposes to the Annual General Meeting that 1.00 euro per share be paid as dividend from distributable funds. The Board of Directors proposes that the dividend will be paid out to shareholders listed in the register of shareholders maintained by the Finnish Central Securities Depository Ltd on the date of record 26 March 2003.

### TEN MAJOR SHAREHOLDER GROUPS ON 31 DECEMBER, 2002

	Number of Shares	Total number of Shares	Per cent of Shares and Votes
<b>1 Nominee registered</b> (OM Group holds 15.6 per cent)	2,118,717	2,118,717	15.7
<b>2 Sampo Group</b>			
Sampo Credit Plc	876,499		6.5
Sampo Plc	499,031		5.2
		1,375,530	11.7
<b>3 Nordea Bank Finland Plc</b>		1,502,823	11.2
<b>4 OKO Group</b>			
OKO Osuuspankkien Keskuspankki Oyj	1,095,276		8.1
Opstock Ltd	97,600		0.7
		1,192,876	8.9
<b>5 Bank of Finland</b>		948,200	7.0
<b>6 OKR-Issuers Cooperative</b>		930,960	6.9
<b>7 Evli Bank Plc</b>		821,250	6.1
<b>8 State of Finland / Ministry of Finance</b>		603,400	4.5
<b>9 Pohjola Group Plc</b>		499,031	3.7
<b>10 Ilmarinen Mutual Pension Insurance Company</b>		395,516	2.9
<b>Total</b>		10,583,503	78.6

### KEY RATIOS

	2002	2001	2000	1999
Shareholders' equity per share, euro	6.26	5.78	4.88	3.68
Adjusted by dilution effect of stock option scheme, euro	6.91	6.50	5.49	
Earnings per share, euro	1.48	1.70	1.71	1.01
Adjusted by dilution effect of stock option scheme, euro	1.44	1.65	1.51	
Dividend per share, euro	1.00*	1.00	0.80	0.50

\*Board's proposal to Annual General Meeting

# Human Resources

The number of personnel in active employment relationship\* in the HEX Group at the end of 2002 was 449 (397), 94.6 per cent of whom had permanent employment contracts. The increase in the number of personnel was mainly due to the Riga Stock Exchange acquisition. The Riga Stock Exchange Group employed 44 people at year-end.

The circulation of personnel decreased from the 2001 level down to 5.8 per cent (7.3%).

The level of education at HEX is high and the average age is low. The average HEX employee is 34.3 years old, holds a university level degree and has been with HEX for 3.9 years. 54 per cent of the personnel are men, 46 per cent women.

## Personnel strategy

The personnel strategy of the HEX group comprises six sectors:

- Resourcing
- Competence management
- Performance management
- Leadership
- Well-being
- HR processes

The well-being and job satisfaction of the personnel is surveyed annually by means of an extensive work atmosphere survey, on the basis of which annual development plans are drafted.

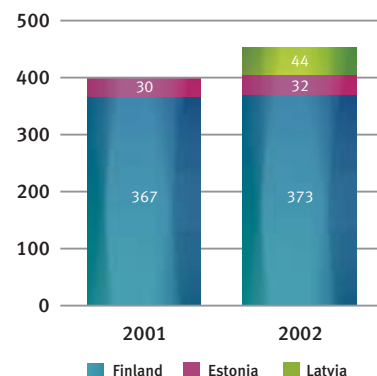
## Rewards for achieved goals

HEX personnel are encouraged to influence their goals and job descriptions. The target discussions set targets encouraging good performance at work and monitor their materialisation. The personal targets are based on the business targets in the Group's enterprise resource planning system.

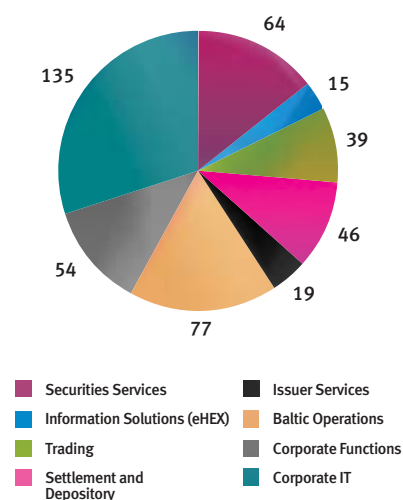
The Group uses an incentive scheme that in 2002 provided both bonus salaries related to the Group's return on equity and target bonuses related to personal performance. In addition, a stock option scheme for permanent personnel was introduced in November 2000.

\* Part-time employees have been calculated in relation to their working hours, and people on long-term absence - such as leave of absence for studies - have been eliminated from the figure.

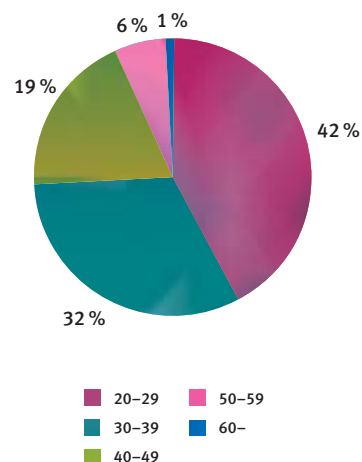
DISTRIBUTION OF PERSONNEL\* BY OPERATING AREA



DISTRIBUTION OF PERSONNEL\* BY FUNCTIONS 31 DECEMBER 2002



DISTRIBUTION OF PERSONNEL\* BY AGE GROUPS 31 DECEMBER 2002



# Board of Directors



Front row from the left: Timo Ritakallio and Tarmo Korpela

Back row from the left: Timo Korvenpää, Hannu Karppinen, Satu Huber, Sonja Lohse, Esko Torsti and Matti Porkka



**Tarmo Korpela, born 1942**

M.Sc. (Pol.)

Chairman of the Board

Member of the Board since 1986\*

Confederation of Finnish Industry and Employers; Director General 17.1.–31.7.2003

Confederation of Finnish Industry and Employers; Deputy Director General 1993–

Confederation of Finnish Industries; Deputy Director General 1985–1992

Central Federation of Small Industries; Director General 1976–1985

*Finnvera Oyj; Member of the Supervisory Board 1998–**OKR-Issuers Cooperative; Chairman of the Board 1997–**Finnish Guarantee Board; Deputy Chairman of the Supervisory Board of the Trustees 1987–1998**Kera Oyj (the Fund for Regional Development); Member of the Supervisory Board 1993–1998**TT-koulutus Oy, Chairman of the Board, 1985–***Timo Ritakallio, born 1962**

Vice Chairman of the Board

LL. M., MBA

Member of the Board since 1995\*

OKOBANK; First Executive Vice President and Member of the Executive Board, Corporate Banking and Group Treasury 1997–

OKOBANK; Executive Director and Member of the Executive Board, Corporate Banking and Capital Markets 1997–2001

Opstock Ltd; Managing Director 1993–1997

Uudenkaupungin Seudun Osuuspankki; Managing Director, Retail Banking 1991–1993

Tampereen Seudun Osuuspankki; Assistant Director, and OP-Pirkka Fund; Managing Director, 1988–1991

*OKO-Venture Capital Ltd; Chairman 2000–**OP-Kotipankki Oyj; Member of the Board 2000–**OP-Finance Ltd; Deputy Chairman 1998–2002**OKO Mortgage Bank Ltd; Deputy Chairman 1998–1999 and Chairman 1999–2000**Aurum Life Insurance Company Ltd; Member of the Board 1998–2000**Opstock Companies; Member of the Board, 1993–1998**OP Fund Management Company Ltd; Member of the Board, 1992–1998**Finnish Association of Securities Dealers; Member of the Board and Deputy Chairman, Chairman 1996–1998***Satu Huber, born 1958**

M.Sc. (Econ.)

Member of the Board since 2000

State Treasury; Director of Finance and Head of Finance Division 2003–

State Treasury; Director of Finance and Head of Finance Unit 1997–2002

Merita Investment Banking; First Vice President (Global Sales &amp; Scandinavian Money &amp; Bond markets) 1996–1997

Merita Bank; Treasury Sales, Vice President 1995

*National Board of Economic Defence, Member, 2000–2004**Association for the Finnish Cultural Foundation; Member of the Board 2000–**Finnish Industry Investment Ltd; Member of the Board 1999–**Swedish School of Economics and Administration, Deputy member of the Board 2002–***Hannu Karppinen, born 1945**

LL.M., M.Sc. (Pol.)

Member of the Board 1989–1996 \*, 2000–

Bank of Finland; Head of Legal Affairs Unit (ad.int.) 2000–2001

Bank of Finland; Legal Counsel, Legal Affairs Unit 1985–2000 and 2002–

In Bank of Finland since 1971

*Member of and Secretary to several Ministry of Finance working groups dealing with legislation**Member of several Finnish delegations in the Foreign Ministry's sector**Member of the Independent Panel on an Intra-European System of Central Banks-Dispute Settlement Procedure 1999–**Deputy Secretary to the Parliamentary Supervisory Council 1996–**The Association of Legal Counsel for the Finnish Banking Sector, Chairman of the Board 2001–2002, Member 2002–***Timo Korvenpää, born 1952**

B.Sc. (Econ.)

Member of the Board since 1997\*

Nokia Corporation, Nokia Networks; Senior Vice President, Finance &amp; Control 2000–2002

Nokia Corporation; Vice President Finance, Corporate Treasurer 1995–2000

*Federation of Employment Pension Institutes; Member of the Board 1998–2000**Nokia Group Pension Foundation; Chairman of the Board 1996–2000**Finnish Central Securities Depository Ltd; Member of the Board 1999**Merita Bank; Deputy Member of the Board 1995***Sonja Lohse, born 1956**

M.LL.

Member of the Board since 2002

Nordea AB, Group Compliance Officer 2001–

Legal Partner of Asset Management business area 1997–2001

Lawyer specialized on Securities Markets regulations within the Group 1991–1997

Head of Securities department's legal affairs 1988–1991

Head of Custody department 1984–1988

Lawyer at the Trustee Department 1981–1984

City Court of Hanko 1980–1981

*Member of the Securities Committee of the Finnish Bankers' Association 2002–**Member of the Market Participants Consultative Panel (CESR) 2002–**Member of the Issue Group of the Banking Federation of the European Union 2001–**Chairman of the Board of Investors' Compensation Fund in Finland 1999–**Chairman of the Securities Committee of the Finnish Bankers' Association 2000–2002**Member of the Forum Group on Updating the Investment Services Directive 1999–2000***Martti Porkka, born 1951**

M.Sc. (Pol.), B.Sc.

Member of the Board since 2000

Sampo plc; Head of Group Treasury and Funding 2001–

Sampo Group; Chief Investment Officer 1991–2001

Sampo Group; Head of Investments Unit 1990–1991

Sampo Group; Department Manager, Financing Department,

Investments Unit 1986–1990

**Esko Torsti, born 1964**

Lic. (Soc. Sc.)

Member of the Board since 2002

Ilmarinen Mutual Pension Insurance Company, First Vice President,

Fixed Income 1998–2001

Skandinaviska Enskilda Banken, Helsinki, Chief Economist 1996–1998

Protos Stockbrokers, Senior Economist 1994–1996

Research Institute of the Finnish Economy (ETLA), 1985–1994

*Conventum Securities Limited; Member of the Board 2002–**Conventum Capital Limited; Chairman of the Board 2002–*

Board members do not hold HEX Plc's shares or options.

\*Predecessors of the HEX Group are included.

# Executive Board

As of 3 February



Front row from the left: Teuvo Rossi, Jukka Ruuska and Heikki Sirve  
Back row from the left: Liisa Jauri, Jouni Torasvirta and Veli Matti Salmenkylä

## Jukka Ruuska, born 1961

M.LL., MBA

President and CEO of the Group, CEO of Helsinki Exchanges

Member of the Executive Board since 2000

With the HEX Group since 2000

HTC (Telecommunication Group); Director, Corporate Planning 1997–2000  
Finnnet Group (Telecommunication); Director, Corporate Planning 1996–1997  
Prospectus Oy (Investment Bank); Deputy Managing Director 1994–1996

4,000 HEX Plc shares

50,000 HEX Plc stock options

## Heikki Sirve, born 1953

M.LL.

Executive Vice President, Settlement and Depository Business Unit, IT Services

Member of the Executive Board since 1997\*

Deputy to the CEO since 2000

With the HEX Group since 1997\*

Finnish Central Securities Depository Ltd; Managing Director 1999–  
Finnish Central Securities Depository Ltd; Director, Customer Services 1997–1999;  
Oy Samlink Ab; Director 1993–1996

2,000 HEX Plc shares

25,000 HEX Plc stock options

## Liisa Jauri, born 1961

M.LL.

Executive Vice President, Corporate Planning

Member of the Executive Group since 1987\*

With the HEX Board since 1987\*

Helsinki Exchanges Group Oy; Director, Legal Affairs 1999–2000  
Finnish Central Securities Depository Ltd; Director, Legal Affairs 1997–1998  
Securities Association; Managing Director 1990–1997

3,300 HEX Plc shares

20,000 HEX Plc stock options

## Teuvo Rossi, born 1950

M.Sc. (Econ.)

Executive Vice President, Finance and Administration

Member of the Executive Board as of March 2001

With the HEX Group since 2001

Carta Booz-Allen & Hamilton Oy; Principal, Corporate Finance 1999  
Den Danske Bank, Helsinki Branch; Head of Corporate Finance 1998–1999  
Postipankki; Deputy General Manager, Investment Banking 1996–1998  
Amer Group Ltd; Vice President and Corporate Treasurer 1990–1996

No HEX Plc share ownings

20,000 HEX Plc stock options

## Jouni Torasvirta, born 1965

M.Sc. (Econ.)

Executive Vice President, Trading Business Unit

Member of the Executive Board since 1995\*

With the HEX Group since 1989\*

Helsinki Securities and Derivatives Exchange, Clearing House Ltd; Senior Vice President 1999  
Svenska Handelsbanken, Helsinki Branch; Head of Derivatives 1998–1999  
HEX Ltd, Helsinki Securities and Derivatives Exchange, Clearing House; Vice President, Sales 1998  
SOM Ltd, Securities and Derivatives Exchange, Clearing House; Sales Director 1996–1998

1,000 HEX Plc shares

20,000 HEX Plc stock options

## Veli Matti Salmenkylä, born 1960

M.Sc. (Eng.)

Executive Vice President, Securities Services Business Unit

Member of the Executive Board as of February 2001

With the HEX Group since 1995\*

HEX Securities Services Ltd Oy; Managing Director 2000–  
HEX Group; Vice President, Administration and Finance 1997–1999;  
Senior Vice President, Chief Financial Officer 2000–2001  
SOM Ltd, Securities and Derivatives Exchange, Clearing House; Vice President,  
Administration, Finance and Derivatives Clearing 1995–1997

No HEX Plc share ownings

20,000 HEX Plc stock options

## Board and Executive Board Secretary

### Jaakko Raulo, born 1957

M.LL.

Senior Vice President

Board and Executive Group Secretary since 2000

With the HEX Group since 1987\*

HEX Ltd, Helsinki Securities and Derivatives Exchange, Clearing House; Chief Legal Counsel  
1997–1999  
SOM Ltd, Securities and Derivatives Exchange, Clearing House; Vice President 1996–1997  
Helsinki Stock Exchange Ltd; 1987–1996

900 HEX Plc shares

15,000 HEX Plc stock options

\*Predecessors of the HEX Group are included.





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