

# Annual Report 2001





# Contents

<b>To Shareholders</b>	<b>4</b>
<b>HEX in Brief</b>	<b>5</b>
<b>CEO's Review</b>	<b>8</b>
<b>Business Review</b>	<b>11</b>
Trading	11
Settlement and Depository	18
Issuer Services	20
Securities Services	22
eHEX	24
Baltic Operations	26
<b>Market Supervision</b>	<b>28</b>
<b>Financial Statements</b>	<b>31</b>
Board of Directors' Report	31
Profit and Loss Statement	38
Balance Sheet	39
Sources and Application of Funds	42
Notes to the Financial Statements	43
Key Ratios and their Calculation	52
Proposal of Parent Company's	
Board of Directors for Profit Allocation	53
Auditor's Report	53
<b>Company Information</b>	<b>55</b>
Shares and Shareholders	55
Corporate Management	58
Operations Subject to Licence	59
Supervision and Insider Regulation	59
Organisation of Operations	60
Human Resources	61
Board of Directors	62
Executive Group	64

# To Shareholders

## Financial information

Results for the financial year 2001	1 March 2002
Annual report for the year 2001	15 March 2002

Interim reports for the financial year 2002	
January-March	3 May 2002
January-June	week 31
January-September	week 45

HEX Plc publishes its financial information in Finnish and English.

The annual report, interim reports and releases are available on the HEX Website at <http://www.hex.com>. Publications can be ordered via the website or from:  
**HEX Plc**

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

## Shareholders' meeting

The Annual General Meeting of HEX Plc will be held on 22 March 2002, at 11.30 am in the Pörssi restaurant, Fabianinkatu 14, Helsinki.

An invitation to the meeting will be published in Helsingin Sanomat, Hufvudstadsbladet and Kauppa-lehti on Tuesday 5 March 2002.

## Right to attend

To have the right to attend the meeting, a shareholder must be registered no later than Tuesday 12 March 2002, in HEX Plc's Register of Shareholders maintained by the Finnish Central Securities Depository, or be entitled to attend the meeting on the basis of Articles 11 and 11a in Chapter 3a of the Companies Act.

## Registration

Shareholders who wish to attend the meeting shall give notification to this effect to the company no later

than 19 March 2002, by 4.30 pm. We request shareholders to give their notification either by mail to HEX Plc, Peppina Karvinen, P.O. Box 361, FIN-00131 Helsinki, by fax to +358 9 278 2340 or by electronic mail to [peppina.karvinen@hex.fi](mailto:peppina.karvinen@hex.fi). Any letters of authority to transfer the voting right of a shareholder must be submitted simultaneously with the registration to the meeting.

## Voting restriction

According to Article 13 of the Articles of Association, no one is entitled to use more than one-twentieth (1/20) of the votes represented at the meeting. We request that the shareholder declare, 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 will propose to the general meeting that EUR 1.00 per share be paid as dividend from distributable funds. The Board of Directors will further propose that the dividend be paid on 5 April 2002. Dividends will be paid to shareholders who are registered in the company's Register of Shareholders maintained by the Finnish Central Securities Depository on the record date. The record date for dividend is 27 March 2002.

## Share register

To ensure timely delivery of shareholder mailings, we kindly ask shareholders to notify the appropriate account operator of changes in their personal and address information or their holdings.

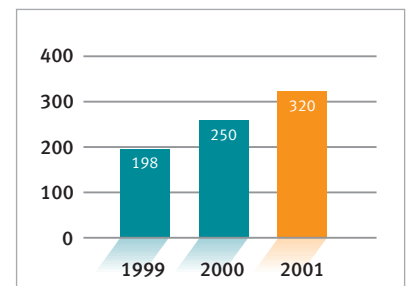
# HEX in Brief

- The HEX Group's result remained good despite the weakened market situation. A continuing lively stock trade, the good sales of Finnish derivatives in Eurex and the increased demand for market information contributed to the results. Expenses were increased by a strong growth of business operations, preparations for growing capacity demands, and investments to new business areas.
- The Group's turnover was 92.1 million euro and the operating profit was 30.0 million euro. Profit before extraordinary items and taxes amounted to 32.2 million euro and net profit for the financial period was 22.8 million euro. Earnings per share amounted to 1.70 euro.
- The Group's Board of Directors will propose to the Shareholders' meeting that 1.00 euro per share, that is a total of 13,471,728 euro, be paid as dividends for 2001.
- In April-May, HEX acquired a majority holding of the Estonian TSE Group. TSE is a part of the HEX Baltic Operations business unit. Negotiations on co-operation were also conducted with the Riga and Vilnius exchanges.
- In late September, HEX made an acquisition that is significant from the point of view of outsourcing services. HEX acquired 95 per cent of the share capital of Sampo Custody Services Ltd from Sampo Bank Plc. The company was renamed HEX Back Office and Custody Services Ltd and it belongs to the Securities Services business unit.

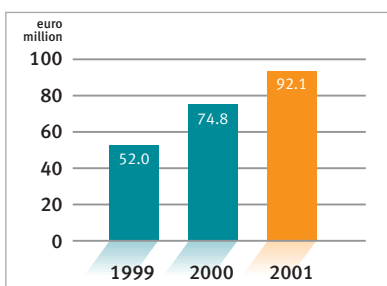
## Key Ratios

	2001	2000	1999
Turnover, million €	92.1	74.8	52.0
Operating profit, million €	30.0	30.7	16.4
as % of turnover	32.6	41.1	31.5
Profit before extraordinary items and taxes, million €	32.2	32.4	18.9
as % of turnover	35.0	43.3	36.4
Net profit, million €	22.8	23.0	13.6
Profit per share, €	1.70	1.71	1.01
Return on investment, %	44.9	56.5	40.9
Return on equity, %	31.6	39.9	29.3
Equity ratio, per cent	70.9	73.8	83.2
Personnel, average during financial period	320	250	198

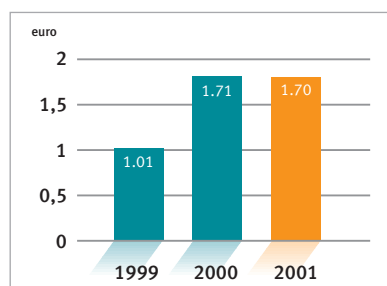
PERSONNEL  
ON AVERAGE 1999-2001



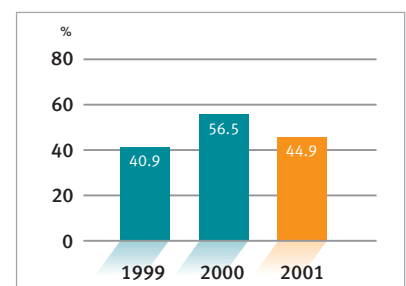
TURNOVER 1999-2001



PROFIT/SHARE 1999-2001



RETURN ON  
INVESTMENT 1999-2001





# Values of HEX

## Reliability

HEX is a transparent marketplace, the quality and reliability of which correspond to customer needs. The goal of HEX 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 customers' domicile. The goal is to achieve real-time operations throughout the value chain. 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 cooperation with customers.

## Appreciation of individuals

HEX respects the individuality of people and offers all its employees the chance to succeed at work. In accordance with company-wide operational models, expertise is developed in balance with the predictable future needs of the company.

The management system used at HEX encourages individuals to influence their own goals and job description. The achievement of employees' development goals is regularly monitored.

## Profitability

HEX aims at profitable growth in the selected geographic areas, products and customer sectors. Services are expanded to the different parties of the value chain, and to the chosen markets, customers and products, after careful consideration.

HEX focuses on profitable products and services with big enough growth potential. Achievement of this goal is evaluated from the point of view of the whole Group – the full value chain is used for new products in the HEX Group.

Total efficiency is continuously monitored, evaluated and developed.

## Continuous development

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

# Business Idea

HEX is a growing and increasingly more international group that operates a stock exchange and the national central securities depository in Finland providing market participants with high-quality and reliable services. HEX also offers efficient trading, registration and information services in Estonia.

HEX offers issuers, investors and brokers all of the marketplace services related to the value chain of securities dealing - trading, settlement, and the deposit and registration of ownership.

HEX is investing heavily in the development of services that market participants wish to outsource.

The advantage of HEX as a supplier of outsourcing services lies in its expertise and ability to produce services cost-efficiently.

HEX has a strong position at the core of the Finnish financial markets thanks to continuous development, the latest technology in the field, and the contribution of some 400 skilled employees.

The business operations of the Group are divided into six units: trading, settlement and depository, issuer services, securities services, eHEX, and Baltic operations.

## STRATEGIC KEY THEMES

### TRANSACTION BUSINESS

Issuer services • Trading • Settlement & Depository  
"World's best Nokia"

### THE BEST PLACE TO TRADE WITH FINNISH/BALTIC SECURITIES

Quality and reliability • Efficiency of operations  
Ease of access • New products

### OUTSOURCING SERVICES

Back Office Services • Risk management • Content provisioning  
"Economies of chain and proven  
expertise for HEX market participants"

### EFFICIENT MARKETPLACE

Straight Through Processing  
"The most transparent market in the world"

## CEO's Review

Year 2001 was considerably more difficult on the securities markets than the previous one. Despite this, HEX saw its business grow a full 23 per cent in turnover, mainly driven by the growth experienced in the market shares of the transaction business, the successful derivatives cooperation and the growth in outsourcing activities.

The transaction business continued to grow despite the instability on the markets. Share trading volumes nearly doubled on Helsinki Exchanges, while euro-denominated share trading remained close to the previous year's high figures. This was caused, in particular, by HEX increasing its market share in the trading of Finnish blue chip companies.

HEX is a well-networked marketplace on a European scale, and we have been extremely successful in concentrating liquidity. Both domestic and international brokers trade actively on HEX as members and Nokia's options are the second most



traded stock options on our cooperation partner's exchange Eurex. Last autumn, HEX and Euronext, Europe's biggest stock exchange, agreed on the facilitation of cross-memberships, which will further concentrate the trading of Finnish shares in Helsinki. Market information concerning our marketplace is distributed all over the world thanks to our growing network of vendors.

To meet the service needs of our current and future customers we are expanding our range of products and services, as well as exercising systematic quality control.

As the HEX Group's business is based on various sources, we are not as sensitive to fluctuations as the markets. HEX's turnover grew to 92.1 million euro, and net profit reached 22.8 million euro despite considerable expenditure in new business activities and the development of operations.

HEX continues to develop its outsourcing operations, which accounted for 8 per cent of the Group's turnover in 2001. Outsourcing helps our customers achieve a competitive advantage by allowing them to concentrate on their core operations. As a result of the acquisition of HEX Back Office and Custody Services Ltd, the HEX Securities Services now also include back office outsourcing services.

HEX aims at well-planned growth. I believe that a competitive product range and new services guarantee future growth and profitability. Growth of existing business, as well as big development projects that aim to create new business, will continue to require investments in information systems and the recruitment of additional personnel in the coming year - although the increase of personnel is beginning to slow down. In future, we shall pay special attention to the quality and reliability of our services.

We are also looking for growth and profitability through internationalisation. A strategic ownership made the Tallinn Stock Exchange part of the HEX Group and we are now working together to create European operations for the Estonian securities and

derivatives markets.

Continuous change and heavy growth create new opportunities and demands for the people behind HEX's success as well the employees. The acquisition of HEX Back Office and Custody Services Ltd brought necessary expertise to a new line of operations.

Our internal operations became more international with the incorporation of the Tallinn Stock Exchange personnel. Based on the positive experiences of cooperation, we welcome other Baltic stock exchanges to our community that now consists of more than 400 employees.

Year 2001 was a busy time for HEX employees, as well as for our customers and interest groups. I wish to thank each and everyone for the outstanding work carried out under highly demanding circumstances. Year 2002 also will be a busy one. We want to continue to be a growth company as we were last year. However, we want the growth to be controlled and based on cooperation and networking. I have a strong belief in the ability of HEX and its employees to offer high-quality services required by the markets in the future.



*Jukka Ruuska*

