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FINNISH INDUSTRY INVESTMENT LTD IN BRIEF

Finnish Industry Investment Ltd is a State-owned investment company.

The objectives of the company are:

- To promote the productization and commercialization of innovations by investing in seed and growth-stage enterprises via venture capital funds.
- To develop regional venture capital investment and to promote the efficient and appropriate allocation of risk-financing resources obtainable from European Union funding sources to venture capital funds and investee companies.
- To support substantial investment in business development, corporate restructuring and launch important new industrial projects by making direct investments.

YEAR 2003

In 2003, Finnish Industry Investment Ltd's areas of focus were:

- risk financing for early-stage companies
- development of regional venture capital and private equity investments
- risk financing for biotechnology and mining

At the end of 2003, State investments in Finnish Industry Investment Ltd totalled EUR 269.8 million, and Finnish Industry Investment Ltd investments and current commitments totalled EUR 296.7 million.

New commitments made during the financial year came to EUR 26.7 million. They were made via four venture capital funds and five investee companies. Apart from this, Finnish Industry Investment Ltd purchased investments and commitments for EUR 13 million from Finnvera plc and the Finnish National Fund for Research and Development Sitra, whose holdings in closed-end regional venture capital funds it acquired. Finnish Industry Investment purchased the shares owned by Finnvera in Start Fund of Kera Oy (33.4 per cent of the total stock), which means the company is now a fully-owned subsidiary. The consolidated financial result was EUR -10.0 million. The consolidated balance sheet total was EUR 283.3 million, of which equity accounted for EUR 282.2 million.

REVIEW BY THE MANAGING DIRECTOR



During 2003 Finnish Industry Investment invested in particular in risk financing for early-stage companies and started up a EUR 50 million seed-financing programme in January 2004. The new investments were also focused on regional and early-stage venture capital funds and direct investment in biotechnology and the mining industry. The large amount of write-downs reduced the result for 2003 to a loss of EUR 10 million.

The volume of new venture capital investment fell in 2003 compared with the previous year. The market situation, however, appeared to be stabilizing. Greater activity is expected on venture capital and stock markets during 2004.

In January 2003 the Ministry of Trade and Industry redefined the division of labour for State operators in regional venture capital investment. Finnish Industry Investment acquired the holdings that the Finnish National Fund for Research and Development (Sitra) and Finnvera owned in closed-end regional venture capital funds. During 2003 the cooperation between Finnish Industry Investment and Finnvera in regional risk financing activities increased.

During 2003 Finnish Industry Investment studied the risk financing situation of early-stage companies in Finland. Having looked into the number of potential growth companies and the financing acquired by them from venture capital investors, the company concluded that the supply of risk financing for early-stage companies must be increased. It was also noticed that there exists a clear need throughout the country as a whole to create the preconditions for the generation and growth of new companies by means other than venture capital investment, too. Government should undertake the long-

term financing of platforms that create new companies such as business incubators, technology centres and regional development companies.

During 2003 Finnish Industry Investment prepared a seed financing programme, the aim of which is to invest EUR 50 million in early-stage companies nationwide over a period of 3 to 4 years. The programme started up in January 2004. It will be implemented in cooperation with the National Technology Agency of Finland (Tekes). The project evaluation and the administration of the programme are key issues.

During 2003 Finnish Industry Investment continued constructing an international cooperation network. In addition to obtaining foreign risk finance, the aim is to acquire international business know-how for Finnish growth companies. Cooperation in the biotechnology sector has been developed with the British company Merlin Biosciences Ltd and in mining activities with the Australian Sentient Group.

Finnish Industry Investment's investment commitments increased during 2003 from EUR 254.4 million to EUR 296.7 million. The consolidated result, a loss of EUR 10 million, deteriorated in comparison with the loss of EUR 6.3 million in the previous year. Write-downs on venture capital investment in the financial

statements totalled EUR 19.2 million, most of them being made on investments in holdings in Finnish funds that invested in early-stage and growth-stage technology companies.

Additional investment by the State in 2003 amounted to EUR 42 million. State investments in the company at the end of the financial year amounted to EUR 269.8 million. The amount of new investment planned for the new financial year is EUR 100 million. In order to develop Finnish Industry Investment's activities and to keep the investment volume at the previously mentioned level, the company will require further capital.

New investment in 2004 will be channelled mainly towards seed financing and regional and early-stage venture capital funds. The company also intends investing in major investment projects and companies that have considerable growth potential.

There are signs of increased activity and an improvement in exiting possibilities on the venture capital market. I believe that Finnish Industry Investment's result will improve if the economic situation remains stable.

Juha Marjosola
Managing Director

TRENDS IN VENTURE CAPITAL INVESTMENT IN 2003

Finland's venture capital investment market was relatively stable. The 3-year downward trend in the European and US venture capital investment markets has bottomed out.

Finland's market at 2002 level

According to preliminary information, Finnish venture capital investors made investments worth a total of EUR 328 million in a total of 250 companies in 2003. In 2002, investments amounted to EUR 380 million and the number of companies was 259. EUR 226 million was put into new investee companies, equivalent to 69 per cent of the total investment. The corresponding figures for 2002 were EUR 282 million and 72 per cent.

Nearly half of the investments went into management buy-outs, i.e. EUR 139 million. Investments in early-stage growth companies were almost at the same level as in 2002, totalling EUR 28 million (EUR 32 million in 2002). Investments in seed-stage companies constituted an exception, with their share falling in 2003; a total of EUR 11 million was invested in them.

The number of exits increased on 2002. In 2003 venture capital investors exited from 191 investments with a total acquisition value of EUR 231 million. In 2002, the number of exits was 173, totalling EUR 105 million.

Fund-raising remained at a low level after 2002, which produced a record amount of EUR 779 million. In 2003, EUR 202 million was raised. The capital managed by Finnish venture capital investors totalled EUR 3,166 million at the end of 2003, which is approximately the same as in 2002. In previous years, however, significant capital resources were raised into new funds, and there is still plenty of capital available for investment.

Finland's venture capital investment market was fairly stable in 2003, and stability is expected to continue in 2004. (Source: FVCA)*

Confidence in venture capital investment returns to European market

According to preliminary information on Europe, the slow first half of 2003 was followed by increased investment activity in the latter half. In 2003, investments amounted to slightly over EUR 23 billion, while the 2002 figure was EUR 27.2 billion (a decrease of 16 per cent).

In Europe, investments were made primarily in buyouts, which accounted for 67 per cent of all investments in 2003 (65 per cent in 2002). The number of buyouts rose from 1,200 to 1,300 in 2003. 28 per cent of all investments went into early-stage (seed, start-up and growth-stage) companies (33 per cent in 2002). The amount invested in start-up stage companies fell from EUR 2.6 billion in 2002 (1,300 investments) to EUR 1.5 billion in 2003 (1,200 investments).

Total divestments amounted to EUR 10.7 billion; 30 per cent were accounted for by write-downs. In 2003, the most common exit method was to sell the investment to another private equity investor.

Close on EUR 28 billion new capital was raised in 2003, slightly more than the EUR 27.5 billion raised in 2002. Most of the new funds were buyout funds.

In Europe, confidence in venture capital investment returned in the latter half of 2003, and the outlook for the venture capital market is optimistic. Some successful IPOs and large-scale acquisitions have already taken place during the first quarter of 2004, and more are expected in the second quarter. (Source: EVCA)**

Three-year downward trend bottoms out in the USA

In 2003, a total amount of USD 18.2 bil-

lion was invested in 2,715 companies in the USA, a decrease of 15 per cent on the USD 21.4 billion in 2002. The decrease was minor compared with the falls that took place in the previous three years. Investment activity increased slightly towards the end of the year.

Biotechnology and medical devices were the leading sector in the USA in 2003. A total of USD 4.9 billion was invested in this sector, i.e. 27 per cent of all venture capital investment. The next-biggest sector was software technology with a total of USD 3.6 billion (20 per cent of all investments).

Divestments through IPOs started to increase in the USA during 2003. A total of 17 venture-backed companies went public during the last quarter of 2003. This is the biggest number of IPOs since the last quarter of 2000, when 21 companies went public.

Fund raising increased from one quarter to the next throughout 2003. Growth was the most distinctive in the fourth quarter of 2003, when a total of USD 5.2 billion was raised by 43 funds, an increase of 150 per cent on the last quarter of the previous year.

The downward trend in US venture capital investment is bottoming out after three difficult years. Relatively steady investment activity, an increasing number of IPOs and increased fund raising activity support this conclusion.

(Source: NVCA)***

*Finnish Venture Capital Association (FVCA)

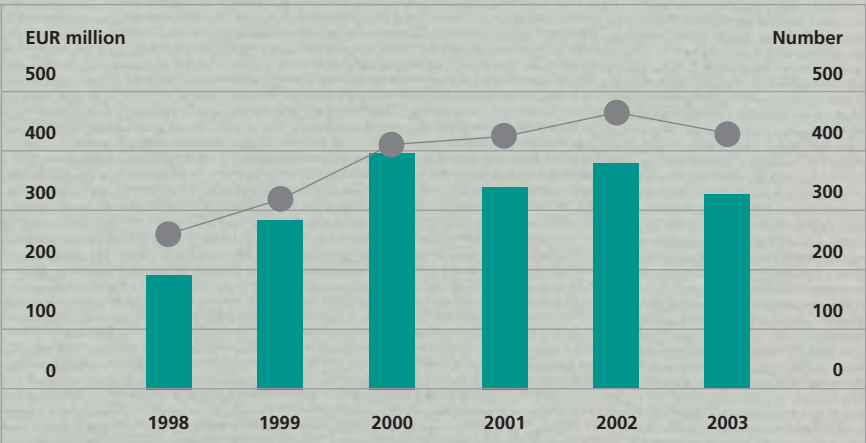
**European Venture Capital Association (EVCA)

***National Venture Capital Association (NVCA)

Number and value of investments in Finland 1998–2003

■ EUR million
 ● Number

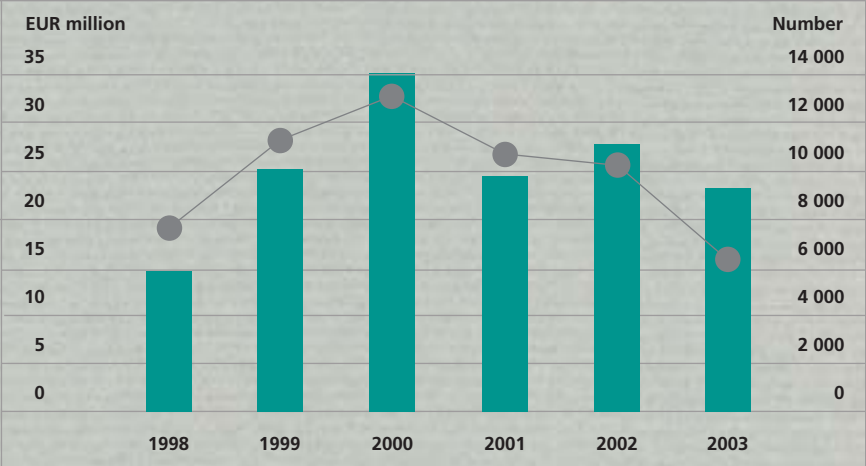
Source: FVCA



Number and value of investments in Europe 1998–2003

■ EUR million
 ● Number

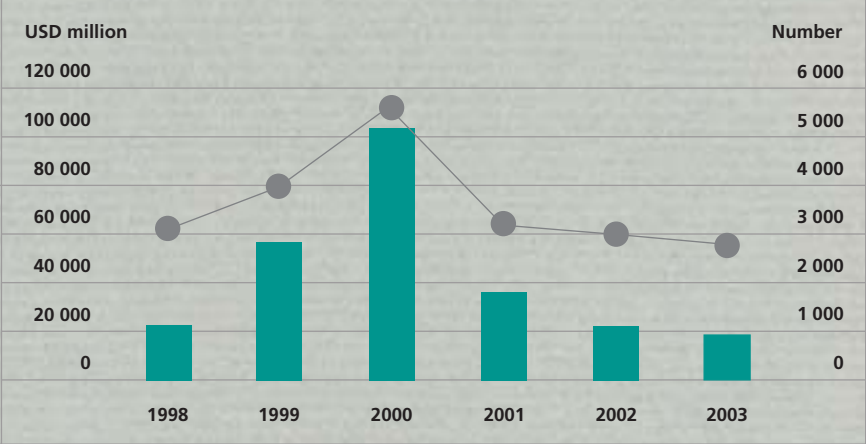
Source: EVCA



Number and value of investments in the US 1998–2003

■ USD million
 ● Number

Source: NVCA



FINNISH INDUSTRY INVESTMENT LTD

INVESTMENT ACTIVITIES IN 2003

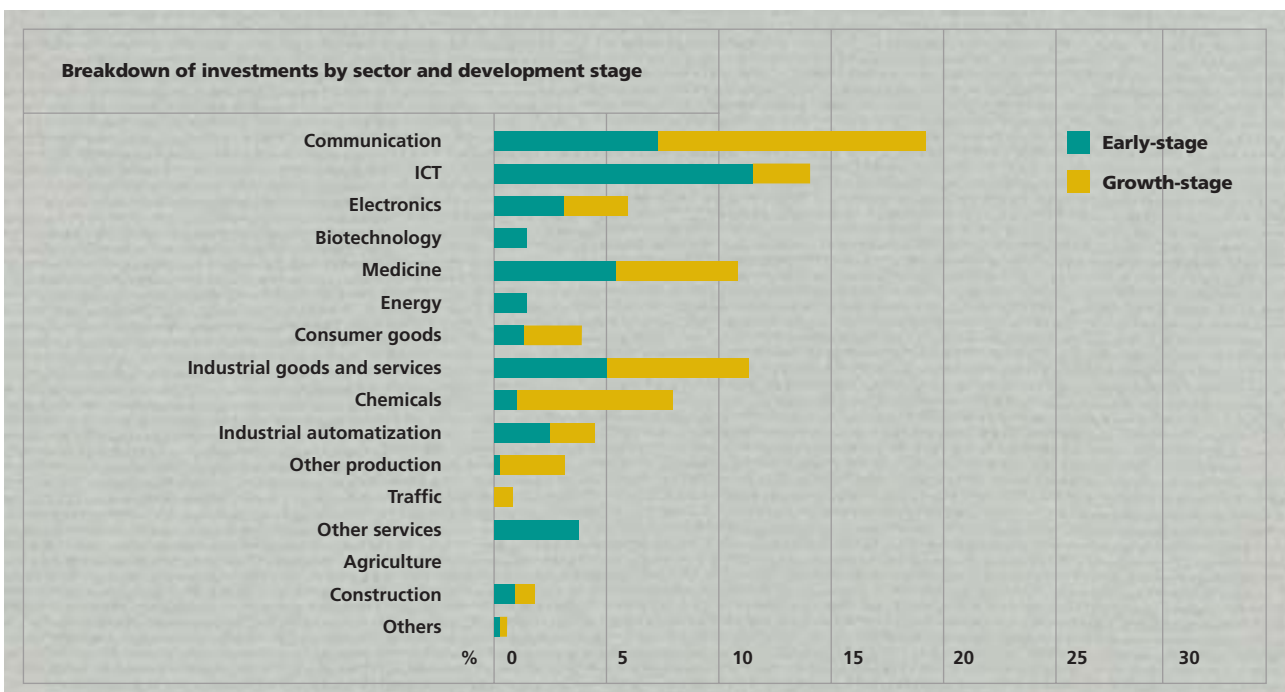
Finnish Industry Investment Ltd's current investments and investment commitments increased from EUR 254.4 million to EUR 296.7 million in 2003. A total of EUR 30.2 million was invested in funds and EUR 9.5 million worth of direct investments were made in companies. In 2003, Finnish Industry Investment Ltd made preparations for a seed financing programme and for a fund specializing in mining.

In 2003, Finnish Industry Investment Ltd made new commitments worth a total of EUR 17.2 million. Apart from this, Finnish Industry Investment increased its investments and commitments in venture capital funds by EUR 13 million by purchasing Finnvera Oyj's and the Finnish National Fund for Research and Development Sitra's holdings in closed-end regional venture capital funds.

In 2003, Finnish Industry Investment Ltd made five investments in investee companies worth a total of EUR 9.5 million. One of these was a follow-on investment. Finnish Industry Investment also purchased the shares owned by Finnvera in Start Fund of Kera Oy (33.4 per cent of the total stock), which means the company is now a fully-owned subsidiary.

Since its establishment in 1995, Finnish Industry Investment Ltd has made

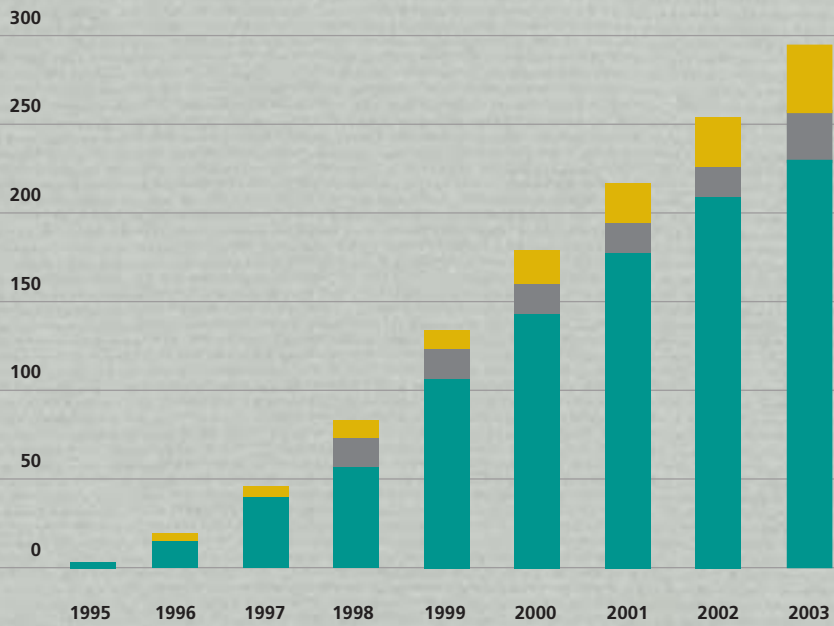
commitments worth a total of EUR 253.5 million in 53 venture capital and private equity funds. The capital of these funds totals EUR 2,161 million. Finnish Industry Investment investments account for an average of 12 per cent of the funds' capital. Finnish Industry Investment has invested in 14 investee companies, of which the year-end portfolio contained 12 companies worth a total purchase price of EUR 37.2 million.



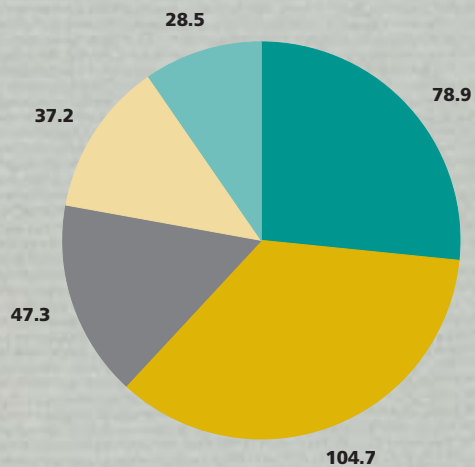
Current investments and investment commitments 1995–2003

EUR million

- Direct investments
- Start Fund of Kera Oy (subsidiary)
- Commitments to funds



EUR million



Breakdown of investments and investment commitments on December 31, 2003

- Private equity funds EUR 78,9 million
- Venture capital funds EUR 104,7 million
- Regional funds EUR 47,3 million
- Direct investments EUR 37,2 million
- Start Fund of Kera Oy EUR 28,5 million

RISK FINANCING FOR EARLY-STAGE COMPANIES

In 2003, Finnish Industry Investment Ltd prepared a seed financing programme. During this process, a survey was made concerning the number of early-stage growth companies, the financing given to such companies and suitable risk financing models for early-stage companies. The seed financing programme was launched in January 2004. During the financial year, Finnish Industry Investment Ltd also participated in the establishment of an early-stage venture capital fund specializing in power electronics.

In April 2003, Finnish Industry Investment Ltd started a survey of risk financing provided for early-stage companies in Finland, looking into the number of potential growth companies established in Finland and the financing they receive from venture capital investors.

According to the findings of the survey, an average of 130 potential innovative growth companies were set up in Finland each year during the two-year period covered by the survey. Only every fifth new growth company received funding from venture capital investors during their first year of operations. Among other things, this was due to the fact that firstly, entrepreneurs do not always have business ex-

perience and secondly, there is not enough risk financing available.

Finnish Industry Investment's seed financing programme started in January 2004. The investments made through it in companies are equivalent to a sum invested by a co-investor at the same terms. No sectoral limits, minimums or maximums restrict these investments if the company is in the seed, start-up or early-growth stage. The principal responsibility for managing the investment in each company lies with the co-investor, allowing the seed financing programme to become nationwide.

Power fund I Ky

In spring 2003, Finnish Industry Investment participated in consultations on and the establishment of a venture capital fund (Power Fund I Ky). The fund invests in power electronics. A new management company VNT Management Oy manages the fund. Finnish Industry Investment made a commitment of EUR 5 million to the fund. Other investors in the fund at the first closing were mostly power electronics companies. The fund invests primarily in early-stage electronics and power electronics companies in Finland and abroad. Finnish Industry Investment accounted for 49 per cent of the fund at the first closing.

REGIONAL VENTURE CAPITAL FINANCING

The role of Finnish Industry Investment in regional venture capital financing was strengthened during the past year. Finnish Industry Investment purchased the holdings of Finnvera Oyj and the Finnish National Fund for Research and Development Sitra in closed-end regional venture capital funds.

In January 2003, the Ministry of Trade and Industry re-defined the division of labour between Finnish Industry Investment, Finnvera and Sitra in regional venture capital investment: Finnish Industry Investment develops and finances closed-end regional venture capital funds. As part of the new division of labour, Finnish Industry Investment purchased the holdings of Finnvera and Sitra in closed-end regional funds.

Finnish Industry Investment purchased investments made by Sitra in 11 regional funds worth a total of EUR 2.2 million. Unpaid commitments worth a total of EUR 8.6 million were transferred from Sitra at the same time. Finnish Industry Investment also purchased investments made by Finnvera in seven funds worth a total of EUR 1.9 million. Unpaid commitments worth EUR 0.3 were transferred at the same time. In total, Finnish Industry Investment purchased

paid and unpaid commitments worth EUR 13 million.

As part of the arrangement, Finnish Industry Investment sold its investment in Etelä-Savon Pääomarahasto Ky to Finnvera for EUR 0.6 million. No commitments were transferred in the deal, as the fund's capital was invested in full. The reason for the deal was the intention of the partners of Etelä-Savon Pääomarahasto Ky to turn their closed-end fund into a limited liability company in 2004.

Only one new regional venture capital fund was set up in Finland in 2003, Midinvest Fund YPY I Ky. The regional network of funds covers a fair amount of ground now. Nine regional funds were established in 2000-2002. The uninvested capital in these funds totalled EUR 164.1 million at the end of 2003. The need to set up new regional funds will increase when the investment periods of the current funds come to an end.

Finnish Industry Investment's share of the capital of closed-end regional funds increased from EUR 34.7 million in 2002 to EUR 50.6 million in 2003. Finnish Industry Investment's average share of the capital of regional funds is 30.8 per cent. At the end of 2003, Finnish Industry Investment had investments in 22 regional funds.

Midinvest Fund YPY I Ky

Finnish Industry Investment was a co-founder of Midinvest Fund YPY I Ky, which began operating in the Ylä-Pirkanmaa area in spring 2003. The fund is managed by Midinvest Management Oy and its capital amounts to EUR 3 million. The fund's other investors are municipalities and local banks. Finnish Industry Investment has invested a million euros and has a 33.3 per cent holding in the fund.

RISK FINANCING FOR BIOTECHNOLOGY

Finnish Industry Investment made from its own balance sheet one direct investment in biotechnology and two investment commitments to funds in the biobusiness sector in 2003.

Investments in and investment commitments to the biotechnology sector stood at EUR 28.8 million at the year end, with 2003 accounting for EUR 15.4 million. In 2003, Finnish Industry Investment started cooperation with Merlin Biosciences Ltd, which is one of Europe's leading venture capital investors in biobusinesses. Cooperation between Finnish Industry Investment and Merlin aims at improving the opportunities of Finnish biobusinesses to obtain risk financing from abroad and international expertise for developing business operations.

According to a survey commissioned by Finnish Industry Investment, the financing needs of Finnish biobusinesses will be so extensive in the near future that they cannot be covered by Finnish resources alone. Development of pharmaceutical products in particular requires a long time span and a great deal of capital, and the risks are considerable. It is Finnish Industry Investment's goal in biobusiness

investment projects to acquire expert co-investors with international networks. This will create conditions for further advancement and international funding for future financing rounds.

Biotie Therapies Oyj

Finnish Industry Investment invested EUR 4.2 million in Biotie Therapies Oyj, which is a listed company developing pharmaceutical products, and became the biggest owner with a holding of 24 per cent. The company's development work focuses on the VAP-1 molecule and two products based on it, and on bioheparin and nalmefen programmes. Finnish Industry Investment's direct investment ensured success for the company's EUR 10 million financing round in summer 2003. This financing round was decisive in ensuring a licensing agreement in Japan and product development financing from the National Technology Agency of Finland (Tekes).

Merlin Biosciences Fund III LP Fund

Finnish Industry Investment made a EUR 10 million investment commitment to the Merlin Biosciences Fund III LP Fund, which is managed by Merlin Biosciences Ltd. The fund invests in European biobusinesses at various stages of development. The fund aims to raise EUR 200 million. The management company opened an office in Finland to look into potential Finnish investee companies.

Bio Fund Ventures II Jatkosijoitusrahasto Ky

Finnish Industry Investment made an investment commitment of EUR 1.2 million in Bio Fund Ventures II Jatkosijoitusrahasto Ky. This fund will secure the opportunity of Bio Fund Venture II Ky, which started operating in 1999, to participate in the follow-up financing rounds of its investee companies. The fund is managed by Bio Fund Management Oy.

RISK FINANCING FOR MINING

In 2003, Finnish Industry Investment entered a new sector of operations: risk financing for mining. Finland has extensive in-depth expertise in mining, and the country and the entire Fennoscandian Shield have been underexplored for metals and minerals. International demand for metals and minerals is increasing rapidly.

International mining companies are interested in the Fennoscandian Shield area. The consolidation process under way in the mining sector has left a substantial gap between large international exploration companies and small local ones. The European Union has no defined minerals policy, and the Nordic countries have been active in lobbying for one.

The impacts of the mining industry are significant and long-lasting both locally and in terms of national economy. In order to maintain mining expertise in Finland, it is vitally important to open new mines within the next five years.

Fennoscandian Mining Fund

Finnish Industry Investment has started a project to set up a fund entitled the Fennoscandian Mining Fund in cooperation with the Australian Sentient Group, a venture capital investment company investing globally in natural resources and operating in Australia and Canada. The minimum fund size for starting operations is EUR 50 million. The fund will invest primarily in early-stage mining projects in the Fennoscandian Shield area.

Kalvinit Oy

Finnish Industry Investment participated in financing the Kalvinit Oy research programme together with a number of co-investors. The goal of the programme was to investigate the resources for mining and improve the amount of reserves. Finnish Industry Investment invested EUR 0.3 million. Participants in the project included Sentient Group, Metal Fund I Ky and Teknoventure Rahasto II Ky. The survey reports were completed at the end of 2003. The mineral found by Kalvinit Oy is ilmenite, which is used in making white pigment, e.g. in the paints industry.

OTHER DIRECT INVESTMENTS

Apart from investments in Biotie Therapies Oyj and Kalvinit Oy, Finnish Industry Investment made direct investments in the following companies in 2003:

Finlux Oy

Finnish Industry Investment invested a further EUR 0.5 million in Finlux Oy in 2003, allowing the company to supply television sets to Germany. Finlux designs, manufactures and markets top-quality widescreen and digital television sets and DVD sets. The company's turnover totalled EUR 54.7 million in 2003 and it employs 450 people. The production plant is located in Turku. The Helmet group, which is a venture capital investor and principal owner of Finlux, was active in developing the company's operations in 2003. By the end of 2003, Finnish Industry Investment had invested EUR 7.9 million in the company. A decision was made in March 2004 to invest a further EUR 2.5 million.

A-Katsastus Oy

Finnish Industry Investment took part in an arrangement whereby the State of Fin-

land sold the business operations of A-Katsastus Oy (previously Suomen Autokatsastus Oy) to MB Funds, private equity investors and the company's executive management. Finnish Industry Investment invested EUR 3 million. A-Katsastus operates in Finland, the Baltic States, Poland and Russia. In Finland, the company has over 150 branches employing well over 1,000 experts. Corporate turnover stood at EUR 68.9 million in 2003. The company develops its services in issues related to motor vehicle inspection, technology and safety, registration and insurance as well as driving tests.

Noiro Oy

In September 2003, Orion sold the business operations of Noiro to funds managed by CapMan Oyj. Noiro is Finland's leading cosmetics manufacturer with brands such as Lumene, Cutrin and Herbina. Farnos, which produces cleaning,


disinfecting and industrial chemicals for institutional users, is part of Noiro. The company's turnover for 2003 was EUR 144.8 million, and the company employed 828 people. It has production plants in Espoo and Turku. Finnish Industry Investment participated with EUR 1.5 million in Noiro's mezzanine loan financing.

Start Fund of Kera Oy

During the financial year, Finnish Industry Investment purchased the shares owned by Finnvera in Start Fund of Kera Oy (33.4 per cent of the total stock) at EUR 11.6 million, and the company is now a fully-owned subsidiary of Finnish Industry Investment. The balance sheet total of Start Fund of Kera was EUR 35.9 million at the end of the financial year.

A portrait of Sirkka-Liisa Roine, a woman with short reddish-brown hair and glasses, wearing a dark grey blazer over an orange top. She has her arms crossed and is smiling slightly.

Sirkka-Liisa Roine

A portrait of Carita Putkonen, a woman with short blonde hair and glasses, wearing a black blazer over a white top. She is smiling.

Carita Putkonen

A portrait of Satu Huber, a woman with short blonde hair, wearing a black and white checkered blazer over a white top. She is smiling.

Satu Huber

A portrait of Antti Paasio, a man with a beard and mustache, wearing a white shirt and a red tie. He is adjusting his tie.

Antti Paasio

A portrait of Harri Pynnä, a man with short brown hair, wearing a dark suit, white shirt, and blue tie. He is smiling.

Harri Pynnä

A portrait of Kalle J. Korhonen, a man with short brown hair, wearing a dark suit, white shirt, and blue tie. He is smiling.

Kalle J. Korhonen

A portrait of Markku Tapio, a man with short brown hair and glasses, wearing a dark suit, white shirt, and yellow tie. He is smiling.

Markku Tapio

FINANCIAL STATEMENTS JANUARY 1 – DECEMBER 31, 2003

REPORT BY THE BOARD OF DIRECTORS JANUARY 1 – DECEMBER 31, 2003

The objective of Finnish Industry Investment Ltd is to improve the operating conditions for small and medium-sized enterprises by investing in venture capital and private equity funds. The company may also invest directly in target companies. Direct investments are primarily targeted at major corporate projects with long-term risk involvement, such as large capital expenditure schemes, corporate and sectoral restructuring and significant investments abroad.

The Finnish Industry Investment Group comprises the parent company Finnish Industry Investment Ltd and its subsidiary Start Fund of Kera Oy.

Investments

In 2003, Finnish Industry Investment Ltd made four commitments to venture capital funds, a total of EUR 17.2 million, and made five direct investments in five target companies, totalling EUR 9.5 million.

Finnish Industry Investment Ltd bought Finnvera plc's holdings in seven regional closed-end venture capital funds for EUR 1.9 million, taking on outstanding commitments worth EUR 0.3 million. The company also bought the Finnish National Fund for Research and Development SITRA's holdings in 11 regional limited partnership venture capital funds for EUR 2.2 million, taking on outstanding commitments worth EUR 8.6 million, and sold its share in one venture capital fund to Finnvera plc for EUR 0.6 million.

The company bought Finnvera plc's shares in Start Fund of Kera Oy (33.4 per cent of the shares) for EUR 11.6 million, which made Start Fund of Kera Oy a fully owned subsidiary.

At the end of the financial year, Finnish Industry Investment Ltd had commitments to and investments in 53 venture capital and private equity funds. The acquisition costs of the investments made in venture capital and private equity funds totalled EUR 115.0 million, with a book value of EUR 97.0 million at the end of the financial year. Outstanding commitments to venture capital and private equity funds stood at EUR 116.0 million at year end.

At the end of 2003, the company had direct investments in 12 target companies. The acquisition cost totalled EUR 37.2 million with a book value totalling EUR 27.5 million. The company also owned 100 per cent of its subsidiary Start Fund of Kera Oy.

At the end of the financial period, the company had a book value of EUR 120.6 million in liquid securities, which exceeded the amount of outstanding commitments.

Start Fund of Kera Oy exited from five investee companies during the financial year and did not make any new investments. At the end of the financial year, the company had investments in four companies and two venture capital funds, with a book value totalling EUR 2.6 million.

Commitments amounted to EUR 0.3 million and liquid securities to EUR 32.7 million at year end.

Profit and balance sheet

The Group performance weakened compared with the previous year. Income from venture capital investments fell and write-downs on venture capital investments grew, while income from liquid securities increased.

Income and losses from realization of venture capital investments and interest and dividends on such investments came to a total of EUR 2.7 million. Write-downs totalled EUR 19.2 million, of which fund investments accounted for EUR 14.3 million and direct investments for EUR 4.9 million. Income from liquid securities totalled EUR 10.1 million.

Profit before extraordinary items, appropriations and taxes came to EUR -9.5 million (EUR -3.4 million in 2002), and the profit for the financial year was EUR -10.0 million (EUR -6.3 million).

An extraordinary meeting of the shareholders of Finnish Industry Investment Ltd held on May 14, 2003 decided to raise the company's share capital by EUR 8,410,000 by issuing 500 shares targeted at existing shareholders at a subscription price of EUR 84,000 per share (nominal share value EUR 16,820). The increase in share capital was recorded in the Trade Register on July 31, 2003. The Finnish State owns the entire share capital.

At the end of the financial year, the balance sheet total stood at EUR 283.3 million (EUR 265.5 million) and shareholders' equity was EUR 282.2 million (EUR 250.1 million). Non-current assets totalled EUR 127.2 million and current assets EUR 156.1 million. The book value of liquid securities was EUR 152.5 million, 78 per cent of which was invested in interest-bearing instruments and 22 per cent in equities.

Administration and personnel

The Annual General Meeting of Finnish Industry Investment Ltd held on March 31, 2003 elected Mr. Markku Tapio, Director General, Chairman of the Board and Ms. Satu Huber, Director of Finance, Mr. Kalle J. Korhonen, Director General, Mr. Antti Paasio, Professor, Ms. Carita Putkonen, Financial Counsellor, Mr. Harri Pynnä, Senior Vice President, Corporate Legal Affairs and Ms. Sirkka-Liisa Roine, President, as regular Board members.

The Annual General Meeting elected KPMG Wideri Oy Ab, Authorized Public Accountants, as the auditors of the company, with Authorized Public Accountant Mr. Hannu Niilekselä as the responsible auditor.

A Board of Directors meeting held on August 14, 2003 elected Mr. Jarmo Leppiniemi, Professor, Chairman of the Investment Council and the following Council members: Ms. Maija-Liisa Friman, Managing Director, Mr. Eero Hovi, Researcher, Mr. Pekka Kuosmanen, MP, Mr. Reijo Laitinen, MP, Mr. Eero Lehti,

Chairman of the Board, Mr. Veli-Pekka Saarnivaara, Director General, Ms. Ulla Sirkeinen, Director, Mr. Tapani Tölli, MP and Mr. Matti Viialainen, Deputy Director.

Mr. Juha Marjosola acted as Managing Director of the company for the entire financial year.

The personnel of the Group and the company averaged eight during the financial year and was the same at year end. Start Fund of Kera Oy had no personnel during the period.

Board proposal for the distribution of profit

The Group's distributable retained earnings totalled EUR 12,315,321 on December 31, 2003. The parent company's distributable retained earnings stood at EUR 5,813,365. The board proposes to the Annual General Meeting that no dividend be distributed for 2003 from the funds at the disposal of the AGM.

Events after the financial year

In 2004, the company's investment focus will be on risk financing of early-stage companies, biotechnology, the mining industry and regional venture capital funds.

Finnish Industry Investment Ltd started a new financing programme in January 2004, increasing the availability of risk financing to early-stage companies. The company is planning new funds in the biotechnology and mining sectors and is prepared to make direct investments in companies and projects in these sectors before the establishment of any such funds.

An extraordinary meeting of the shareholders of Finnish Industry Investment Ltd held on March 10, 2004 decided to grant Finlux Oy an equity capital loan of EUR 2.5 million. At the end of 2003, the company had granted Finlux Oy a total of EUR 7.9 million in equity capital loans.

Future prospects

In the new financial year, investment volume will be influenced by the emergence of investment opportunities that meet the investment criteria, the amount of the capital calls made by venture capital and private equity funds on the basis of previous commitments and the capital available to the company for investment. The amount of the capital available for investment will in turn be influenced by factors such as recovered capital, distribution of profit from venture capital and private equity funds, exits from direct investments and potential increase in equity of the company.

If the general economic situation in Finland improves, venture capital investment will increase. This would in turn increase the number of investment opportunities and have a favourable impact on valuations and opportunities to exit from investments, which would mean increases in the amounts of recovered capital and income. Investment volume for 2004 is expected to grow on the previous year and the current outlook indicates a better performance than in 2003.

INCOME STATEMENT

€	Group		Parent company	
	Jan. 1-Dec. 31 2003	Jan. 1-Dec. 31 2002	Jan. 1-Dec. 31 2003	Jan. 1-Dec. 31 2002
Other operating income	801 224.45	5 705 600.82	52 908.50	
Personnel expenses	-783 183.08	-565 632.85	-783 183.08	-565 632.85
Depreciation	-47 990.96	-39 925.80	-47 990.96	-39 925.80
Depreciation on goodwill	-668 644.20	-511 400.03		
Other operating expenses	-2 554 353.34	-3 135 708.85	-1 502 401.12	-1 108 989.66
Operating profit/loss	-3 252 947.13	1 452 933.29	-2 280 666.66	-1 714 548.31
Financial income and expenses				
Profit from investment in non-current assets	2 851 310.82	3 053 629.29	3 256 869.70	5 421 183.95
Other interest income and financial income/expenses	10 143 968.59	-1 865 648.93	8 816 003.26	-3 250 640.52
Interest expenses	-29 563.58	-34 639.22	-29 560.98	-34 639.22
Reduction in value of investments in non-current assets	-19 246 519.06	-6 010 214.25	-18 810 875.17	-5 612 192.07
Profit (+)/loss (-) before extraordinary items, reserves and taxes	-9 533 750.36	-3 403 939.82	-9 048 229.85	-5 190 836.17
Direct taxes	-234 126.89	-1 744 970.73	-5 563.83	-372 842.63
Profit for the period before minority interest	-9 767 877.25	-5 148 910.55		
Minority interest	-188 112.96	-1 122 498.10		
Profit (+)/loss (-) for the period	-9 955 990.21	-6 271 408.65	-9 053 793.68	-5 563 678.80

BALANCE SHEET

€	Group		Parent company	
	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002
Assets				
Non-current assets				
Intangible assets	3 855.30	4 819.26	3 855.30	4 819.26
Consolidated goodwill		468 782.56		
Tangible assets	141 079.59	116 160.69	141 079.59	116 160.69
Investments				
Shares in Group companies			28 473 373.75	16 717 209.75
Shares and holdings	110 860 100.75	94 731 348.59	109 100 439.91	92 431 307.86
Receivables	16 229 543.79	16 748 870.49	15 343 091.86	15 764 971.12
Total investments	127 089 644.54	111 480 219.08	152 916 905.52	124 913 488.73
Non-current assets, total	127 234 579.43	112 069 981.59	153 061 840.41	125 034 468.68
Current assets				
Current receivables	2 774 837.77	2 826 162.19	2 246 848.78	3 901 637.80
Liquid securities	152 488 810.25	149 158 359.08	120 112 517.94	113 226 308.35
Cash in hand and at bank	841 269.31	1 435 320.79	468 941.68	678 368.18
Current assets, total	156 104 917.33	153 419 842.06	122 828 308.40	117 806 314.33
Assets, total	283 339 496.76	265 489 823.65	275 890 148.81	242 840 783.01

	Group		Parent company	
	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002
Liabilities				
Shareholders' equity				
Share capital	53 992 200.00	45 582 200.00	53 992 200.00	45 582 200.00
Share premium account	215 855 458.74	182 265 458.74	215 855 458.74	182 265 458.74
Retained earnings	22 271 311.34	28 542 719.99	14 867 159.32	20 430 838.12
Profit/loss for the financial year	-9 955 990.21	-6 271 408.65	-9 053 793.68	-5 563 678.80
Shareholders' equity, total	282 162 979.87	250 118 970.08	275 661 024.38	242 714 818.06
Minority interest	188 112.96	12 677 467.16		
Liabilities				
Current				
Accounts payable	72 145.13	30 848.61	70 900.88	30 633.76
Other liabilities	55 090.78	1 022 933.53	55 090.78	43 450.24
Accruals and deferred income	861 168.02	1 639 604.27	103 132.77	51 880.95
Current liabilities, total	988 403.93	2 693 386.41	229 124.43	125 964.95
Liabilities, total	283 339 496.76	265 489 823.65	275 890 148.81	242 840 783.01

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

€	Group		Parent company	
	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2003	Dec. 31, 2002
Cash flow from operations				
Operating profit	-3 252 947	1 452 933	-2 280 667	-1 714 548
Adjustments to operating profit	-31 681	-5 154 273	47 991	39 926
Change in working capital	-2 432 253	4 614 555	-101 465	239 443
Paid interest and payments of other financial expenses				
Direct taxes paid	-1 377 692	-880 433	-5 564	-4 375
Cash flow from extraordinary items				
Cash flow from operations (A)	-7 094 573	32 782	-2 339 704	-1 439 554
Cash flow from investments				
Proceeds from sale of investments	718 121	5 680 473		
Interest from investments	2 788 635	2 010 047	2 589 469	1 952 369
Dividends from investments		499 797	2 235 617	2 220 810
Other income from investments	92 352	331 402	62 157	306 274
Investment in securities	-44 729 306	-29 695 806	-46 814 293	-32 566 159
Investment in tangible and intangible assets	-39 921	-87 375	-39 921	-87 375
Cash flow from investments (B)	-41 170 119	-21 261 462	-41 966 971	-28 174 081
Cash flow from financing activities				
Share issue	42 000 000		42 000 000	
Interest from financing activities	6 411 555	6 135 554	5 282 751	4 744 739
Change in liquid securities	968 970	20 224 890	-2 586 785	29 874 203
Dividends from financing	534 259	446 961	534 259	446 961
Sales losses from financing	-1 132 978	-3 932 282	-1 132 978	-3 932 282
Dividends paid and other distribution of profit	-1 111 165	-2 233 612		-1 368 550
Cash flow from financing activities (C)	47 670 641	20 641 511	44 097 248	29 765 071
Change in cash in hand and at bank (A+B+C)	-594 051	-587 169	-209 427	151 436
Cash in hand and at bank at beginning of period	1 435 321	2 022 490	678 368	526 932
Cash in hand and at bank at end of period	841 269	1 435 321	468 942	678 368
	-594 051	-587 169	-209 427	151 436

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES USED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Finnish Industry Investment Ltd's subsidiary Start Fund of Kera Oy has been included in the consolidated financial statements using the acquisition method. The difference between the acquisition cost of the subsidiary and the shareholders' equity corresponding to the acquired share has been entered as goodwill. Consolidated goodwill has been depreciated over five years. The minority interest has been separated from consolidated shareholders' equity and result and entered as a separate item for 2002. The 2003 minority interest shown is the share of the Start Fund of Kera Oy's 2003 profit which will be paid to the previous minority shareholder of Start Fund of Kera Oy as a dividend as agreed. Start Fund of Kera Oy's participating interests companies and fund units owned by the parent company are not treated as associated companies in the consolidated financial statements.

VALUATION PRINCIPLES USED IN THE FINANCIAL STATEMENTS

Fixed assets

Fixed assets are entered in the balance sheet at acquisition cost less planned depreciation.

Intangible assets		
Intangible rights	straight-line depreciation	5 years
Consolidated goodwill	straight-line depreciation	5 years
Other intangible assets		
Tangible assets		
Machinery and equipment	reducing balance	25%

Securities under fixed assets and other non-current investments

Shares and holdings and other non-current investments are valued in the balance sheet at acquisition cost or market value, whichever is lower. Market value has been defined following the recommended principles of the Finnish Venture Capital Association. Reductions in value have been made on fund investments if the reduction was estimated to be of significance (at least 20 per cent) and permanent. Permanence was judged against the life of the fund (life of at least 48 months) and the amount invested (capital calls totalling at least 40 per cent of commitments).

Securities under financial assets

Securities under financial assets are valued at acquisition cost or market value, whichever is lower. The difference between acquisition cost and nominal value is accrued as interest income.

INCOME STATEMENT

In the income statement, the basic formula given in section 1 of the Accounting Decree has been used, according to the State Accounting Committee decision. Income typical of venture capital investment, such as dividends, shares of profit and interest, is entered under 'financial income and expenses'. Sales gains arising as a result of exits are entered under 'other operating income'.

INCOME STATEMENT

€	Group		Parent company	
	2003	2002	2003	2002
Other operating income				
Sales gains in shares	718 121	5 680 473		
Other income	83 103	25 128	52 909	
	801 224	5 705 601	52 909	0
Financial income and expenses				
On investments of non-current assets				
Dividends		702 669	2 235 617	3 127 901
Shares of profits 1)	2 851 311	1 591 031	1 021 253	1 581 715
Other financial income		759 929		711 568
	2 851 311	3 053 629	3 256 870	5 421 184
Other interest and financial income/expenses	5 814 984	2 786 243	4 487 017	1 395 429
Reduction in value of investments in non-current assets	4 299 421	-4 686 531	4 299 425	-4 680 708
	10 114 405	-1 900 288	8 786 442	-3 285 280
Reduction in value of investments in non-current assets	-19 246 519	-6 010 214	-18 810 875	-5 612 192
Personnel expenses				
Salaries and fees	-654 622	-469 718	-654 622	-469 718
Pension expenses	-96 835	-76 717	-96 835	-76 717
Other personnel expenses	-31 725	-19 198	-31 725	-19 198
	-783 183	-565 633	-783 183	-565 633
Depreciation and reduction in value of non-current assets				
Depreciation on tangible and intangible asset	-47 991	-39 926	-47 991	-39 926
Depreciation on consolidated goodwill	-668 644	-511 400		
	-716 635	-551 326	-47 991	-39 926

1) The parent company's financial income for 2003 was reduced by a write-off of avoir-fiscal receivables for previous financial periods totalling EUR 1.8 million. The equivalent figure for the Group was EUR 0.2 million.

STAFF

During the financial year, the company had a staff of eight on average (the average number in 2002 was seven).

These figures are the same for the Group.

SALARIES AND FEES PAID TO THE MANAGEMENT

	Group		Parent company	
	2003	2002	2003	2002
Board of Directors	90 973	75 964	90 973	75 964

The remunerations paid to Board members are decided by the Annual General Meeting. The AGM held on March 31, 2003 decided on the following monthly sums: Chairman of the Board: EUR 1,200; Deputy Chairman of the Board: EUR 700; members of the Board: EUR 600; and apart from the monthly remuneration, all members: EUR 300 per meeting. A total of EUR 91,000 was paid in remuneration to Board members in 2003.

The Board of Directors decides on the pay principles, total pay and reward systems for the Managing Director and other members of the Management Group. The rest of the company personnel was not covered by the reward system in 2003. At year end, the Management Group comprised the Managing Director and four other members.

The total pay of the Managing Director and the members of the Management Group consists of a monetary salary and fringe benefits. In the 2003 financial period, the Managing Director and the members of the Management Group were paid a sum equivalent to one month's total salary in incentive remuneration for the 2002 financial year. The remuneration payable for the 2003 financial year must not exceed the salary payable for two months. Salaries and incentive remunerations paid to the Managing Director and his Deputy totalled EUR 222,000 in 2003.

CHANGES IN ACQUISITION COSTS OF NON-CURRENT ASSETS

	Group		Parent company	
	2003	2002	2003	2002
Intangible assets				
Acquisition cost Jan. 1	38 949	38 949	38 949	38 949
Increases				
Decreases				
Accumulated depreciation	-34 130	-32 925	-34 130	-32 925
Depreciation during the period	-964	-1 205	-964	-1 205
Balance sheet Dec. 31	3 855	4 819	3 855	4 819
Consolidated goodwill				
Acquisition cost Jan. 1	2 557 003	2 557 003		
Increases	199 862			
Decreases				
Accumulated depreciation	-2 088 221	-1 576 820		
Depreciation during the period	-668 644	-511 401		
Balance sheet Dec. 31	0	468 782	0	0
Machinery and equipment				
Acquisition cost Jan. 1	320 359	232 985	320 359	232 985
Increases	71 946	118 552	71 946	118 552
Decreases	-32 025	-31 177	-32 025	-31 177
Accumulated depreciation	-172 174	-165 478	-172 174	-165 478
Depreciation during the period	-47 027	-38 721	-47 027	-38 721
Balance sheet Dec. 31	141 080	116 161	141 080	116 161

LIQUID SECURITIES UNDER CURRENT ASSETS

€

Group	2003		2002	
	Book value	Market value	Book value	Market value
Bonds	86 899 704	86 982 933	87 981 230	89 909 608
Deposits	2 982 416	2 998 806	390 000	390 000
Interest rate fund units	10 724 438	11 238 189	10 236 582	10 690 701
Certificates of deposit	18 508 773	18 585 086	23 485 743	23 593 459
	119 115 331	119 805 013	122 093 555	124 583 768
Shares	13 361 466	14 757 878	11 645 382	12 200 764
Equity fund units	20 012 014	20 240 030	15 419 422	15 419 422
	33 373 479	34 997 908	27 064 804	27 620 186

Parent company	2003		2002	
	Book value	Market value	Book value	Market value
Bonds	62 515 422	63 344 463	63 596 948	65 550 051
Deposits	2 982 416	2 998 806	390 000	390 000
Interest rate fund units	10 724 438	11 238 189	10 236 582	10 690 701
Certificates of deposit	10 516 763	10 563 842	11 942 230	12 031 809
	86 739 039	88 145 299	86 165 759	88 662 561
Shares	13 361 466	14 757 878	11 641 127	12 190 686
Equity fund units	20 012 014	20 240 030	15 419 422	15 419 422
	33 373 479	34 997 908	27 060 549	27 610 108

Liquid securities are valued at the lower of their acquisition cost or market price.

SHARES, HOLDINGS AND OTHER INVESTMENTS OWNED BY THE GROUP AND PARENT COMPANY

Equity investments

Company	Group			Parent company			Per associated company's last financial statement		
	holding %	nominal value	book value	holding %	nominal value	book value	result	shareholders' equity*	date
A-Katsastus Oy	12.11	1 000 000	1 000 000	12.11	1 000 000	1 000 000	3 513 827	25 001 145	31.12.2002
Biotie Therapies Oyj	24.18	212 082	4 241 641	24.18	212 082	4 241 641	-12 432 779	6 427 814	31.12.2003
Detection Technology Oy	22.70	11 390	420 470				-290 111	1 960 204	31.12.2002
Elesco Holding Oy	29.00	312 345					-960 846	-1 039 589	31.12.2002
Forchem Oy	14.00	207 558	526 754	14.00	207 558	526 754	316 544	15 278 126	31.12.2003
Ima Engineering Oy	35.51	51 297					-78 174	385 878	30.06.2003
Incap Furniture Oy	21.99	47 025	450 000	21.99	47 025	450 000	549 083	4 609 083	31.12.2002
Jutron Oy	5.40	9 195	376 975	5.40	9 195	376 975	1 108 760	3 548 679	31.12.2003
Okmetic Oyj	3.79	447 825	2 134 974	3.79	447 825	2 134 974	-6 795 438	87 819 272	31.12.2003
POM Technology Oy Ab	16.95	48 606	144 500				34 390	1 171 010	31.12.2002
Setec Oy	15.38	1 039 857	3 418 753	15.38	1 039 857	3 418 753	-3 376 161	15 703 125	31.12.2002
TOTAL			12 714 065			12 149 096			
Start Fund of Kera Oy	subsidiary			100	14 550 958	28 473 374			

*including capital loan

Holdings in limited partnerships

€	Group			Parent company			Per partnership company's last financial statement			
	Fund	holding %	investment commitment	book value	holding %	investment commitment	book value	result	shareholders' equity	date
	MB Equity Fund Ky	17.44	1 256 206	1 256 206	17.44	1 256 206	1 256 206	244 217	8 178 136	31.12.2002
	Finnventure Rahasto III Ky	13.66	1 458 525	916 055	13.66	1 458 525	916 055	-649 457	9 225 038	31.12.2002
	Forenvia Venture I Ky	31.34	2 099 048	1 894 026	15.67	1 049 524	947 013	-918 244	5 335 048	31.12.2003
	Telecomia Venture I Ky	34.02	1 622 230	507 418	17.01	811 115	259 739	-414 676	1 938 702	31.12.2003
	Profita Fund I Ky	18.07	951 435	817 524	18.07	951 435	817 524	1 586 569	4 773 257	31.12.2002
	Tasku Ky	35.46	2 537 231	1 463 653	35.46	2 537 231	1 463 653	-127 899	4 753 238	31.12.2002
	Lahden Alueen Pääomarahasto Ky	39.05	706 118	382 037	39.05	706 118	382 037	-180 806	910 715	31.12.2002
	Fenno Rahasto Ky	7.92	2 982 108	2 982 108	7.92	2 982 108	2 982 108	-377 735	37 271 381	31.12.2002
	Karhu Pääomarahasto Ky	33.82	890 808	315 532	33.82	890 808	315 532	-418 417	1 510 824	31.12.2002
	MB Equity Fund II Ky	9.99	3 829 912	3 197 754	9.99	3 829 912	3 197 754	1 072 775	32 432 249	31.12.2002
	Sponsor Fund I Ky	3.33	1 906 667	1 053 281	3.33	1 906 667	1 053 281	1 449 108	38 249 896	31.12.2002
	EQVITEC Teknologiarahasto I Ky	18.26	9 340 593	5 562 464	18.26	9 340 593	5 562 464	-1 946 047	37 605 632	31.12.2003
	Savon Kasvurahasto I Ky	21.51	1 590 187	855 643	21.51	1 590 187	855 643	-188 672	4 284 807	31.12.2002
	Finnventure Rahasto IV Ky	5.66	2 643 597	2 569 594	5.66	2 643 597	2 569 594	1 825 655	45 489 282	31.12.2002
	MB Mezzanine Fund II Ky	5.00	2 193 171	1 821 644	5.00	2 193 171	1 821 644	3 083 860	39 244 264	31.12.2002
	Etelä-Pohjanmaan Rahasto Ky	33.33	1 311 368	329 675	33.33	1 311 368	329 675	48 766	1 260 523	31.12.2002
	Metal Fund Ky	33.33	1 681 879	863 329	33.33	1 681 879	863 329	-56 013	2 650 043	31.12.2002
	Aura Capital Rahasto V Ky	13.33	645 414	254 971	13.33	645 414	254 971	-318 986	1 832 650	31.12.2003
	Kareliaventure Rahasto Ky	33.32	851 009	471 444	33.32	851 009	471 444	112	1 689 703	31.12.2002
	SFK 99-Rahasto Ky	5.02	2 783 084	1 323 315	5.02	2 783 084	1 323 315	-11 408 630	23 088 708	31.12.2003
	Aboa Venture II Ky	13.99	1 276 591	676 321	13.99	1 276 591	676 321	-1 469 942	5 403 068	31.12.2002
	EQT Finland Fund C.V.	6.08	3 992 729	2 472 946	6.08	3 992 729	2 472 946	0	25 677 000	31.12.2002
	Bio Fund Ventures II Ky	5.00	3 339 665	1 922 807	5.00	3 339 665	1 922 807	-6 083 695	53 900 016	31.12.2003
	EQVITEC Technology Mezzanine Fund I A Ky	42.33	14 629 414	7 374 438	42.33	14 629 414	7 374 438	1 155 706	18 406 580	31.12.2003
	Finnventure Rahasto V ET Ky	49.51	16 817 258	6 573 738	49.51	16 817 258	6 573 738	-8 929 622	17 099 785	31.12.2002
	Finnmezzanine Rahasto III A Ky	9.87	9 614 882	6 372 882	9.87	9 614 882	6 372 882	2 494 072	38 494 061	31.12.2002
	NEXIT Infocom 2000 Fund LP	6.12	3 333 333	2 319 070	6.12	3 333 333	2 319 070	-4 784 332	19 865 238	31.12.2002
	Industri Kapital 2000 Fund LP VII	5.75	9 057 333	7 437 821	5.75	9 057 333	7 437 821	2 327 651	141 274 677	30.09.2003
	Seedcap Ky	37.44	5 007 468	2 919 145	37.44	5 007 468	2 919 145	-1 149 605	4 554 750	31.12.2002
	Jokilaaksojen Rahasto I Ky	34.23	1 807 868	650 297	34.23	1 807 868	650 297	-561 212	1 160 760	31.12.2002
	Lapin Rahasto I Ky	36.45	1 167 263	506 944	36.45	1 167 263	506 944	-158 397	672 374	31.12.2002
	Midinvest Fund I Ky	31.44	4 193 290	1 555 305	31.44	4 193 290	1 555 305	-402 548	2 681 594	31.12.2002
	Slottsbacken Fund II Ky	18.24	5 000 000	1 398 503	18.24	5 000 000	1 398 503	-1 602 613	3 504 098	31.12.2002
	CIM Venture Fund for Creative Industries Ky	22.56	5 000 000	1 138 283	22.56	5 000 000	1 138 283	-850 430	1 124 155	31.12.2002
	EQVITEC Technology Fund II Ky	7.47	10 000 000	3 057 607	7.47	10 000 000	3 057 607	-2 753 810	32 334 870	31.12.2003
	Bio Fund Ventures III Ky	12.11	9 842 194	2 909 347	12.11	9 842 194	2 909 347	-1 605 775	18 237 009	31.12.2003
	Grow How Rahasto I Ky	21.41	4 495 443	957 332	21.41	4 495 443	957 332	3 857 646	1 243 921	31.12.2002
	Aboa Venture III Ky	30.82	3 500 000	974 454	30.82	3 500 000	974 454	-293 137	979 276	31.12.2002
	Sponsor Fund II Ky	9.34	10 000 000	1 297 609	9.34	10 000 000	1 297 609	-1 604 977	130 743	31.12.2002
	CapMan Equity VII A L.P.	6.38	10 000 000	3 290 000	6.38	10 000 000	3 290 000	0	12 040 087	31.12.2002
	MB Equity Fund III Ky	8.56	9 948 256	1 489 386	8.56	9 948 256	1 489 386	-1 189 552	4 319 245	31.12.2002
	Teknoventure Rahasto II Ky	36.48	5 496 655	1 052 333	36.48	5 496 655	1 052 333	-256 167	1 013 833	31.12.2002
	Procuritas Capital Investors III 'B' L.P.	6.69	10 000 000	622 355	6.69	10 000 000	622 355	0	91 406	31.12.2002
	Tamseed Ky	23.26	2 000 000	121 420	23.26	2 000 000	121 420	0	0	n/a
	Helmet SME Ventures II Ky	33.11	5 000 000	3 010 629	33.11	5 000 000	3 010 629	-137 895	5 188 296	31.12.2002
	Sentio Kasvurahasto Ky	43.90	4 500 000	1 843 016	43.90	4 500 000	1 843 016	0	0	n/a
	Power Fund I Ky	49.25	5 000 000	1 255 824	49.25	5 000 000	1 255 824	0	0	n/a
	Aboa Venture Ky 1	48.47	2 012 994	1 507 570	48.47	2 012 994	1 507 570	23 366	2 212 341	31.12.2002
	Vakka-Suomen Pääomarahasto Ky	47.33	482 394	210 498	47.33	482 394	210 498	-21 829	359 589	31.12.2003
	Ganal Venture Ky	35.71	840 940	279 409	35.71	840 940	279 409	-54 355	974 446	31.12.2003
	Midinvest Fund YPY I Ky	33.33	1 000 000	30 000	33.33	1 000 000	30 000	0	0	n/a
	Merlin Biosciences Fund III L.P.	12.37	10 000 000	2 081 077	12.37	10 000 000	2 081 077	0	0	n/a
	Bio Fund Ventures II Jatkosijoitusrahasto Ky	10.17	1 200 000	0	10.17	1 200 000	0	0	0	n/a
TOTAL			232 836 561	98 146 036		230 975 921	96 951 345			

Other investments

€	Group		Parent company		
	Target	Type of investment	Book value	Type of investment	Book value
	A-Katsastus Oy	Loan	2 020 000	Loan	2 020 000
	Detection Technology Oy	Convertible bond	634 170		
	Elesco Holding Oy	Convertible bond	252 282		
	Finlux Oy	Subordinated loan	3 931 879	Subordinated loan	3 931 879
	Forchem Oy	Subordinated convertible loan	2 845 507	Subordinated convertible loan	2 845 507
	Incap Furniture Oy	Subordinated loan	2 040 000	Subordinated loan	2 040 000
	Konepaja Ceiko Oy	Loan	2 400 000	Loan	2 400 000
	Noiro Oy	Loan	1 500 000	Loan	1 500 000
	Okmetic Oyj	Subordinated loan	605 705	Subordinated loan	605 705
	TOTAL		16 229 544		15 343 092
	Total investments		127 089 645		152 916 906
	Investment commitments / funds		116 236 768		115 964 708
	Investment commitments / target companies				
	Total		116 236 768		115 964 708

The Group's share of the value of investments reported by funds based on its holding percentage (calculated per Finnish Venture Capital Association recommendations) is about EUR 92.8 million and that of the parent company about EUR 91.5 million.

The Group's value of target company investments made from its own balance sheet (calculated per Finnish Venture Capital Association recommendations) is about EUR 30.4 million and that of the parent company (without subsidiary investment) about EUR 28.9 million.

CHANGES IN THE VALUE OF HOLDINGS, SHARES AND OTHER INVESTMENTS HELD BY THE GROUP AND PARENT COMPANY

€	Group				Parent company				
	Shares	Holdings in funds	Receivables	Total	Shares	Holdings in funds	Receivables	Total	
	Acquisition costs Jan. 1, 2003	12 262 572	90 483 838	20 692 877	123 439 287	25 805 984	88 954 725	19 128 730	133 889 439
	Increases	5 241 641	30 608 315	4 483 700	40 333 656	16 997 805	30 546 511	4 270 000	51 814 316
	Decreases	1 887 227	4 492 361	980 926	7 360 514		4 490 023	510 000	5 000 023
	Acquisition costs Dec. 31, 2003	15 616 986	116 599 793	24 195 651	156 412 430	42 803 789	115 011 213	22 888 730	180 703 732
	Accumulated depreciations and reduction in value Jan. 1, 2003	3 888 316	4 126 746	3 944 007	11 959 069	1 485 446	4 126 746	3 363 759	8 975 951
	Reduction in value	832 752	14 327 011	4 181 879	19 341 642	695 873	13 933 123	4 181 879	18 810 875
	Cancellation of reduction in value	1 818 147		159 779	1 977 926				0
	Book value Dec. 31, 2003	12 714 065	98 146 036	16 229 544	127 089 645	40 622 469	96 951 345	15 343 092	152 916 906

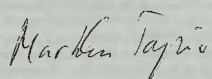
INCREASES AND DECREASES IN SHAREHOLDERS' EQUITY DURING THE PERIOD

	Group		Parent company	
	2003	2002	2003	2002
Share capital Jan. 1	45 582 200	45 582 200	45 582 200	45 582 200
Rights issue of share capital	8 410 000		8 410 000	
Share capital Dec. 31	53 992 200	45 582 200	53 992 200	45 582 200
Share premium account Jan. 1	182 265 459	182 265 459	182 265 459	182 265 459
Issue premium	33 590 000		33 590 000	
Share premium account Dec. 31	215 855 459	182 265 459	215 855 459	182 265 459
Retained earnings Jan. 1	22 271 311	29 911 270	14 867 159	21 799 388
Dividend distributed		1 368 550		1 368 550
Retained earnings Dec. 31	22 271 311	28 542 720	14 867 159	20 430 838
Profit for the period	-9 955 990	-6 271 409	-9 053 794	-5 563 679
Shareholders' equity	282 162 980	250 118 970	275 661 024	242 714 818

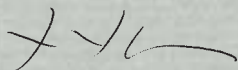
STATEMENT OF DISTRIBUTABLE FUNDS

	Group		Parent company	
	2003	2002	2003	2002
Retained earnings	22 271 311	28 542 720	14 867 159	20 430 838
Profit for the period	-9 955 990	-6 271 409	-9 053 794	-5 563 679
Total	12 315 321	22 271 311	5 813 365	14 867 159
CONTINGENT LIABILITIES				
Leasing liabilities	68 680	76 187	68 680	76 187
Investment commitments				
Funds	116 236 768	120 808 945	115 964 708	120 475 082
Target companies				
Total	116 236 768	120 808 945	115 964 708	120 475 082

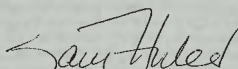
Helsinki, March 26, 2004



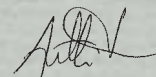
Markku Tapio
Chairman of the
Board of Directors



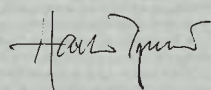
Kalle J. Korhonen



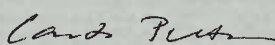
Satu Huber



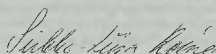
Antti Paasio



Harri Pynnä



Carita Putkonen



Sirkka-Liisa Roine

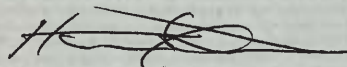


Juha Marjosola
Managing Director

The financial statements have been prepared in accordance with generally accepted Finnish Auditing Standards.
The Auditors' report has been submitted today.

Helsinki, March 26, 2004

KPMG WIDERI OY AB
Authorized public accountants



Hannu Niilekselä
APA

AUDITORS' REPORT

To the shareholders of Finnish Industry Investment Ltd

We have audited the accounting, financial statements and corporate governance of Finnish Industry Investment Ltd for the period January 1 - December 31, 2003. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements and balance sheets, and notes to the accounts, were prepared by the Board of Directors and the Managing Director. Based on our audit, we express the following opinion on these financial statements and the corporate governance of the parent company.

We have conducted our audit in accordance with the Finnish Auditing Standards. The accounting and the principles, content and presentation of the financial statements were, in this context, audited to verify that they were free of material misstatement. The purpose of the audit of corporate governance is to ensure that the members of the Board of Directors and the Managing Director of the parent company have legally complied with the provisions of the Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations covering the preparation of financial statements. They give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company results of operations, and of the financial position. The 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 by the Board of Directors regarding the distribution of retained earnings is in compliance with the Companies Act.

Helsinki, March 26, 2004

KPMG WIDERI OY AB



Hannu Niilekselä
Authorized Public Accountant (APA)

BOARD OF DIRECTORS

Markku Tapio, Chairman

Director General, Ministry of Trade and Industry

Kalle J. Korhonen, Vice Chairman

Director General, Ministry of Trade and Industry

Satu Huber

Director of Finance, State Treasury

Antti Paasio

Professor, Turku School of Economics

Carita Putkonen

Financial Counsellor, Ministry of Finance

Harri Pynnä

Senior Vice President, Corporate Legal Affairs,
Fortum Corporation

Sirkka-Liisa Roine

President, Finnish Foundation for Share Promotion

MANAGEMENT GROUP

Juha Marjosola

Managing Director

Kai Nurmio

Director, Managing Director's Deputy

Riitta Jääskeläinen

Director

Mika Räsänen

Director

Kimmo Viertola

Director

INVESTMENT COUNCIL

Jarmo Leppiniemi, Chairman

Professor, Helsinki School of Economics and
Business Administration

Council members:

Maija-Liisa Friman

Managing Director, Vattenfall Oy

Eero Hovi

Researcher, Finnish Metal Workers' Union

Pekka Kuosmanen

MP

Reijo Laitinen

MP

Eero Lehti

Chairman of the Board,
Taloustutkimus Oy

Veli-Pekka Saarnivaara

Director General,
Technology Development Centre of Finland

Ulla Sirkeinen

Director, Confederation of Finnish
Industry and Employers

Tapani Tölli

MP

Matti Viialainen

Deputy Director,
Confederation of Finnish Trade Unions SAK

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