

Annual Report 2000

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Finvest is the first listed private equity fund-of-funds in Scandinavia. Finvest Plc gives private persons and more and more institutional investors access to private equity investments. Finvest offers the opportunity to invest in an investment portfolio built by professionals consisting of international private equity funds. Private equity funds further invest in unlisted companies operating in different fields of industry world-wide. Ultimately, the investments are diversified into several hundreds of unlisted companies. The aim of a private equity fund is to develop companies and increase their



value. Finvest's shareholders are offered the opportunity to participate in this interesting and rapidly growing field that has a high expected return.

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## Finvest's Year 2000

24 May Decision on the demerger of the former Finvest: eQ Holding Oyj, Vestcap Oyj, Evox-Rifa Group Oyj, Finvest Plc  
 Finvest makes investment commitments in private equity funds  
 - Benchmark European I LP  
 - Innovacom 4  
 - Access Capital LP  
 - Nexit Infocom 2000

1 Nov. The former Finvest is demerged and the shareholders get shares in the new companies

Finvest commences its operations as a private equity fund-of-funds on the NM list  
 - Topi Piela becomes Managing Director  
 - Board members: Jerker Molander (Chairman), Georg Ehrnrooth, Erkki Myllärniemi, Jaakko Pöyry, Peter Seligson, Kari Stadigh, Ari Tolppanen

17 Nov. Finvest makes an investment commitment in the Industri Kapital 2000 private equity fund

14 Dec. Finvest's Extraordinary Meeting of Shareholders  
 - decision on the management agreement  
 - decision on initiation of the preparations for a share issue  
 - decision on new Board members: Björn Mattsson (Chairman), Georg Ehrnrooth, Antti Heikinheimo, Erkki Myllärniemi, Jaakko Pöyry

31 Dec. Finvest's financial period ends

## Key Figures

1 000 EUR

Net asset value	0.24/share
Balance sheet total	22,020
Shareholders' equity	20,422
Investments in private equity funds	11,025
Investment commitments	29,878
<hr/>	
%	
<hr/>	
Equity to assets ratio	93
Share of investment commitments to shareholders' equity	146
Investment degree	50

**The present Finvest Plc was established** as the former Finvest was demerged into four parts. The investment operations of the demerged Finvest were transferred to the new Finvest. The quoting of the new company started on the NM list of Helsinki Exchanges at the beginning of November. At the end of the financial period, the company had more than 5,000 shareholders.

## Managing Director's Review

The main emphasis of Finvest Plc's investment operations will lie on private equity funds. A private equity investment is an investment in an unlisted company. Finvest's aim is to invest capital in 300 to 500 unlisted companies through 30 to 50 private equity funds.

The private equity investment activity has grown in Europe. A listed private equity fund-of-funds offers a means of investing in this new interesting investment class. Finvest is the first listed private equity fund-of-funds in Scandinavia. Through the company share private persons and more and more institutional investors get access to the private equity investment market with a small minimum investment. Being a listed company, Finvest is a liquid investment, where the investor can increase or decrease his holding at any time.

Finvest is also an effective means of cutting down the overall risk of the investor's investment portfolio, as the correlation between the securities market and private equity investments is low. The low correlation is due to for example the fact that private equity funds can operate in the securities and corporate acquisition markets and thereby take advantage of the best possible price in both corporate sales and acquisitions.

Finvest has outsourced the selection and management of the private equity funds to Linna Advisors Oy through a decision by the Extraordinary Meeting of Shareholders on 14 December 2000. The outsourcing of management operations is a common international practice in private equity business. It increases efficiency, improves the transparency of the company operations and administration, and creates preconditions for building the compensation system so that the managers and shareholders have common interests.

Competition in the private equity market is tough, and access to the best private equity funds is difficult. Here Finvest is helped by an esteemed partner LGT Capital Management,

through which the company gets an opportunity to make investments in top-quartile funds. The Swiss LGT Capital Management pre-selects the funds, after which the Board of Finvest makes the final decision on each investment. LGT is one of Europe's leading private equity investors. During the past three years it has made investment commitments of EUR 1.3 billion to more than 120 targets.

Finvest will concentrate its investment operations to Europe, where the private equity business is at the moment growing very rapidly. In Europe, private equity investments do not have a long history. The strong growth during the past few years shows, however, that they are gaining ground as an alternative investment form alongside with traditional forms of investment. The amount of capital in European private equity funds has during the past few years risen to a totally new level. The annual amount of private equity investments has become five-fold during the past five years. Thanks to the growth, the number of companies that have received private equity has already risen to over 10,000 annually.

Considered globally, the US has by far the largest share of all capital under management in private equity funds, 70%. Europe's share is a little over one fifth, while the rest is divided between Asia and Latin America. Finvest also makes some investments in private equity funds outside Europe.

On a longer term, private equity investments have offered a higher average return than equity markets. In the US, the average return of private equity funds during the past 20 years has been about 20%. The return of European private equity funds has during the past 10 years been 16%, which is about the same as that of the equity market. The return of the top-quartile private equity funds has, however, been 34%. In order to guarantee a good return, it is therefore important to select the right funds and to be able to invest in them.

Finvest's balance sheet total is at the moment about EUR 22 billion. Half of the assets have already been invested in private equity funds and the remaining part is allocated to liquid assets and about 10% to other investments. Finvest will concentrate on private equity investments and sell the other investments that are not part of its core business. The aim of the company is that all non-core investments will have been sold by the end of 2001. According to its strategy, the company plans to increase its balance sheet strongly during the year 2001. Finvest's aim is to triple its balance sheet through the planned share issue. The additional capital will be used for further expanding and balancing the investment portfolio according to the investment strategy.

Europe faces major challenges. It needs more companies and entrepreneurs in order to improve its economy and increase its international competitive edge. Europe must also be able to solve its major problems related to unemployment. It has been shown that private equity investments are an important driving force that can contribute to solving these problems.

Private equity investments are based on entrepreneurship. By exploiting and supporting the entrepreneurial potential, private equity investments help companies to grow and employ. Europe has not yet been fully able to exploit the change force brought about by private equity investments.



**Topi Piela, Managing Director**

The amount of private equity investments should become 3 to 4 times larger in Europe before its private equity business would correspond to the level of private equity business in more competitive areas. Finvest is part of this restructuring process, and on a longer term the shareholders of the company can reap the harvest.

I wish to thank all shareholders of Finvest and above all our professional staff for the year 2000. I would also like to welcome the new shareholders as private equity investors!

Topi Piela

## Share Issue and Outlook

Finvest Plc's Extraordinary Meeting of Shareholders authorised the Board of Directors of the company to initiate preparations for a share issue. The company will offer shares to institutional investors as well as to private persons. The target capital increase of the company will be approximately EUR 50 million. Finvest aims to use the means for increasing the amount of the capital invested, for securing the operating preconditions in the sector, and for balancing the investment portfolio by making additional investments in private equity funds. After the share issue, the company intends to further diversify its portfolio geographically and on the basis of industry, vintage, and development stage. The aim is to above all increase the

relative share of European buy-out funds. The company mainly invests in new funds of experienced fund managers, but in order to gain a full investment degree, Finvest also aims at acquiring private equity fund units from the secondary market.

Finvest intends to be one of the leading companies in the private equity business in Northern Europe. Future growth will be supported by the strong increase in private equity investments in Europe, where the development of technology and the number of corporate acquisitions have been at a high level during the past few years.



## Private Equity

**Private Equity provides capital to enterprises not quoted on a stock market.** Private equity can be used to develop new products and technologies, to expand working capital, to make acquisitions, or to strengthen a company's balance sheet. It can also resolve ownership and management issues - a succession in family owned companies, or the management buy-out (mbo) or management buy-in (mbi) of a business by experienced managers may be achieved with private equity funding.

Private equity is the general definition used for investments in private companies, including the subsets venture capital, mezzanine, distressed and buy-out investments (LBO, MBO, MBI). Venture capital is a subset of private equity and refers to equity investments made for the launch, early development or expansion of a business. Venture capital investments are typically relatively small.

Mezzanine is a subset of private equity. Mezzanine generally consists of a mix of equity and debt capital, which is made available to a company. Mezzanine is used to provide a middle layer of financing in some leveraged buy-outs, subordinated to the senior debt layer, but above the equity layer. Mezzanine financing is usually provided without collateral and includes conversion rights to equity. Convertibles, option and subordinated loans are typical mezzanine financing instruments.

Distressed financing is a subset of private equity. Distressed financing is made available to existing businesses, which have experienced difficulties in business or financing, with a view to re-establishing prosperity. The class also covers turn-around or rescue funding.

Buy-outs are a subset of private equity. Buy-outs usually refer to management buy-outs (MBO), management buy-ins (MBI) or leveraged buy-outs (LBO).

In Europe, the terms private equity and venture capital are generally used interchangeably and venture capital thus includes buy-outs whilst in the United States these are not classified as venture capital.

### Market structure

The private equity market functions through designated pools of investment capital - funds. Private equity funds typically are structured as private limited partnerships. The individual managers of a fund make up the management company and the general partner. The providers of capital - the individual and institutional investors - are the limited partners. The management company is responsible for advising and/or managing the fund on behalf of the limited partners and making investments in companies.

A private equity fund-of-funds is a similar pool of investment capital, with the distinction that a fund-of-funds primarily invests in other private equity funds, not directly in companies. The fund-of-funds manager co-mingles the investments of

many investors into a single pool, then uses it to assemble a portfolio of private equity funds. For many investors, a fund-of-funds is the only way of getting access to private equity investments, due to relatively high investment minimums that private equity funds generally require.

## Investment characteristics

Financing of growth companies that are of great importance in developing and commercialising innovations is channelled through venture capital funds. Participation in company acquisitions and industry arrangements is of special interest to buy-out investors, as they enable the development and value creation of the target investments.

Private equity investments are made in unlisted companies with excellent value creation potential. A listed company can also become a target investment, if its stock exchange listing is terminated. The screening process of investment targets is generally considered highly selective and only a small portion is approved as investee companies.

Private equity investments are usually made in terms of equity capital or mezzanine funding. Private equity funding does not have to be amortised during the investment period, and it seldom induces interest expenses, due to which the cash flow can be used to develop business operations.

In addition to financing, the private equity investors usually actively participate in the development of the target company. The knowledge and participation of an experienced investor at, e.g. board meetings brings added value and promotes value creation. The participation of the private equity investor also increases the credibility of the company towards its other interest groups and facilitates access to additional funding. Furthermore, the international and

domestic contact network of the private equity investor is available for the investee company.

The aim of the private equity investor is to contribute to the increase in the value of the investee company and thus create a sufficient return on the capital invested. The value increase is usually realised within 3 to 7 years, at which point the private equity investor divests its ownership in the company through a trade sale, stock exchange listing or by other means. In order to achieve the expected return, the value of the company must have developed according to expectations.

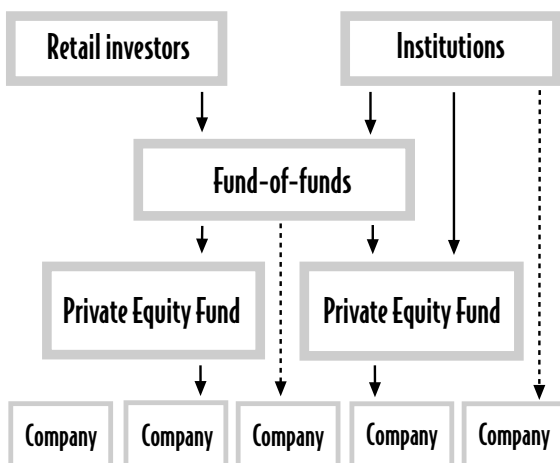
## The development of the private equity industry in Europe

Approximately EUR 25 billion of new capital was raised by European private equity funds in 1999. This represents a 25% increase on the previous year. Banks were the largest single source of capital (29.1%), followed by pension funds (18.7%), insurance companies (13.2%), corporate investors (9.5%) and other sources (29.5%).

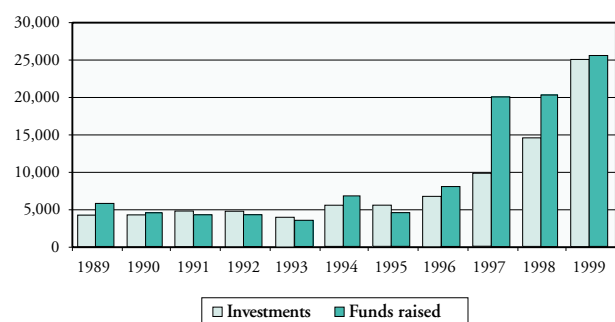
The investments made reached the same level as the funds raised, EUR 25 billion, in 1999. The investments made rose by almost 75% on the previous year. 52.8 per cent of the total amount invested in 1999 went into buy-outs, followed by expansion stage investments (29.6%), early stage investments (12.9%) and other stages (4.7%).

The mid-year statistics from the year 2000 show continuing growth of the private equity industry. During the first six months of 2000, a total of EUR 13.5 billion of private equity was invested in 4,630 companies. Statistics about fund raising from the first six months of 2000 were not available. (Source: EVCA)

### Private equity market structure



### Annual investments and funds raised in Europe 1989–1999



# Finvest's Business and Strategy

## **Company history**

Finvest was formed in the demerger of the former Finvest according to Chapter 14a of the Finnish Companies Act. In the demerger Finvest received primarily the assets and liabilities of the investment activities of the former Finvest.

Demerger plan was approved by the Board of Directors of the Former Finvest on April 18, 2000 and by the General Meeting of Shareholders of May 31, 2000. Demerger into Finvest Plc, eQ Holding Oyj, Evox Rifa Group Oyj and Vestcap Oyj was entered in the Trade Register on November 1, 2000. At the same time the former Finvest ceased to exist.

## **Business goals of the company**

Finvest is a private equity fund-of-funds, structured as a public limited liability company, which invests in private equity funds and may also make direct investments into unlisted companies. The objective of the Company is to build a well-diversified portfolio by investing in number of private equity funds in different geographical areas and various industries according to investment strategy of the Company.

Finvest has an evergreen structure, meaning that exit proceeds are re-invested and the Company is not wound-up or dissolved. Finvest is the first listed private equity fund-of-funds in the Nordic countries, which enables investors to invest in the fast growing private equity market. Finvest introduces a new asset class to even more institutional investors as well as to retail investors.

The objective of Finvest is to create a well-diversified portfolio of top-quartile private equity funds and thereby achieve a higher return than on stock markets on average. Finvest aims to offer investors:

**Access to private equity investments** – Finvest aims to offer investors access to a portfolio of international private equity funds, which are generally available only to selected large institutional investors and require significant investment commitments, with a minimum investment typically approximately MEUR 5. By investing in Finvest also other investors can have access to a new asset class, the private equity market.

**High expected return** – Top-quartile private equity funds have historically attained a higher long-term return than the stock markets on average. Illiquidity premium, gearing, corporate governance and incentives could be mentioned as main reasons for this. The historical returns of private equity funds have been positive, in the aggregate, also during periods of negative return in the stock market indicating low correlation with the public equities. Due to the short operating history of Finvest its private

equity investments were made mainly during the year 2000 and therefore the Company does not expect significant cash flow before year 2002.

**Balanced investment portfolio** – Finvest aims to diversify investments geographically and by industry – aiming at an investment portfolio of 30–50 private equity funds that invest altogether in 300–500 target companies. If, however, the Company invests in prospective secondary positions, the number of the underlying private equity funds or companies may be much higher at a certain point in time. Finvest has a global approach in all private equity investments with a clear focus on Europe. Through diversification, the Company decreases the investment risk and aims at a more stable return than could be obtained through single investments.

**Stage and vintage diversification** – Finvest aims to diversify its investments according to the private equity fund vintage observing also the development stages of the target companies. The reason for investing in private equity funds with different stage and vintage structure is to optimise the cash flows of the different private equity funds over a period of time and diversify the risk. The Company aims to increase the number of buy-out private equity funds in its portfolio. In order to reach a full investment degree faster, Finvest also aims to purchase private equity fund units from the secondary market.

**Liquid private equity investment** – The aim of private equity funds is to contribute to the value increase of the target company and thus create a best possible return on the capital invested. The value increase is usually realised within 3–7 years, at which time the private equity fund divests its ownership in the target company through a trade sale or stock exchange listing and returns the proceeds from the exit to the investors. Therefore, traditional private equity investment requires a long investment horizon and is illiquid. Private equity funds are typically established for a fixed period of around 10 years, after which time the fund is wound-up or dissolved. Since investment in Finvest is made through a listed share, investors have the possibility to increase or decrease their ownership at any chosen point of time.

**High investment degree** – Private equity investments are typically made in the form of an investment commitment given by the investor. Private equity funds are typically established for a fixed period of approximately 10 years and a private equity fund draws down the investment commitments usually during the first 3–5 years to invest in target companies. Since the investor never knows when his commitment will be drawn down by the private equity fund, the investor normally invests the amount in the money market in the meantime, which dilutes the overall return on the commitment. In most cases the first proceeds from

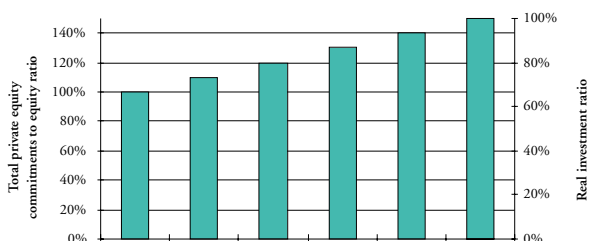


exits are returned to the investors before the whole commitment is drawn down, meaning that the investor never has 100% investment exposure to private equity, but only 60–70% of the total commitment is at the same time invested in target companies. The investor can usually only achieve a 100% real investment degree by making investment commitments amounting to 130–150% of the shareholders' equity.

Finvest has chosen an over-commitment investment strategy, whereby the book value of executed private equity investments and the sum of remaining investment commitments exceeds the shareholders' equity of the Company. According to the investment strategy of the Company, the maximum limit of over-commitment is 150% of the shareholders' equity. With the over-commitment investment strategy chosen by Finvest the investor is expected to receive a fully invested private equity portfolio.

By over-commitment strategy the real investment degree can reach 100%. The over-commitment strategy is closely monitored and adjusted through a sophisticated cash-flow model. Should, through an unforeseen event, the exposure momentarily exceed 100%, the Company has negotiated a credit line available of up to 10% of the shareholders' equity. Such surpass shall also be reported immediately to the Board of Directors.

## Over commitment



**Professional asset managers** – The investment portfolio of Fininvest is managed by highly regarded investment professionals, who have long experience and an excellent track record in the international private equity investment business. The administration of the Company and the management of its investment portfolio have been outsourced, as customary within the private equity business, to a management company, Linna Advisors. Linna Advisors has entered into an advisory agreement with a Swiss company LGT Capital Management, which is highly regarded and experienced management company in the international private equity markets. Through outsourcing the whole administration, the cost structure of the Company remains transparent and flat, mainly comprising of the pre-agreed management and success fees. All parties relating to the investment management of the Company, Linna Advisors and LGT Capital Management, are committed to the same goals with the shareholders of the Company as the success fee serves as an incentive to maximise the value increase of Fininvest and shareholder value.

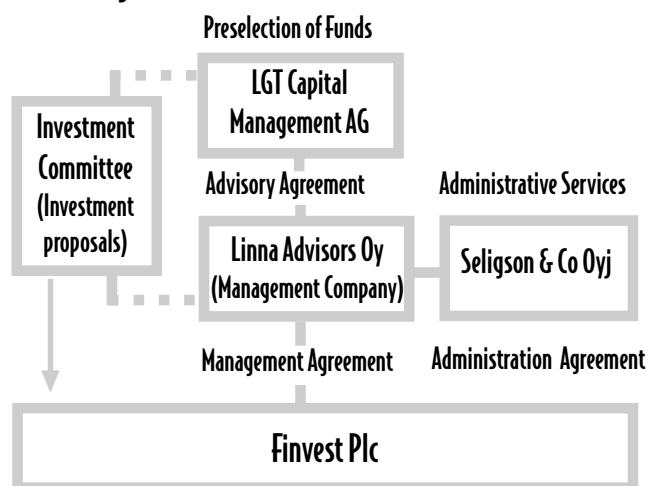
## Management and Investment Process

### Parties to the Management and Fee Structure

The administration of the Company and the management of its portfolio has been outsourced to a management company, Linna Advisors, which is a limited liability company domiciled in Finland. Linna Advisors has entered into an advisory agreement with LGT Capital Management, that has a long experience and an excellent track record in international private equity investment business. The private equity team of LGT Capital Management has strong relationships with experienced fund managers of top-quartile private equity funds. Large amount of capital under management and very good relations enable the participation in top-quartile funds, where only selected large professional and experienced investors are invited. LGT Capital Management has excellent access capabilities worldwide having been responsible for over EUR 1.3 billion of commitments to 120 private equity funds in the last three years. The team of LGT Capital Management has a strong corporate network, which produces reverse deal-flow for private equity funds.

The management company structure is typical in private equity industry, as it ensures the motivation of the investment managers. The management structure described above enables pre-agreed and transparent cost structure, which is based on the management fee of 1.25% per annum, calculated of the sum of total private equity investments and remaining private equity commitments, and a success fee of 10% of the value increase of the Company. Although by rule all administrative costs are included in the management fee, the Company is responsible for certain direct expenses, including normal costs related to being listed and fees of professional advisors used by the Company. The management fee is paid quarterly and the calculation thereof is based on the amount of target fund commitments, deducted with any returned investments as agreed in the Management Agreement. A commitment is defined as the sum paid by Fininvest into target private equity funds together with any outstanding commitment to invest in respective target funds as well as any direct investments into

### The management structure



companies or eventual engagements to make such investments. The success fee is derived from the value increase, calculated based on the value increase of either the net asset value of the Company or the market value of the shares, however always the lower of the two. The success fee is divided between Linna Advisors (40%) and LGT Capital Management (60%), while the management fee is divided between Linna Advisors (50%) and LGT Capital Management (50%).

The management agreement is available for the shareholders at the company head office. A copy of the agreement may be obtained at request.

### Investment Committee

Representatives of Linna Advisors and LGT Capital Management form the investment committee that pre-selects the investment targets to be introduced to the Board of Finvest, which makes the final decisions on investments and exits.

### Investment process

The investment process of Finvest aims to ensure that all investments are based on due care and consideration and the investments are made according to the investment strategy of Finvest.

Linna Advisors and LGT Capital Management are expected to receive approximately of 400–500 investment inquiries annually through their partner network. In addition to these inquiries, the investment committee will actively search investment targets to widen the deal-flow of the Company. Although all inquiries are considered on a general level, most of the inquiries are turned down without further actions.

If a fund or a company is considered to be a potential investment target, Linna Advisors and LGT Capital Management shall make an initial research of the target. It is estimated that approximately 100 funds or companies will be studied annually, of which approximately half will be rejected.

If the findings of the initial research give ground for a further investigation, the investment committee of Finvest makes a due diligence research in the target. The due diligence research is always carried out prior to investment in order to receive a thorough understanding of the target, its business idea and operations. The due diligence research supports the investment proposal of the investment committee and the actual investment decision of Finvest. It is estimated that Finvest carries out due diligence research of 40–50 funds

or companies annually. The Board of Directors of Finvest makes all final investment decisions based on a proposal of the investment committee of Finvest. It is estimated that in the beginning of its operations Finvest makes 10–15 investment commitments annually. In the long run, however, the number of new commitments may be somewhat lower due to the full commitment level.

### Reporting and net asset value

An on-going follow-up and reporting of the investments is essential in the investment process of Finvest. The most important items that will be reported of the investment portfolio include a breakdown by geography, industry sector, vintage year, development stage as well as the total investment degree.

Finvest will make public the net asset value of the investment portfolio on a monthly basis by sending a stock exchange release to Helsinki Exchanges in order to give the investors a better understanding of the company's value on the basis of the latest reports published by private equity funds and the latest market information on listed targets. The company's auditors check the net asset value calculations annually.

### Current portfolio

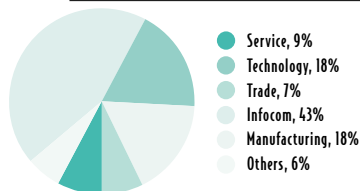
The diversification of the current portfolio by geography, industry, vintage, and development stage by commitments is described in more detail in the pie charts below.

## Management of the company

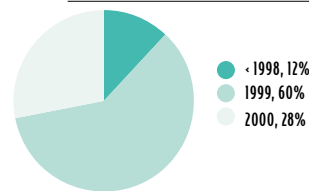
### Board of Directors

According to the Articles of Association, the Board of Directors shall have a minimum of five (5) and a maximum of seven (7) members elected by the Annual General Meeting of Shareholders. The term of office of the members continues up to the next Annual General Meeting. The Board members' number of terms is not limited. The Board meets approximately 10 times a year.

Industry sector



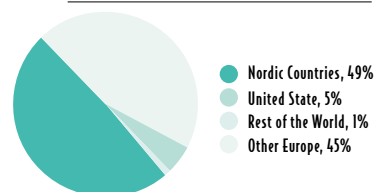
Vintage year



Stage



Geographic



Name	Position	Born	Appointed
<i>Björn Mattsson</i>	Chairman of the Board	1941	2000
<i>Georg Ehrnrooth</i>	Member of the Board	1966	2000
<i>Antti Heikinheimo</i>	Member of the Board	1954	2000
<i>Erkki Myllärniemi</i>	Member of the Board	1949	2000
<i>Jaakko Pöyry</i>	Member of the Board	1924	2000

*Björn Mattsson*, born 1941. Björn Mattsson is the Deputy CEO and Member of the Executive Board of Danisco A/S. Previously President and CEO of Cultor Corporation, he joined Danisco when Danisco, Cultor, and Sidlaw combined their businesses during the first half of 1999. Before being invited to join Cultor as the company's Senior Executive Vice President, he was Director of Partek Corporation for several years. In 1989, Mr Mattsson was nominated President of Cultor Ltd., and in 1990 he also became the company's Chief Executive Officer. Mr Mattsson holds a M.Sc. (Chem.) and a Phil.Lic. degree from the Åbo Akademi University, and has also participated in the LIFIM and Stanford Executive Programs. Mr Mattsson has been a Member of the Board in numerous companies. Currently he is on the Board of Oyj Hartwall Abp and the Industrial Mutual Insurance Company Ltd., as well as the Chairman of the Board of Partek Corporation. He is also a Member of the Supervisory Board of Merita Bank of Finland and Varma-Sampo Mutual Pension Insurance Company and Chairman of the Supervisory Board of Alma-Media Corporation. In addition he is, e.g. Member of the Community Delegation of the Åbo Akademi University.

*Georg Ehrnrooth*, born 1966. Georg Ehrnrooth has been a member of the Board of Directors of eQ Online Corporation since 1999, the Chairman of the Board of Directors of Vestcap Oyj since 2000 and a member of the Board of Directors of the demerged Finvest Plc in 1998–2000. In addition, Georg Ehrnrooth has been responsible for several family investment companies since the early 1990s. Georg Ehrnrooth has been a member of the Board of Directors of Finvest Plc since 1 November 2000.

*Antti Heikinheimo*, born 1954. Antti Heikinheimo is the managing partner of Hannes Snellman Attorneys at Law, Ltd. Mr Heikinheimo completed his legal education in 1979 at the University of Helsinki and was thereafter employed by the Pohjola Insurance Group before moving to Hannes Snellman in 1982. He became partner in 1988. He holds several positions of trust both in business and in the practice of law.

*Erkki Myllärniemi*, born 1949. Erkki Myllärniemi has been Managing Director of Thomeko Oy since 1988, and he is also the main shareholder of the company. Before this, he acted as Managing Director of Ulkomarkkinat Oy from 1984. Thomeko Oy is the leading group in its sector engaged in technical wholesale and investment business. Mr Myllärniemi is also member of Beveys Oy's Board of Directors and Chairman of Balance Capital Oy's Board of Directors.

*Jaakko Pöyry*, born 1924. Dr Jaakko Pöyry has held positions as a President of Oy Tekno-Invest Ab, Helsinki, Finland (1956–58),

responsible for the design, manufacture and sales of stock cleaning systems developed by Projecting AB of Sweden and as a Director, Pulp and Paper Machine Department Oy Wärtsilä Ab (1949–56). Mr Pöyry founded the company Jaakko Pöyry Group in 1958 to handle the engineering work for a major pulp mill project in Finland. In the early 1970s the Jaakko Pöyry Group became one of the largest independent consulting engineering organisations in the world serving the forest-based and other process industries. Dr Pöyry continues as Honorary Chairman and Member of the Board of Jaakko Pöyry Consulting Oy, which is the Group's forest industry management consulting unit, and as Vice Chairman of the Board of Jaakko Pöyry Group Oyj.

#### **Managing Director**

Topi Piela, born 1962, (M.Sc. (Econ.), CEFA) has earlier acted as the Equity Investment Manager of Mutual Pension Insurance Company Ilmarinen, founder and Managing Director of Arctos Rahasto Oy, Securities and Investment Manager of the Bank of Åland PLC as well as a member of the investment committees of several Finnish and European private equity funds. Topi Piela and his family own Piela Ventures Oy, which holds 20% of the shares of Linna Advisors. Mr Piela is also Managing Director of Linna Advisors.

#### **Investment Committee**

The investment committee pre-selects the best investment targets to be introduced to the Board of Finvest, which makes the final investment decisions. The investment committee members are Topi Piela, Roberto Paganoni (LGT) and Ivan Vercoutère (LGT).

*Dr Roberto Paganoni*, Dutch citizen, born 1961, Member of the Executive Board, LGT Capital Management, completed his mechanical engineering studies at the technical university of Aachen, Germany and received a Ph.D. in Business Administration from the University of St. Gallen («HSG»). After assignments in marketing and management consulting in the Netherlands and in New York, he joined McKinsey & Co. in Dusseldorf in 1989. In 1993 he transferred to McKinsey & Co. in Switzerland after having spent a year in McKinsey's Eurocenter in Brussels. With McKinsey & Co. Dr Paganoni managed international projects in the areas of industrial goods, airlines, telecommunications and financial services. In 1997, he joined Liechtenstein Global Trust Aktiengesellschaft as Head of the Alternative Investments area. Since 1998, he has been Member of the Executive Board and Head of Alternative Investments of LGT Capital Management Aktiengesellschaft, Vaduz.

*Ivan Vercoutère*, French and US citizen, born 1966, Managing Director, LGT Capital Management Private Equity Investments, heads LGT's Private Equity Investments team and serves on the advisory boards of a number of private equity funds. Mr Vercoutère has earlier worked as Vice President and Member of Investment Committee of Pacific Corporate Group, USA and managed private equity investments on behalf of CalPERS, State of Oregon and the World Bank among others. Mr Vercoutère holds a B.Sc. from San Diego State University.

## Current Investments in Private Equity Funds

**Access Capital** is a French fund of private equity funds that invests in Europe. The aim of the fund is to select the top-quartile performers among the European private equity funds. The fund invests mostly in both primary funds and eventually secondary positions. Geographically the fund invests at least 90% of all assets into Western Europe. Access Capital Fund has made investments into fifteen European funds focused in high technology start-ups, later-stage and LBO funds. The fund does not make any direct investments. The first closing of the fund was in 1999 and the final closing in May 2000. So far, the invested funds in the portfolio have achieved six IPO's and one trade sale.

**Benchmark Capital** is a leading US venture capital firm, which was founded in 1995. The Private equity fund will focus on many of the areas, in which Benchmark has demonstrated success. Benchmark Europe I is the fifth fund of Benchmark Capital. The fund closing was in May 2000. The fund invests in European early stage technology and internet companies. According to the investment strategy, the fund invests in companies in the Internet, wireless infra-structure services and equipment, e-commerce, application services, semiconductors, software and consumer devices industry. The fund seeks to be an active partner to the management of the target company.

**Industri Kapital** is a private equity investment company that has four funds under its management, which funds invest mainly in the Scandinavian region. Industri Kapital 2000 fund ("IK 2000") is the fourth fund of the group and it aims to invest also in other European countries. The investments are made primarily as buy-out funding, but IK 2000 also invests in the financing of growth, portfolio restructuring and in companies in various change processes. The investments are made primarily as majority investments alone or with other investors and the management of the target company is also expected to invest in the company along with the fund. Industri Kapital takes an active role in business decisions through board memberships. Industri Kapital has 28 investment professionals covering Europe from its five offices across Europe. IK 2000 has for example invested in the following European companies: Dyno ASA (a producer of special chemicals in Norway) and Fortex (a textile renting/washing company in Benelux).

**Innovacom Fund** is a private equity fund that invests in early stage telecommunications and information technology start-ups in Europe and North America. The relationship with France Telecom is strategically important. Innovacom is part of the France Telecom's development branch. The number of investments is typically around 40 and the investments are made as minority investments. The investments are geographically diversified into France, Rest of Europe and into the United States. The exit is made through an IPO or a trade sale. The fund has contributed to the creation and expansion of over 250 companies in software, publishing, electronic components and hardware and services related to public or private telecommunication networks.

**Menire Corporation** is an investment company with a focus on small, unlisted Nordic growth companies representing various fields of information technology.

### Private Equity Funds held in the portfolio as of December 31, 2000

	Sponsor Fund 1 KY	Access Capital LP
<b>Vintage Year</b>	1997	1999
<b>Company name/ Private Equity Manager</b>	Sponsor Capital Oy	Access Capital Partners
<b>Total size of the fund, MEUR</b>	100	200
<b>Initial commitment, TEUR</b>	4,205	5,000
<b>Financing stage</b>	MBO/LBO	All
<b>Geographical focus</b>	Finland	Europe
<b>Industry focus</b>	Finnish middle-sized companies	Fund-of- funds
<b>Internet page</b>	<a href="http://www.sponsor.fi">www.sponsor.fi</a>	<a href="http://www.access-capital-partners.com">www.access-capital-partners.com</a>

The shares of Menire Corporation are publicly traded on the Helsinki Exchanges. The Menire shares are to be divested in favourable market conditions. As venture capital fund, however, the Menire share can be seen to fit the Company's investment strategy. Finvest currently holds 14.5% of the share capital of Menire (2,040,042 shares).

**Nexit Ventures** is a Finnish management company for Nexit Infocom 2000 Fund Limited Partnerships that invests in the Nordic and US region mainly to the early stage and start-up Infocom companies, which operate in the areas of applications/services (e-commerce, e-content, e-tainment, user applications) wired and wireless information transfer (Java, Bluetooth, MPE4G, MP3, XML) as well as data and telecommunication. The investments will be geographically diversified mainly into Finland and Sweden, but also into other European countries and USA. The exits will be made through an IPO or a trade sale.

**Sponsor Fund** was founded in 1997 and has today 4 investments: Ensto Oy, Indoor Group Ltd (Asko-Sotka), BPA AB and Saunatec Oyj. The fund invests primarily in majority holdings in Finnish mid-cap unlisted companies, while the acquired companies operate independently. Sponsor Fund invests primarily in Finland. The management incentive programs are based on creating shareholder value in acquired companies. Sponsor Fund aims at investments with an equity portion of 7–25 million EUR. However, co-investments with fund investors make larger investments possible. The company has made two very successful exits, Teleste Corporation and Exel Oyj.

<b>Nexit Infocom 2000</b>	<b>Innovacom 4</b>	<b>Benchmark Europe I LP</b>	<b>Menire Corporation</b>	<b>Industri Kapital 2000</b>
1999	2000	2000	1999	1999
Nexit Ventures	Innovacom s.a.	Benchmark Capital, Delaware, DE	Menire Advisors Ltd.	Industri Kapital Ltd
100	200	USD 750 million	38	2,100
4,793	5,000	USD 3 million	2,754	5,000
Start-up	Expansion, Development Capital, early stage, Start-up Capital	Early stage	Early, stage growth	Buy-out
Nordic countries and U.S.	France, Germany, USA, United Kingdom	Europe	Nordic countries	Europe
Mobile wireless, Internet infrastructure, Mobile Internet,	Communications, Computer related, Computer software, Electronic related	High-/Information Tecnology and Infrastructure, Internet, Media, Telecom	Online and wireless communication	Manufacturing, retailing, food - beverages, chemical - materials, services
<a href="http://www.nexitventures.com">www.nexitventures.com</a>	<a href="http://www.innovacom.com">www.innovacom.com</a>	<a href="http://www.benchmark.com">www.benchmark.com</a>	<a href="http://www.menire.com">www.menire.com</a>	<a href="http://www.industrikapital.com">www.industrikapital.com</a>

# Board of Directors' Report

## **Finvest Plc is a private equity fund-of-funds**

Finvest Plc was established at the beginning of November 2000, as the old Finvest was demerged into four parts. The Mandatum shares held by the demerged Finvest were transferred to Vestcap, the eQ Online shares to eQ Holding, and the manufacture of capacitors to Evox Rifa. The other assets of the demerged Finvest like private equity investments were transferred to the new Finvest Plc, which is quoted on the NM list of Helsinki Exchanges. Finvest Plc will concentrate its operations on private equity investments. The company makes investments in private equity funds and unlisted companies.

Finvest Plc is the first listed private equity fund of funds in Scandinavia. It aims to invest in 300 to 500 unlisted companies through 30 to 50 private equity funds. Finvest Plc offers access to this new, interesting investment class even with a small investment. Being a listed company, Finvest Plc is a liquid investment, where the investor can increase or decrease his or her holding at any time.

The Finvest Group consists of the parent company Finvest and two subsidiaries. The subsidiaries are a Finnish real estate company that owns a land area in Espoo, Kilo, and a Dutch holding company Le Pecq Estates B.V. The Dutch holding company Le Pecq Estates B.V has owned 50% of the French real estate company Sci Le Pecq S.A., regarding which a decision on dissolution has been made in December 2000. The entries due to this are included in the financial statements. The subsidiaries have no actual business operations in addition to the real estate holdings.

## **Finvest's investment portfolio and financial situation**

Finvest Plc's first financial period was 1.11.–31.12.2000. The net turnover of the Finvest Group during the fiscal year totalled EUR 0.1 million and the loss for the period was EUR 1.9 million, which is due to the value adjustments of listed shares, eQ Online and Menire.

The balance sheet total of the Finvest Group was EUR 22.0 million. The company's shareholders' equity totalled EUR 20.4 million. According to Finvest's investment policy, almost the entire balance sheet consist of shareholders' equity, which means that the equity to assets ratio is high, exceeding 90%. Almost half of the balance sheet has already been invested in private equity funds, the remaining part consisting mainly of liquid assets, and of other investments. The major other investments of Finvest are eQ Online Oyj, the land area in Espoo, Kilo in Finland and shares of HEX Oyj.

By now, Finvest has made investments in seven different private equity funds, which had a book value of EUR 10.2 million at the end of the fiscal year. In addition to these investments, Finvest has made investment commitments amounting to EUR 18.9 million to these private equity funds. The investment commitment of EUR 5 million made in the Industri Kapital 2000 Fund during the fiscal year is also included in figures above.

## **Finvest's administration**

### **Finvest's Board of Directors, auditors and Managing Director**

Finvest's Board of Directors consisted of seven members during the period 1.11.–14.12.2000: Jerker Molander, Chairman, Georg Ehrnrooth, Erkki Myllärniemi, Jaakko Pöyry, Peter Seligson, Kari Stadigh and Ari Tolppanen. Jerker Molander, Peter Seligson, Kari Stadigh and Ari Tolppanen requested resignation at the Extraordinary Meeting of Shareholders held on 14.12.2000. The same Extraordinary Meeting of Shareholders decided to complete the Board by defining the number of Board members as five: Björn Mattsson, Chairman, Antti Heikinheimo, Jaakko Pöyry, Georg Ehrnrooth, and Erkki Myllärniemi.

The serving auditors were Authorised Public Accountant Firm SVH Pricewaterhouse Coopers Oy with Ulla Holmström, Authorised Public Accountant, as the auditor in charge.

Mr Topi Piela, M.Sc. (Econ.), CEFA, served as the Managing Director of Finvest Plc.

### **Selection of funds and outsourcing of management services**

In accordance with the resolution by the Extraordinary Meeting of Shareholders on 14.12.2000, Finvest has outsourced the selection and management of the private equity funds as well as the general administration of the company to Linna Advisors Oy from the beginning of 2001. Linna Advisors has entered into an advisory agreement with the Swiss company LGT Capital Management AG. The outsourcing of management operations is a common international practice in private equity business. It increases efficiency, improves the transparency of the company operations, and creates preconditions for building the compensation system so that the managers are committed to the same goals as Finvest's shareholders, i.e. the maximisation of the company value.

Finvest pays to Linna Advisors Oy an annual management fee (1.25% p.a. of the investment commitments) and a success fee based on the value increase of the investments. The success fee is 10% of the annual value increase of the company. The fee is defined either on the basis of Finvest's net asset value or share price development, whichever is the lowest. Linna Advisors shares with LGT Capital Management both the management and the success fee. In addition to the above mentioned costs, Finvest is responsible for the normal costs arising from the listing of the company share, but as a rule all administration costs are included in the management fee.

LGT Capital Management takes care of the preliminary selection of the funds. The investments proposals are taken to the investment committee for further consideration. The investment committee consists of Finvest's Managing Director Topi Piela, Ivan Vercoutère, who is responsible for LGT's private equity investments, and Roberto Paganoni, head of LGT's alternative investments.

Finvest's Board of Directors makes the final decision on each investment.

During the financial period Finvest employed two persons. In the future Finvest will have no staff of its own, as these persons were employed by Linna Advisors Oy as of 1.1.2001.

## Investment policy

Finvest's aim is to optimise the shareholders' long-term return by investing in the best private equity funds. Finvest intends to invest in 300 to 500 unlisted companies through 30 to 50 private equity funds. In addition, Finvest may invest a small proportion of its funds directly to investee companies. In order to lower the risk, the investments are diversified widely both geographically and by industry as well as by fund type. The investments are also diversified according to fund vintage.

Even though Finvest's investment operations are global, the emphasis will lie in Europe, where the private equity business is presently experiencing rapid growth.

## Dividend policy and proposal for the distribution of profits

Finvest's Board of Directors has adopted a dividend policy according to which the proposal to pay dividend and the amount of the dividend always depend on, i.a. the capital needed for the company operations. The amount of the dividend also depends on the restrictions on the payment of dividend under Finnish law and other factors that the Board of Directors may deem relevant. Subject to the foregoing factors, the Board of Directors of the company currently intends to recommend annual dividends representing at least 30% of the company's net profit on an annual basis.

The company has a short operating history and it is presently undergoing a capitalisation process in order to increase the size of its investment portfolio. Therefore, the Board of Directors proposes that no dividend will be paid for the financial period that ended on 31 December 2000.

## Events after the end of the financial period and outlook

The average annual return of private equity funds in North America has been 20% during the past 20 years, while the average return of European private equity funds since their inception has been 15%. The return of the top-quartile private equity funds in Europe has, however, been 34%. In order to guarantee a good return, it is important to select the right funds and to be able to invest in them.

During the past few years, private equity investment operations have grown strongly world-wide. The US has been among the forerunners in private equity business, and it continues to be the leading country both as to the amount of capital managed and growth. The amount of capital invested in European private equity funds has, however, risen to a completely new level during

the past few years. The recent strong growth shows that private equity investments are consolidating their position as an alternative investment target alongside with traditional forms of investment.

According to the adopted strategy, Finvest's plan is to increase the company's balance sheet considerably during the year 2001. An Extraordinary Shareholders' Meeting on 14.12.2000 has given Finvest Plc's Board of Directors the authorisation to prepare a share issue. The preparations of the share issue are under way. The decision on the share issue will be made by Finvest Plc's General Meeting of Shareholders in February 2001. Immediately after the share issue, most of Finvest's balance sheet will be in liquid assets. By the end of 2001, Finvest aims at increasing the share of private equity investments to 60% of the balance sheet and by the end of 2002 to 100%.

After the end of the fiscal year, Finvest Plc's Board of Directors has decided to make an investment commitment of USD 3 million to the Atlas Venture Fund. Atlas Venture is a private equity fund that invests in different types of technology companies at all development stages both in Europe and North America. In addition, the equity funds mentioned under securities have been sold and the means have been further invested in a money market fund.

At the moment, 60% of Finvest's investments have been made in venture capital funds. Finvest's aim is to increase the share of buyout funds so that their share will on a longer term be 60% of the portfolio, and that of venture capital investments 40%.

Due to Finvest's short operating history, its private equity fund investments are also young. Consequently, investments in Finvest are not necessarily expected to return a considerable cash flow before the year 2002. Finvest concentrates on private equity investments. The company's aim is that all investments that are not part of the core operations will have been sold by the end of 2001, if the market conditions are favourable.

### **The Board proposes an amendment of the Articles of Association, directed share offering and the repurchase of own shares**

The Board of Directors of Finvest proposes to the Annual General Meeting that sections 2, 3 and 10 of the Articles of Association be changed according to the present amount of share capital and the legislation and field of activity.

Helsinki, 22 January 2001

FINVEST PLC  
Board of Directors

# Group Net Asset Value Calculation

EUR 1000	MARKET VALUE 31 Dec. 2000
<b>ASSETS</b>	
<b>FIXED ASSETS</b>	
Tangible assets	
Land	561
Machinery and equipment	44
<b>CURRENT ASSETS</b>	
Inventories	
Shares	
eQ Online Corporations	737
Menire Corporations	2,754
Other	312
Private equity investments	
Sponsor Fund I Ky	1,897
Nexit Infocom 2000 Limited	828
Access Capital I LP	1,370
FCPR Innovacom 4	750
Benchmark Europe I LP	161
Industri Kapital 2000	2,577
Others	39
Non-current receivables	
Loan receivables	17
Current receivables	
Other receivables	12
Current investments	
Other securities	10,234
Cash in hand and at bank	384
<b>TOTAL ASSETS</b>	<b>22,677</b>
<b>LIABILITIES</b>	
Current	
Trade payables	32
Other current liabilities	1,517
Accrued liabilities and deferred income	49
<b>TOTAL LIABILITIES</b>	<b>1,598</b>
Net asset value before hidden tax liability	21,079
Hidden tax liability	-191
Net asset value after hidden tax liability	20,888
Net asset value per share before hidden tax liability (EUR)	0.24
Net asset value per share after hidden tax liability (EUR)	0.24

## Calculation principles

Publicly quoted securities included in current assets have been evaluated according to the last trading price on December 29, 2000. Private equity funds have been valued according to the latest valuations made by private equity managers and are mainly valued at book value. Other items have been valued according to the book value with the exception of Hex Oyj, which is valued at 12.5 euros per share.



## Group Assets

31 Dec. 2000	NUMBER OF SHARES	BOOK VALUE EUR 1 000	MARKET VALUE EUR 1 000	SHARE OF MARKET VALUE, %
<b>FIXED ASSETS</b>				
Real estate company Kilon KB/39, land area		561	561	2.5
Others		44	44	0.2
<b>FIXED ASSETS, TOTAL</b>		<b>605</b>	<b>605</b>	<b>2.7</b>
<b>CURRENT ASSETS</b>				
Inventories				
Private Equity funds				
Sponsor Fund I Ky		1,897	1,897	8.4
Access Capital LP		1,250	1,370	6.0
Nexit Infocom 2000 Limited		828	828	3.7
Innovacom 4		750	750	3.3
Benchmark Europe I LP		161	161	0.7
Industri Kapital 2000		2,577	2,577	11.4
Listed companies				
Menire Corporation	2,040,042	2,754	2,754	12.1
eQ Online Corporation	608,817	737	737	3.2
Other shares and securities				
Hex Oyj	24,400	25	305	1.3
Suomen Asiakastieto Oy	12	0	0	0.0
OKR Issuers		7	7	0.0
Other investments				
Polar Kiinteistöt Oyj convertible bond		39	39	0.2
		11,025	11,425	50.4
Non-current receivables		17	17	0.1
Current receivables				
Other receivables		12	12	0.1
		29	29	0.1
Current investments				
Mutual funds				
Seligson & Co Rahamarkkinarahasto		7,116	7,157	31.6
Seligson & Co Russia		249	249	1.1
Seligson & Co Phalanx A		10	10	
Seligson & Co Phalanx B		2,601	2,818	12.4
		9,976	10,234	45.1
Cash in hand and at bank		384	384	1.7
<b>CURRENT ASSETS, TOTAL</b>		<b>21,414</b>	<b>22,072</b>	<b>97.3</b>
<b>GROUP ASSETS, TOTAL</b>		<b>22,020</b>	<b>22,677</b>	<b>100.0</b>

# Income Statement

EUR 1 000	GROUP 11-12/2000	PARENT COMPANY 11-12/2000
<b>1. NET TURNOVER</b>	97	97
Other operating income	42	11
Expenses		
Cost of investments	-2,754	-2,754
Incr. (+) or decr. (-) in investments	1,138	1,138
2. Personnel expenses	-29	-29
3. Depreciation	-2	-2
Other operating expenses	-248	-241
	-1,895	-1,888
<b>OPERATING LOSS</b>	-1,756	-1,780
4. Financial income and expenses	-149	-138
<b>LOSS BEFORE APPROPRIATIONS AND TAXES</b>	-1,905	-1,918
Direct taxes		
<b>LOSS FOR THE PERIOD</b>	-1,905	-1,918

# Balance Sheet

EUR 1 000	GROUP 31 Dec. 2000	PARENT COMPANY 31 Dec. 2000
<b>ASSETS</b>		
<b>FIXED ASSETS</b>		
1. Tangible assets		
Land	561	
Machinery and equipment	44	44
	605	44
2-3. Investments		
Shares in subsidiaries		1,612
<b>CURRENT ASSETS</b>		
Inventories	11,025	11,025
Non-current receivables		
Loan receivables	17	17
4. Current receivables		
Other receivables	12	36
5. Current investments		
Other securities	9,976	9,976
Cash in hand and at bank	384	382
	22,020	23,092
<b>EQUITY AND LIABILITIES</b>		
<b>6. SHAREHOLDERS' EQUITY</b>		
Share capital	4,334	4,334
Legal reserve	10,688	10,688
Retained earnings	7,305	7,378
Loss for the period	-1,905	-1,918
	20,422	20,482
<b>LIABILITIES</b>		
7. Non-current liabilities		1,018
8. Current liabilities	1,598	1,592
	22,020	23,092

# Cash Flow

EUR 1 000	GROUP 11–12/2000	PARENT COMPANY 11–12/2000
Operations		
Operating loss	-1,756	-1,780
Depreciations	2	2
Change in working capital		
Incr. (-) or decr. (+) in current receivables	2,436	1,275
Incr. (+) or decr. (-) in current liabilities	-4,431	-965
Incr. (-) or decr. (+) in investments	-1,137	-1,137
Change in working capital, total	-3,132	-827
Financial income and expenses	-149	-138
Cash flow from operations	-5,035	-2,743
Financing		
Incr. (-) or decr. (+) in loan receivables	7,185	6,199
Incr. (+) or decr. (-) in non-current loans		-957
Financing total	7,185	5,242
Increase/decrease in liquid assets	2,150	2,499
Liquid assets, 1 Nov.	8,210	7,859
Liquid assets, 31 Dec.	10,360	10,358

The liquid assets contain cash in hand and at bank as well as other securities

## Group Key Figures

EUR 1 000	Outcome 11–12/2000	Pro Forma 1–12/2000
<b>INCOME STATEMENT</b>		
Net turnover	97	5,047
Operating loss/profit	-1,756	40
% of net turnover		0.8
Financial income and expenses	-149	315
% of net turnover		6.2
Result before appropriations and taxes	-1,905	355
% of net turnover		7.0
Direct taxes	0	-102
Group result for the period	-1,905	252
<b>BALANCE SHEET</b>		
Intangible and tangible assets	605	605
Inventories	11,025	11,025
Non-current receivables	17	17
Current receivables	12	12
Current investments and cash in hand and at bank	10,360	10,360
<b>TOTAL ASSETS</b>	<b>22,020</b>	<b>22,020</b>
Shareholders' equity	20,422	20,422
Interest bearing liabilities	0	0
Non-interest bearing liabilities	1,598	1,598
<b>TOTAL LIABILITIES</b>	<b>22,020</b>	<b>22,020</b>

	Outcome 11–12/2000	Pro Forma 1–12/2000
<b>PROFITABILITY AND OTHER KEY FIGURES</b>		
Return on investment, % p.a.	-44.8	1.7
Return on equity, % p.a.	-49.5	1.2
Equity to assets ratio, %	92.7	92.7
Gearing, %	-50.7	-50.7
Total private equity investments to equity ratio, %	49.9	49.9
Total commitments to equity ratio, %	146.4	146.4
Net asset value before hidden tax liability, 1 000 EUR	21,079	21,079
Net asset value after hidden tax liability, 1 000 EUR	20,888	20,888
Average number of personnel in Group companies	2	0
<b>SHARE-RELATED KEY FIGURES</b>		
Earnings per share, EUR	-0.02	0.00
Shareholders' equity per share, EUR	0.24	0.24
Dividend paid, EUR 1 000	0 <sup>1)</sup>	-
Dividend per share	0.00 <sup>1)</sup>	-
Dividend per result, %	-	-
Price/earnings ratio (P/E)	-7.7	-
Net asset value before hidden tax liability per share, EUR	0.24	0.24
Net asset value after hidden tax liability per share, EUR	0.24	0.24
Adjusted share price development, EUR		
Average price	0.19	-
Highest price	0.25	-
Lowest price	0.15	-
Market capitalisation, EUR 1 000	14,737	-
Turnover, 1 000 pcs.	11,750	-
Turnover, % of total number	13.6	-
Adjusted number of shares, 1 000 pcs.		
Average for the year	86,686	86,686
At year-end	86,686	86,686

<sup>1)</sup> Proposal by the Board of Directors

## Calculation of Key Figures

Return on investment, ROI (%)	100 x	$\frac{\text{profit before extraordinary items} + \text{interest and other financial expenses}}{\text{balance sheet total} - \text{non-interest bearing liabilities (average)}}$
Return on equity, ROE (%)	100 x	$\frac{\text{profit before extraordinary items} - \text{taxes}}{\text{shareholders' equity} + \text{minority interest (average)}}$
Equity to assets ratio (%)	100 x	$\frac{\text{shareholders' equity} + \text{minority interest}}{\text{balance sheet total} - \text{advances received}}$
Gearing (%)	100 x	$\frac{\text{interest-bearing liabilities} - \text{current investments} - \text{cash in hand and at bank}}{\text{shareholders' equity} + \text{minority interest}}$
Earnings per share, EPS		$\frac{\text{profit before extraordinary items} - \text{taxes} - \text{minority interest}}{\text{adjusted average number of shares during the financial period}}$
Shareholders' equity per share		$\frac{\text{shareholders' equity}}{\text{adjusted number of shares at the end of the financial period}}$
Dividend per share		$\frac{\text{dividend}}{\text{adjusted number of shares at the end of the financial period}}$
Dividend per result (%)	100 x	$\frac{\text{dividend per share paid for the financial period}}{\text{earnings per share}}$
Effective dividend yield (%)	100 x	$\frac{\text{dividend per share}}{\text{adjusted share price at the end of the financial period}}$
Price/earnings ratio, P/E		$\frac{\text{share price at the end of the financial period}}{\text{earnings per share}}$
Market capitalisation		$\text{number of shares at the end of the financial period} \times \text{last trading price of the financial period}$
Turnover (%)		$\frac{\text{number of shares traded during the financial period}}{\text{average number of shares during the financial period}}$
Total private equity investments to equity ratio (%)		$\frac{\text{private equity investments}}{\text{shareholders' equity}}$
Total private equity commitments to equity ratio (%)		$\frac{\text{private equity investments} + \text{remaining commitments}}{\text{shareholders' equity}}$

# Accounting Principles

**Finvest Plc was formed when the former Finvest Plc was demerged into four new companies. The demerger was entered in the Trade Register on 1 November 2000. Finvest Plc draws up its financial statements for the first time, which means that there are no comparison data to the consolidated and parent company financial statements. The length of the first financial period was two months.**

## Principles of consolidation

The consolidated accounts include the parent company Finvest Plc and those companies in which the parent company holds directly or indirectly more than 50% of the voting power. Intra group transactions have been eliminated in the consolidated financial statements. Intra group share-holdings have been eliminated by using acquisition method.

## Changes in Group structure

The changes in Group structure have been presented in the report of the Board of Directors.

## Net turnover

The net turnover includes the sales proceeds from securities trading, the proceeds from private equity funds and the dividend yield.

## Valuation of real estate

The real estate has been valued at acquisition cost or at a lower probable market price.

## Long term expenses

The long-term expenses mainly consist of purchases of computer software

## Valuation of Inventories

Investments are stated according to FIFO –principle and at lower of cost or market value. Investments in Private

Equity Funds are valued at lower of acquisition cost or current value. Publicly traded securities are valued at lower of acquisition cost or market value. Other securities and holdings are valued at no more than acquisition cost or either at likely sales prices or at likely repurchase price, whichever is lower.

## Valuation of current investments

The securities included in liquid assets have been valued at acquisition cost or at a lower market price.

## Depreciation principles

A depreciation plan drawn up in advance has been used when defining the depreciation according to plan for the fixed assets. The depreciation according to plan is calculated as straight-line depreciation based on the original acquisition cost. Long-term expenses are depreciated over 3 to 10 years. Machinery and equipment is depreciated over 4 to 10 years.

## Foreign currency items

The receivables and debts of the Group companies in foreign currencies have been translated to euros according to the rate prevailing on the balance sheet day.

## Pension arrangements

In Finnish companies, the statutory pension obligations regarding the staff have been administered through pension companies.

# Notes to the Financial Statements

	GROUP 11–12/2000	PARENT COMPANY 11–12/2000
<b>NOTES TO THE INCOME STATEMENT</b>		
<b>1. NET TURNOVER</b>		
Sales of securities	97	97
<b>2. PERSONNEL EXPENSES</b>		
Salaries and remunerations	25	25
Pension costs	3	3
Other indirect employee costs	1	1
<b>Total</b>	<b>29</b>	<b>29</b>
Both obligatory and voluntary employee costs are included in the other employee costs.		
Salaries and remunerations to the management	21	21
Average number of personnel during the financial period	2	2
<b>3. DEPRECIATIONS</b>		
Depreciation on intangible and tangible assets	2	2
Depreciation specification according to balance sheet item is included under intangible and tangible assets		
<b>4. FINANCIAL INCOME AND EXPENSES</b>		
Interest and other financial income		
Interest income from non-current investments		
From Group companies		11
Interest income from current investments		
External	13	13
Other financial income		
External	16	16
Interest and other financial expenses		
Value adjustment of current investments		
	-89	-89
Interest expenses		
External	-83	-83
Exchange rate losses		
	-6	-6
<b>Financial income and expenses, total</b>	<b>-149</b>	<b>-138</b>



GROUP  
11–12/2000

PARENT COMPANY  
11–12/2000

**NOTES TO THE BALANCE SHEET**

1. INTANGIBLE AND TANGIBLE ASSETS

Land		
Acquisition cost, 1 Nov.	561	
Increases		
Decreases		
Acquisition cost, 31 Dec.	561	
Book value, 31 Dec.	561	
Machinery and equipment		
Acquisition cost, 1 Nov.	46	46
Increases		
Decreases		
Acquisition cost, 1 Dec.	46	46
Accumulated depreciation and value adjustments, 1 Nov.		
Depreciation in the period	-2	-2
Accumulated depreciation and value adjustments, 31 Dec.	-2	-2
Book value, 31 Dec.	44	44

2. INVESTMENTS

Shares in subsidiaries		
Acquisition cost, 1 Nov.		1,612
Increases		
Decreases		
Acquisition cost, 31 Dec.		1,612
Book value, 31 Dec.		1,612

3. SHARE HOLDINGS

	Group holding, %	Parent company holding, %
Group companies:		
Real estate company Kilon KB/39, Espoo	100.0	100.0
Le Pecq Estates B.V., Holland	100.0	100.0

4. CURRENT RECEIVABLES FROM GROUP COMPANIES

Other receivables	24
Group companies, total	24

5. CURRENT INVESTMENTS

Replacement price, 31 Dec.	10,234	10,234
Book value, 31 Dec.	9,976	9,976
Difference	258	258

The current investments comprise shares in mutual funds.

	GROUP 11–12/2000	PARENT COMPANY 11–12/2000
<b>6. SHAREHOLDERS' EQUITY</b>		
Share capital, 1 Nov.	4,334	4,334
Share capital, 31 Dec.	4,334	4,334
Legal reserve, 1 Nov.	10,688	10,688
Legal reserve, 31 Dec.	10,688	10,688
Retained earnings, 1 Nov.	7,332	7,378
Translation difference	-27	
Retained earnings, 31 Dec.	7,305	7,378
Loss for the period	-1,905	-1,918
Shareholders' equity, 31 Dec.	20,422	20,482
Calculation of distributable earnings, 31 Dec.		
Retained earnings	7,305	7,378
Profit for the period	-1,905	-1,918
Distributable retained profit	5,400	5,460

The share capital of the parent company consists of 86 685 509 shares. All shares carry one vote.  
The nominal value of the share is 0.05 euros.

#### 7. NON-CURRENT LIABILITIES

Loans from Group companies	-	1,018
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#### 8. CURRENT LIABILITIES

Trade payables	32	32
Other current liabilities	1,517	1,517
Accrued liabilities and deferred income	49	43

#### OTHER NOTES

##### 1. PLEDGES, MORTGAGES AND OBLIGATIONS

Finvest Plc's remaining commitments to Private Equity funds

Remaining commitments, 31 Dec. 2000

Sponsor Fund 1 Ky	1,402
Access Capital LP	3,750
Nexit Infocom 2000 Limited	3,965
Innovacom 4	4,250
Benchmark Europe I LP	3,063
Industri Kapital 2000	2,423

## Pro Forma Income Statement

EUR 1 000	GROUP	PARENT COMPANY
	1-12/2000	1-12/2000
<b>NET TURNOVER</b>	5,047	5,047
Other operating income	42	11
Expenses		
Cost of investments	-7,942	-7,942
Incr. (+) or decr. (-) in investments	3,535	3,535
Depreciations	-17	-17
Other operating expenses	-625	-596
	-5,049	5,020
<b>OPERATING PROFIT</b>	40	38
Financial income and expenses	315	326
<b>PROFIT BEFORE APPROPRIATIONS AND TAXES</b>	355	364
Direct taxes	-102	-105
<b>PROFIT FOR THE PERIOD</b>	252	258

## Pro Forma Balance Sheet

EUR 1 000	GROUP	PARENT COMPANY
	31 Dec. 2000	31 Dec. 2000
<b>ASSETS</b>		
<b>FIXED ASSETS</b>		
Tangible assets		
Land	561	
Machinery and equipment	44	44
	605	44
Investments		
Shares in subsidiaries		1,612
<b>CURRENT ASSETS</b>		
Inventories	11,025	11,025
Non-current receivables		
Loan receivables	17	17
Current receivables		
Other receivables	12	36
Current investments		
Other securities	9,976	9,976
Cash in hand and at bank	384	382
	22,020	23,092
<b>EQUITY AND LIABILITIES</b>		
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	4,334	4,334
Legal reserve	10,688	10,688
Retained earnings	5,148	5,202
Profit for the period	252	258
	20,422	20,482
<b>LIABILITIES</b>		
Non-current liabilities		1,018
Current liabilities	1,598	1,592
	22,020	23,092

## Pro Forma Cash Flow

EUR 1 000	GROUP 1-12/2000	PARENT COMPANY 1-12/2000
Operations		
Operating profit	40	38
Depreciations	17	17
Change in working capital		
Incr. (-) or decr. (+) in current receivables	-12	-16
Incr. (+) or decr. (-) in current liabilities	-798	-801
Incr. (-) or decr. (+) in investments	-3,534	-3,534
Change in working capital, total	-4,344	-4,351
Other adjustments to operating profit	-23	-23
Financial income and expenses	315	326
Taxes	-81	-83
Cash flow from operations	-4,076	-4,076
Increase/decrease in liquid assets	-4,076	-4,076
Liquid assets, 1 Jan.	14,436	14,434
Liquid assets, 31 Dec.	10,360	10,358
The liquid assets contain cash in hand and at bank as well as other securities.		

## Pro Forma Principles

Finvest was formed in the demerger of the Dissolved Fininvest in accordance with Chapter 14a of the Finnish Companies Act. The demerger was enforced on November 1, 2000. The first financial period of the Company comprises two months. Therefore, in order to facilitate comparability of future financial statements of Fininvest Group, the Pro Forma financial figures for a 12 month period in 2000 have been prepared. The Pro Forma financial figures are based on the following accounting principles.

The Pro Forma figures are derived from the balance sheet of Fininvest Group as at December 31, 2000, the first official financial closing of Fininvest Group. The liquidation of SCI Le Pecq, a Fininvest Group company is assumed to have occurred before the year 2000. As a result, the impact of the liquidation on retained earnings has been included in the opening balance sheet as of January 1, 2000. Fixed assets are assumed to have remained unchanged during the Pro Forma period presented. Only depreciation according to plan has been deducted from the balance sheet value. The depreciation has been included in other operating expenses.

Income and expenses from sales and acquisitions of investments are included in net turnover and cost of investments. Inventories are valued at the lower of cost or current value. Reductions in balance sheet value are included in increase/decrease in investments in the income statement.

The management fee of 1.25% is calculated on the average of the sum of book value and the remaining commitments in the beginning of the year (January 31, 2000) and in the end of the year (December 31, 2000). The success fee has been calculated on the increase in net asset value. Other operating costs are based on estimated costs paid by Fininvest annually.

Interest income consisting of proceeds from current investments has been calculated using the assumption that these current investments have accumulated a 4% interest (per annum) on the average value of current investments. Average value is an arithmetical mean of the opening and closing balance of the financial year. Direct taxes for the period have been calculated using the tax rate of 29% prevailing in the year 2000.

# Shares and Shareholders

Major shareholders	Share of shares and votes, %
Fennogens Investments S.A.	29.8
Veikko Laine Oy	6.6
Procurator Oy	6.1
Mutual Pension Insurance Company Varma-Sampo	5.0
Odin Norden	3.6
Stadigh Kari	2.9
Merita Bank/nominee-registered	2.7
Nokia Corporation	1.8
Ugglä Christian	1.6
Mutual Pension Insurance Company Tapiola	1.6
Merita Pankki Plc	1.5
Others	36.8
Total	100.0

The information is based on the situation in the shareholder register kept by Finnish Central Securities Depository on 31 December 2000.

## Shareholders by type

	Shareholders, no.	Share of shareholders, %	Share of shares and votes, %
Corporations	365	7.1	21.1
Financial and insurance institutions	14	0.3	5.3
Households	4,669	91.4	27.1
Foreign and nominee-registered	33	0.6	39.5
Others <sup>1)</sup>	29	0.6	7.0
Total	5,110	100.0	100.0

<sup>1)</sup> The others comprise public organisations, foundations and non-profit organisations and shares not transferred to the book-entry securities system.

## Ownership structure according to number of shares held

Shares, no.	Shareholders, no.	Share of shareholders, %	Share of shares and votes, %
1 - 100	550	10.8	0.1
101 - 500	1,100	21.5	0.4
501 - 1 000	724	14.2	0.7
1 001 - 5 000	1,839	36.0	5.4
5 001 - 10 000	488	9.5	4.2
10 001 - 50 000	325	6.4	7.6
50 001 - 100 000	36	0.7	3.0
100 001 -	48	0.9	78.6
Total	5,110	100.0	100.0

### Share ownership of the management

The members of the Board of Directors and the companies under their authority owned on 31 December 2000 5,449,875 shares, i.e. a total of 6.3 per cent of the votes and shares.

Georg Ehrnrooth, member of the Board of Directors, has together with his brothers Henrik Ehrnrooth and Carl-Gustaf Ehrnrooth authority in Fennogens Investments S.A.

### Nominee-registered shares

Of the company shares, 3,237,255 are nominee-registered representing 3.7 per cent of the shares and votes.

### Shares and share capital

The share capital of Finvest Plc is 4,334,275.45 euros. The share capital is divided into 86,685,509 shares. The nominal value of the share is 0.05 euros. All shares carry one vote.

# Proposal for the Distribution of Profits

The distributable earnings according to the consolidated Balance Sheet of 31 December 2000 total 5,400,000.00 euros.  
The distributable earnings in the parent company are

Retained earnings	7,377,864.63 euros
Loss for the period	-1,918,130.33 euros
	<hr/>
	5,459,734.30 euros

The Board of Directors proposes that the loss for the period is carried forward and that no dividend is paid.

Helsinki, 22 January 2001

FINVEST PLC  
Board of Directors

Björn Mattsson, Chairman

Georg Ehrnrooth

Antti Heikinheimo

Erkki Myllärniemi

Jaakko Pöyry

Topi Piela, Managing Director

## Auditor's Report

### To the shareholders of Finvest Plc

We have audited the accounting, the financial statements and the corporate governance of Finvest Plc for the company's first financial period November 1–December 31, 2000. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the Managing Director. Based on our audit we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the Managing Director have legally complied with the rules of the Companies Act.

In our opinion the financial statements, showing a loss of 1,918,130.33 euros in the parent company and a loss of 1,915,000.00 euros in the group, have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements with the consolidated financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distributable assets is in compliance with the Companies Act.

Helsinki, January 22, 2001

SVH Pricewaterhouse Coopers Oy  
Authorised Public Accountants

Ulla Holmström  
Authorised Public Accountant

### Statement of independent accountants on the Pro forma financial statements

As auditors of Finvest Plc we have conducted a review of the pro forma consolidated statement of income, consolidated balance sheet, consolidated funds flow statement, and the consolidated key figures prepared by Finvest Plc for the period January 1–December 31, 2000. The Pro Forma financial statements and the accounting principles used therein are the responsibility of the Board of Directors and the Managing Director of Finvest Plc. We express our view on the pro forma financial statements based on our review.

We conducted our review in accordance with the recommendation of the Association of Authorised Public Accountants in Finland. A review is primarily limited to inquiries and analytical procedures, and does not constitute an audit in accordance with Finnish Standards on Auditing. In scope and measure a review is distinctly more restricted than an audit, and thus gives only reasonable assurance of the accuracy of the information submitted.

The purpose and accounting principles of the pro forma financial statements have been presented in the notes to the financial statements. The pro forma statements have been prepared only for comparative purposes as described in the pro forma accounting principles.

Based on our review, nothing has come to our attention indicating that the pro forma financial statements do not present fairly, in all material respects, the consolidated result of operations as well as the consolidated financial position of Finvest Plc for the year 2000.

Helsinki, January 22, 2001

SVH Pricewaterhouse Coopers Oy  
Authorised Public Accountants

Ulla Holmström  
Authorised Public Accountant





finvest

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