

CapMan

ANNUAL REPORT

2003

Helsinki • Stockholm • Copenhagen • Oslo • Guernsey

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# CapMan Annual Report 2003

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IN 2003

## Investments amounted to MEUR 138.5

CapMan's investments in portfolio companies increased by 33% in 2003, from EUR 104.5 million in 2002 to EUR 138.5 million. Of the new investments, five were made in Sweden and four in Finland.

## CapMan Equity VII closed at MEUR 303.3

The capital in CapMan's latest equity fund, CapMan Equity VII, grew by EUR 50 million to EUR 303.3 million during the year. The fund was established in 2002.

## CapMan expands to Norway

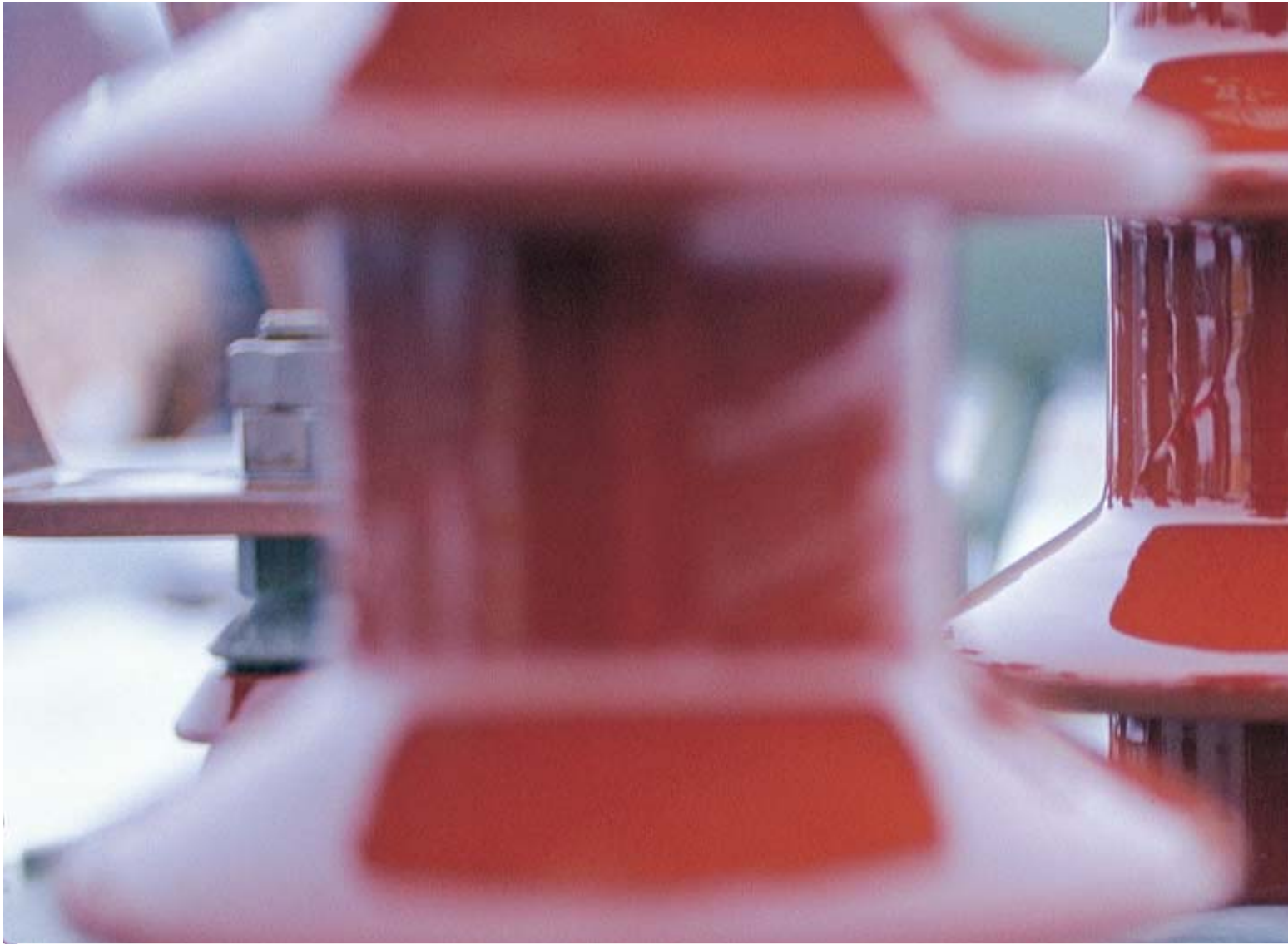
A local presence in Norway strengthens CapMan's position as a Nordic private equity investor, increases investment opportunities and gives better preconditions for expansion of portfolio companies' business on a Nordic level.

## Investment teams were strengthened

At the beginning of 2004 all teams had active presence in Helsinki, Stockholm and Copenhagen. In addition, buyout and technology teams started operations in Oslo in early 2004.

The CapMan logo is displayed vertically in white serif font on a dark blue rectangular background.

*CapMan – Creating growth  
and success in the Nordic countries*



CapMan is one of the leading private equity investors in the Nordic countries. The company was founded in 1989 and its operations consist of private equity fund management and advisory services. The funds managed/advised by CapMan are specialised in mid-sized buyouts in various industry sectors, technology investments in IT and telecommunication sectors and investments in life sciences.

The CapMan team comprises about 80 persons in Helsinki, Stockholm, Copenhagen, Oslo and Guernsey. CapMan Plc's B share is listed on the Main List of the Helsinki Stock Exchange.



**FOCUS ON ELTEL NETWORKS CORPORATION: THE INSULATOR CHAIN USED IN POWER TRANSMISSION NETWORKS.**

The Finnish company Eltel Networks specialises in the engineering, construction and maintenance of electrical and telecommunications networks. The company's major markets are Finland and Norway. A CapMan portfolio company since 2001, Eltel Networks has enjoyed strong development in recent years via acquisitions. In 2003 the company made two substantial acquisitions in Norway, one in Poland and one in Estonia. Eltel Networks' net sales increased by 40% to EUR 287.8 million in 2003. The profit for the year doubled to EUR 7.8 million. Eltel Networks employs 2,200 people.

# CAPMAN TODAY

## **CapMan's Nordic strategy**

CapMan has a strong Nordic growth strategy, which it has successfully realised during recent years. In 2001 and 2002 CapMan expanded its operations to Denmark and Sweden via acquisitions, and in 2003 the Group announced that it would expand to Norway in early 2004. CapMan's objective in coming years is to strengthen its position as one of the leading private equity investors in Nordic countries.

## **Vision**

Our vision is to be the preferred Nordic private equity partner for investors and entrepreneurs.

## **Mission**

Our mission is to create financial returns through industrial approach.

*We act as a link between companies in need of capital and fund investors, serve as a catalyst for the growth of our portfolio companies through our industrial hands-on approach and, in doing so, benefit our stakeholders financially.*

## **Values**

CapMan's values guide all of our actions towards reaching the vision.

### **Industrial hands-on approach**

*We concentrate on enhancing our portfolio companies' business by actively taking part in developing their operations. We provide more than just financial support.*

### **High ethics**

*We believe in integrity and transparency. We are a reliable partner and we respect our stakeholders.*

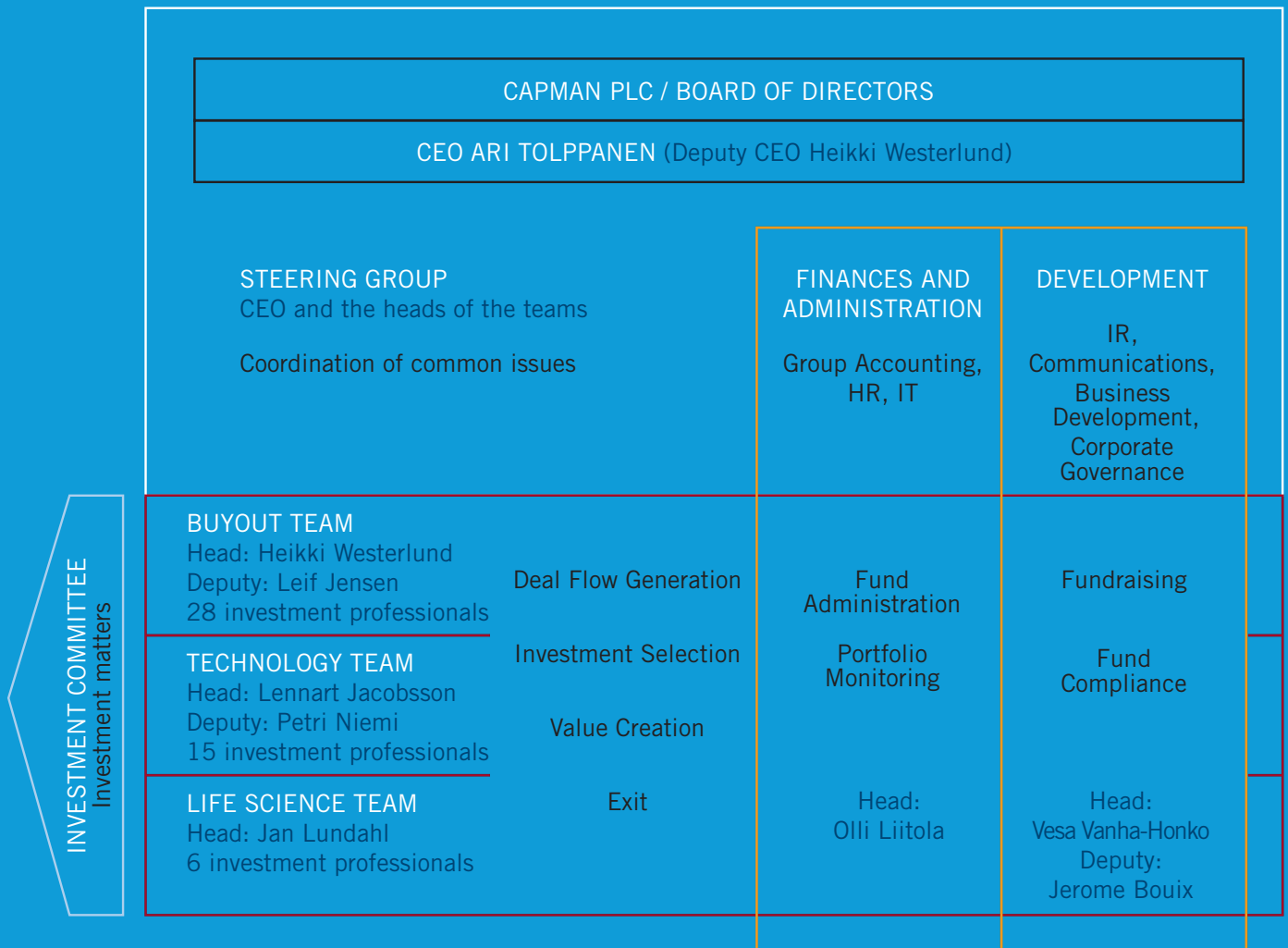
### **Dedication**

*We are committed to reaching our objectives. We are innovative and aim to be the trendsetter for the industry. Employees are our most important resource.*

### **Independence**

*We are independent of other actors in the market.*

# Organisation Structure



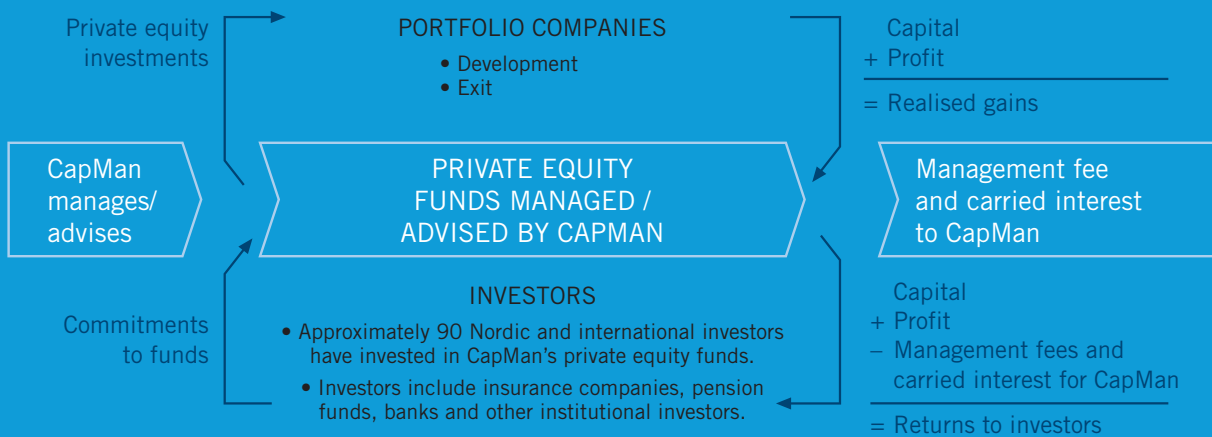
### CapMan's financial objectives

- Average capital growth of funds under management by at least 15% per annum.
- Fund performance in the top quartile of all European private equity investors.
- To participate in the future funds with direct capital investments from balance sheet corresponding to about 5% of the capital of future funds.
- Return on equity over 25%.
- A liquid share with a strong cash flow.
- Dividend payments at least 50% of CapMan's net profit.

### How CapMan's income is constituted

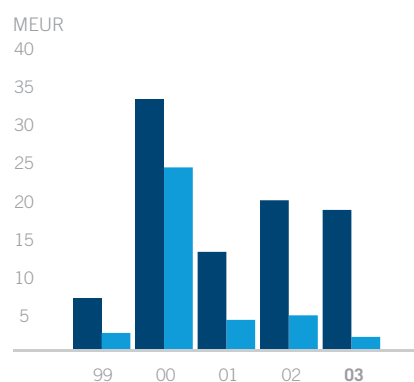
- Management fees  
*Typically 1.0–2.5% per annum of the capital in the funds.*
- Carried interest  
*Typically 20–25% of the cash flow of funds making direct investments, after the investors have regained their investment in addition to a preferential annual return, usually 6–8%.*
- Return on direct fund investments made from CapMan's own balance sheet
- Share of the profit of CapMan's affiliated companies
- Return on other financial assets

## Operational Chart



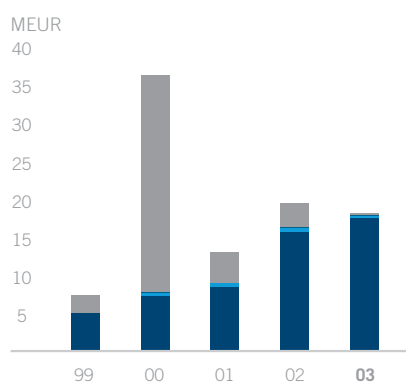


KEY RATIOS FOR CAPMAN 1999-2003 MEUR	99	00	01	02	03
Turnover	7.0	33.4	13.1	20.0	18.7
Management fee	5.1	7.4	8.6	15.9	17.8
Carried interest*	2.3	28.8	4.0	3.1	0.2
Share of affiliated companies' result	0.0	0.4	0.5	0.6	0.3
Other operating income**	0.0	0.0	18.0	0.0	0.0
Operating profit	2.3	24.3	22.1	4.7	1.8
Financial income and expenses	0.6	0.6	8.5	0.5	0.4
Profit for the financial year	2.0	20.1	21.7	3.4	1.1
Return on equity, %***	70.6	93.1	50.1	5.9	2.3
Return on investment, %***	89.9	114.4	70.7	10.3	4.9
Equity ratio, %	74.2	70.2	97.6	93.2	93.6
Dividend paid	2.0	15.2	18.5	7.5	3.7****
Personnel (at the end of financial year)	34	41	52	66	71



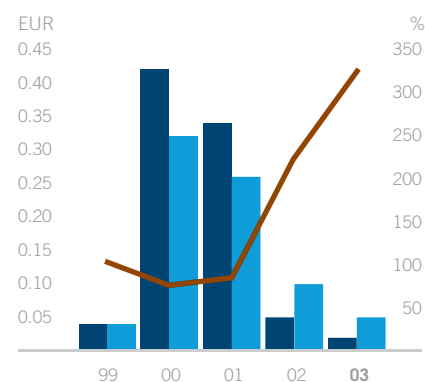
TURNOVER AND OPERATING PROFIT

- Turnover
- Operating profit\*\*



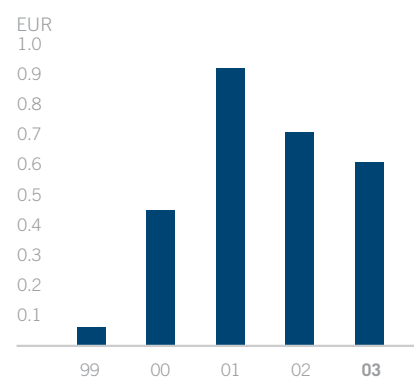
TURNOVER

- Carried interest\*
- Share of affiliated companies' result
- Management fees

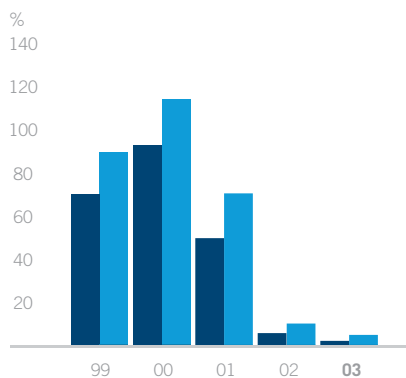


EARNINGS/SHARE EUR, DIVIDEND/SHARE EUR AND DIVIDEND/EARNINGS % \*\*\*\*

- Dividend/share, EUR
- Earnings/share, EUR
- Dividend/earnings, %

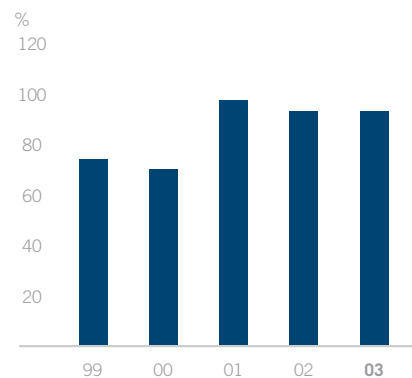


SHAREHOLDERS' EQUITY/SHARE



ROE AND ROI

- Return on equity, %
- Return on investment, %



EQUITY RATIO

\* Carried interest includes imputation credit (EUR 3.6 million in 2000, EUR 0.1 million in 2001, EUR 0.1 million in 2002).

\*\* Capital gains from the sale of Sampo plc shares in 2001; gains excluded in the graph.

\*\*\* Key ratios for 1999-2000 are based on the balance sheet as at 31 December.

\*\*\*\* Proposal of the Board of Directors to the Annual General Meeting.

### CapMan funds

CapMan managed/advised 13 equity funds and three mezzanine funds at the end of 2003. In addition to these Access Capital Partners, which is 47.5% owned by CapMan, managed/advised two European funds of funds. At the end of 2003 CapMan managed/advised funds with EUR 1,719.0 million in total capital, of which EUR 1,159.3 million was in funds making direct investments in portfolio companies and EUR 559.7 million was managed by Access Capital Partners.

Direct investments in portfolio companies are made in Finland, Sweden, Denmark and Norway in

CapMan's three business areas: buyouts, technology investments and life science investments. Buyout investments are made in mid-sized companies in manufacturing, service and retail industries. Technology investments focus on strong growth companies in the IT and telecommunication sectors. In life science investments the focus is on companies that specialise in medical technology.

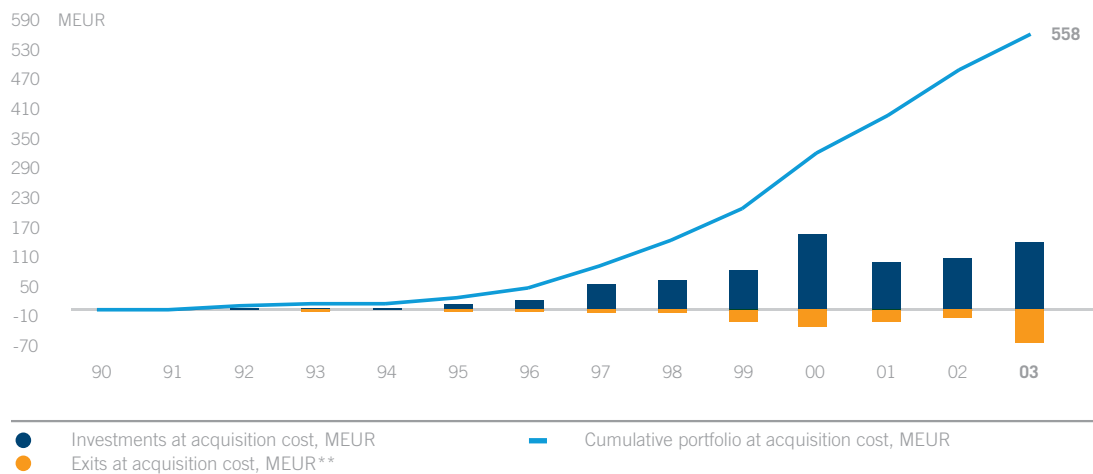
As at the end of 2003, the funds managed/advised by CapMan that make direct investments in portfolio companies had invested in 137 companies and exited from 58 companies in total.

### CapMan's investment size

Mid-sized buyouts	Technology investments	Life science investments
Equity investments MEUR 10–50 per company	Equity investments MEUR 3–15 per company	Equity investments MEUR 1–5 per company

CapMan funds make both equity and mezzanine investments.

### INVESTMENTS AND EXITS BY CAPMAN FUNDS\*

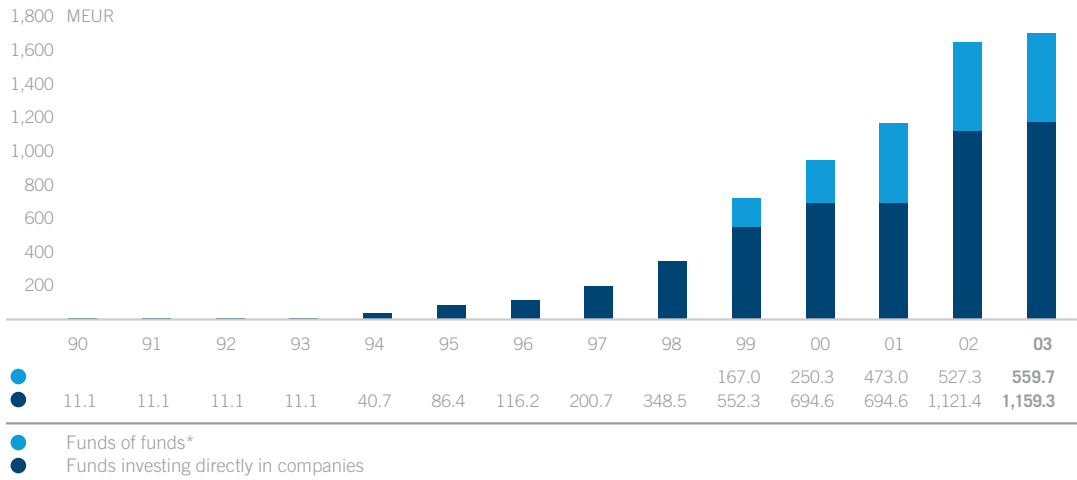


\* Includes regressive figures for Swedestart and NPEP funds.

\*\* Exits include partial exits.

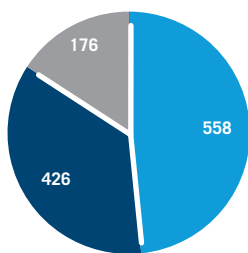
Foreign currency items are translated for the entire period at the exchange rate on 31.12.2003.

**FUNDS UNDER MANAGEMENT 1990–2003**



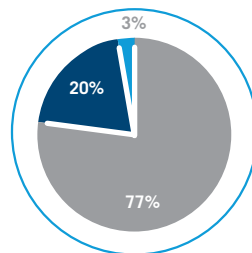
\* CapMan holds 47.5% of the shares of fund of funds management/advisory company Acces Capital Partners. Foreign currency items are translated for the entire period at the exchange rate on 31.12.2003.

**KEY FIGURES FOR CAPMAN FUNDS MAKING DIRECT INVESTMENTS IN PORTFOLIO COMPANIES AS AT 31 DECEMBER 2003**



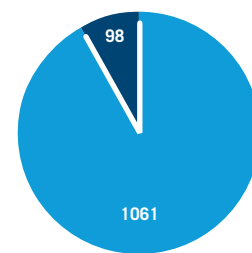
**STATUS OF CAPMAN FUNDS, MEUR**

- Investments at acquisition cost
- Remaining investment capacity\*
- Exits completed at acquisition cost



**INVESTMENTS IN PORTFOLIO COMPANIES, MEUR 558**

- Buyout
- Technology
- Life Science



**FUNDS GENERATING CARRIED INTEREST VS. OTHER FUNDS, MEUR**

- The capital of the funds that are not yet in carry
- The capital of the funds generating carried interest

\* Including (realised and estimated) costs for those funds in which part of the total fund size is reserved for costs.

The equity funds managed/advised by CapMan had EUR 557.5 million invested in portfolio companies at cost as at 31 December 2003. Of this, EUR 430.7 million was invested in buyouts, EUR 108.4 million in technology companies and EUR 18.4 million in life science companies.

# CEO'S REVIEW



## **Nordic integration is right on track**

In 2003, CapMan concluded the expansion of its three business units throughout the Nordic countries. In spring the buyout team commenced operations in Sweden and the technology team was expanded in Denmark. Late in the year both teams recruited new members to the office in Norway. Today, as the Nordic pioneer in the private equity field, CapMan has experienced buyout and technology teams in Helsinki, Stockholm, Copenhagen and Oslo. CapMan's life science team also expanded from Sweden to Finland and Denmark in 2003. A strong local presence in all Nordic capital cities gives CapMan excellent prerequisites to find attractive portfolio companies and actively support their internationalisation to other Nordic countries.

Nordic integration has also progressed smoothly with the standardisation of procedures and principles on Group investment processes, reporting, IT systems and compensation among others. Additionally, the internal rotation of jobs between Nordic teams has got off to a flying start.

## **Investment and exit activity picks up**

As expected, in 2003 CapMan focused its investment activities on making new investments and developing the existing portfolio of investee companies. CapMan made nine new investments and numerous follow-on investments during the year, investing EUR 138.5 million in total (EUR 104.5 million in 2002). Of the new investments, five were made in Sweden and four in Finland. CapMan's deal flow has approximately tripled as a result of the Group's Nordic expansion in the past few years. However, the actual number of investments made has not changed.

There were no significant exits from the carried interest point of view during 2003, even though we announced the sale of Lohja Caravans and PIC Engineering in December. The deals transacted in

early 2004 indicate well for the gradual recovery of exit markets.

## **CapMan funds have high return potential**

The capital in CapMan's newest fund CapMan Equity VII grew to EUR 303.3 million during the year. The total capital managed/advised by CapMan increased to EUR 1,719.0 million. As at the end of 2003, five of the funds managed/advised by CapMan were generating carried interest income. These funds have EUR 97.6 million in capital, which represents approximately 8.4 per cent of the total capital in CapMan funds investing directly in portfolio companies. Therefore, CapMan's existing portfolio and reserves of capital remaining for new investments are accompanied by a high return potential.

## **Favourable trends in European private equity business**

Private equity investment is estimated to grow in Europe and the Nordic countries in the next few years. The fragmented structure of mature business sectors and the need for IT, telecommunication and life science companies to finance rapid growth creates abundant demand for private equity investment. It is estimated that interest from institutional investors in the private equity investment class will increase further, and it is the private equity firms with long track records that will attract the most capital.

Following a few quiet years, private equity investment activities in Europe showed clear signs of picking up towards the end of 2003. The favourable development of private equity markets and the need for investors to find alternative sources with higher returns sparked the raising of new private equity funds. At the same time investment activity was stimulated and there was a marked improvement in the preconditions for realisation of existing portfolios.

In 2004, CapMan will continue the implementation of its Nordic strategy on all fronts. CapMan funds have reserves of EUR 426 million for new and follow-on investments, the teams have excellent resources for the growth and internationalisation of investee companies, and several exit projects are under consideration. In addition, CapMan aims to raise during the year its fourth fund that invests mezzanine loans in mid-sized Nordic companies.

I wish to extend my warmest thanks to all of CapMan's business partners and personnel for your support and commitment in 2003.

## YEAR 2003

CapMan continued the expansion of its Nordic concept and integration of its operations in 2003.

Concurrently, our teams made investments with an amount that is one of the highest in CapMan's history.



**Ari Tolppanen**  
CEO  
CapMan Plc

**BUYOUT**

*Building Nordic Businesses...*



Buyouts are company acquisitions in which the private equity investor typically acquires the company or part thereof either together with the operative management or an outside management group. Buyout investments have been a part of CapMan's investment strategy since the company's foundation and they represented 77.3% of CapMan's portfolio at cost at the end of 2003.



#### FOCUS ON RGS90 A/S: CARBOGRIT PACKING MATERIALS.

RGS90 provides versatile waste management services especially to industrial customers. The company is the leading recycler of construction materials in its home market in Denmark, and it also has operations in Sweden and Norway. CapMan's investment in RGS90 in 2002 has enabled substantial investments, including a carbogrit facility that converts wastewater into abrasives used for sandblasting and a new recycling facility for PVC. RGS90 had net sales of approx. EUR 83 million in 2003 and it employs 276 people.

### **Investment activities**

CapMan is specialised in the mid-sized buyouts where the equity investment by CapMan funds varies between EUR 10–50 million. The focus is on unquoted companies that operate in changing and consolidating industries in Nordic countries. Buyout investments are mainly related to the acquisition of non-core business operations that are divested by the seller. Typical investee companies in CapMan's portfolio have turnover of EUR 50–500 million and strong growth potential in Nordic markets.

### **Profitable growth is the aim**

CapMan is typically the majority owner in its buyout portfolio companies. CapMan's investment professionals participate actively in the development of its portfolio companies' business and CapMan is almost always represented on the companies' Boards of Directors as Chairman of the Board. The objective is to grow the company's value to achieve a good return on the investment. The platform for value creation in portfolio companies is the growth of the company either organically or via mergers and acquisitions (a buy-and-build strategy), the company's improved profitability and cash flows or an increased efficiency of working capital.

Several of CapMan's buyout portfolio companies have increased their sales two to threefold within a few years of the original investment.

### **Focus on Board work**

In 2003 CapMan paid special attention on the development of Board work in portfolio companies. CapMan surveyed company Boards to assess Board structure, activity, competence, co-operation with top management and ability to supervise and evaluate the company's internal operations and external business environment. The responses to the survey will be used to further develop the Board work of CapMan's portfolio companies.

### **Sector outlook**

The trends that are prevalent in many industries, such as the consolidation of fragmented industries, concentration on core operations and family successions, provide new investment opportunities for buyout investors. At the same time competition for investments is getting tougher, as international investors are more actively following the Nordic buyout market. However many of these practitioners seek larger investments than does CapMan. If economic conditions improve in line with expectations in 2004, the number of exits is expected to gradually increase together with the number of investments.

The strengths of CapMan's Nordic buyout team in the current market are its local presence in Finland, Sweden, Denmark and Norway as well as its clear focus on the mid-market. In 2004, the buyout team has good resources to find new investments, develop the existing portfolio and achieve successful realisations.

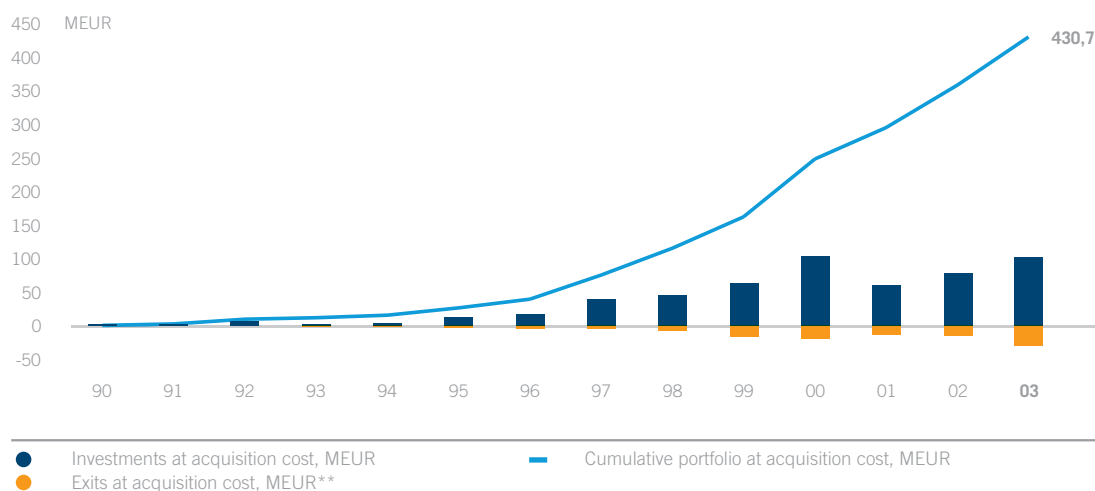
### **Mezzanine investments**

Mezzanine offers an additional instrument for financing acquisitions. Mezzanine financing is not typically used to finance normal business activities, but it is a useful instrument in acquisitions in addition to equity. Mezzanine is also suitable for financing of successions in family-owned companies that want to retain ownership of the company within the family.

CapMan is one of the leading mezzanine providers in the Nordic countries. At the end of 2003 CapMan managed three mezzanine funds with approximately EUR 255 million in capital.



### BUYOUT INVESTMENTS AND EXITS\*



\* Includes regressive figures for Swedestart and NPEP funds.

\*\* Exits include partial exits.

Foreign currency items are translated for the entire period at the exchange rate on 31.12.2003.

According to Initiative Europe<sup>1)</sup>, a total of 186 buyout investments was completed in the Nordic countries between 1998–2003. Of these buyouts, CapMan made 30.

<sup>1)</sup> A leading, independent provider of specialist and in-depth information focused on European private equity market.

### CAPMAN'S BUYOUT INVESTMENTS IN BRIEF

#### Investment focus and criteria

**Investment focus** All industry segments in Nordic countries.

**Investment criteria** The portfolio company has:

- a sector with high potential for growth organically or via M&A
- market leadership or the potential to become market leader
- an experienced management group capable of profitable growth
- a valuation level with potential for significant value creation.

**Investment size** Mid-sized. Equity investment MEUR 10–50.

**Investment stage** Mainly companies with turnover of MEUR 50–500 and positive cash flow.

#### Investment history

Cumulative investments as at 31 December 2003, number 68

Cumulative exits as at 31 December 2003, number 30

Average holding period (realised exits), years 4.3

#### Average increase in value of equity investments

Exit valuation compared to investment at cost 3x = three times money back

IRR, % 31%

#### Important syndicating partners and competitors

##### in Finland

3i, MB Rahastot, Sponsor Capital

##### in Sweden

3i, Altor, Priveq, Procuritas, Segulah

##### in Denmark

Axcel, Polaris

##### in Norway

FSN, Industrifinans, Reiten

### Investments and exits in 2003

In 2003, buyout investments were made in line with CapMan's investment criteria in companies with high potential for growth and value creation. There were four new investments in Nordkalk, Metallfabriken Ljunghäll, Noiro and Synerco (formerly Serco Sverige) and two notable follow-on investments in Mehiläinen and Tiimari. Half of the new investments were made in Swedish companies, even though CapMan expanded its buyout activities to Sweden's private equity markets in March 2003. There were no exits from portfolio companies in 2003, but in December CapMan sold PIC Engineering to Swedish SWECO and Lohja Caravans to a private investor group. These deals were finalised in 2004.

### New investments in 2003



**Nordkalk Corporation** is the leading producer of high quality limestone-based products in Northern Europe and its products are used in the steel, pulp and paper industries as well as in environmental care and agriculture. Nordkalk is a typical buyout target for CapMan, as it has already established a strong market position but still has international growth potential. The company's net sales totalled approx. MEUR 260 in 2003 and it employs some 1,300 people.



**Metallfabriken Ljunghäll AB** is the leading manufacturer of technically advanced aluminium die-cast products in the Nordic countries. The company's customers are mainly in the automotive and telecommunications sectors. The investment in Ljunghäll was CapMan's first buyout in Sweden after it expanded buyout operations there. Ljunghäll's net sales in 2003 totalled approx. MEUR 95 and the company employs 640 persons.



**Noiro Oy** develops, manufactures and markets high quality cosmetics and hygiene products as well as other technochemical products. Noiro is the largest cosmetics company in the Nordic countries with both R&D and production, and its brands include Lumene, Cutrin, Herbina and Farnos among others. The investment in Noiro is one of the biggest single investments made by CapMan funds. Noiro's net sales totalled approx. MEUR 146 in 2003 and it has some 850 employees.








































**Synerco AB** is one of Sweden's leading providers of integrated outsourced facility management services. Synerco delivers support services such as technical maintenance, catering, cleaning and reception to major Swedish industrial companies, public authorities and counties. The company's net sales were approx. MEUR 42 in 2003 and it has about 500 employees.

## BUYOUT PORTFOLIO AND EXITS AS AT 31 DECEMBER 2003

Buyout investments can be divided according to the type of investment into pure buyout investments and growth financing. In pure buyouts the investment focus is mainly on the acquisition of company shares, whereas in growth financing it is on the development of the company's operational business activities. Up to the mid 1990s, when CapMan funds were smaller than today, investments were also made in early stage companies.

As at the end of 2003, CapMan's buyout team had made 68 investments and exited from 30 companies in total. The team has a top quartile track record in investment performance on a European level.

### Buyout portfolio as at 31 December 2003

<b>LOHJA CARAVANS OY</b> Caravans and motor homes	 1993	<b>PRETAX-YHTIÖT</b> Accounting company chain	 2000
<b>AUDIONORD INTERNATIONAL A/S</b> Retailer of hi-fi and video equipment	 1996	<b>COPTERLINE OY</b> Helicopter flights and maintenance operations	 2000
<b>LINDPLAST A/S</b> Mono-layer packing material of polyethylene film	 1996	<b>MEHILÄINEN OYJ</b> Health care services	 2000
<b>WOODHEAT FINLAND OY</b> Wood-heated products and fireplaces	 1997	<b>ELTEL NETWORKS CORPORATION</b> Construction and maintenance of energy and telecom networks	 2001
<b>RTO HOLDING OY (formerly Reima-Tutta Oy)</b> Children's and adults' clothing	 1997	<b>SMEF GROUP A/S</b> Machinery and equipment supplier to woodworking industry	 2001
<b>FINNDOMO OY</b> Prefabricated houses	 1997	<b>KULTAJOUSI OY</b> Retail jewellery chain	 2001
<b>TURO TAILOR OY</b> Men's suits and jackets	 1997	<b>SAVCOR GROUP LTD</b> Industrial high technology conglomerate	 2002
<b>KOTIPIZZA OYJ</b> Pizzeria chain, franchising	 1997	<b>STAFFPOINT OY (Extra Personnel Services)</b> Staffing services	 2002
<b>VOGUE GROUP OY</b> Hosiery and underwear production	 1998	<b>RGS90 A/S</b> Recycling services for building and construction industries	 2002
<b>TIIMARI OYJ</b> Retail sale of gift and stationary items	 1998	<b>NORDKALK CORPORATION</b> Limestone-based industry consumables	 2003
<b>HOLIDAY CLUB FINLAND OY</b> Leisure travel	 1998	<b>METALLFABRIKEN LJUNGHÅLL AB</b> Aluminum die-cast products	 2003
<b>TAMORE GROUP OY</b> Sale of office supplies	 1998	<b>NOIRO OY</b> Cosmetics and institutional cleaning products	 2003
<b>NORMET CORPORATION</b> Mechanical engineering	 1999	<b>SYNERCO AB (formerly Serco Sverige AB)</b> Integrated facility management services	 2003
<b>PPTH-NORDEN LTD</b> Structural steel frames	 1999	<b>KUUSAMON TROPIIKKI OY*</b> Health spa	 1990
<b>ESPE GROUP OY</b> Foam and non-woven products for bedding and upholstery industries	 1999	<b>FINNHEPO OY</b> Horseshoe nails	 1995
<b>AURAJOKI OY</b> Surface coating services	 1999		
<b>MATKATOIMISTO OY</b>	 1999		
<b>MATKA-VEKKA</b> Travel agency chain			
<b>SWECO AB (formerly PIC Engineering Oyj)</b> Technical planning and consulting services	 2000	<b>* Merged with Holiday Club Finland Oy in 1999.</b>	
<b>Å&amp;R CARTON AB</b> Folding cartons	 2000	More detailed information on portfolio companies and the funds that have invested in them can be found at <a href="http://www.capman.com/Funds/Overview">www.capman.com/Funds/Overview</a> .	
<b>DROBE VAB</b> Woolen fabrics for the clothing industry	 2000		
<b>KARELIA CORPORATION</b> Multilayer parquets and vinyl floor coverings	 2000		
<b>JUNTTAN OY</b> Piling equipment	 2000		

### Buyout exits as at 31 December 2003

<b>BRÖEN ARMATUR A/S</b> Ball valves <i>Industrial buyer</i>	 1991	<b>OY MARLI GROUP AB</b> Alcoholic beverages and juices <i>Industrial buyer</i>	 1998
<b>LAPPSET GROUP LTD</b> Environmental products <i>Purchase by other owners/company</i>	 1999	<b>TOFTEJÖRG A/S</b> Spray nozzles and services for tank cleaning <i>Purchase by other owners/company</i>	 2001
<b>SCHAT WATERCRAFT OY</b> Sea-rescue products <i>Industrial buyer</i>	 1991	<b>ARCORUS PLC (formerly GHS-International Oyj)</b> Hydraulic systems <i>Purchase by other owners/company</i>	 1997
<b>PKC GROUP OYJ (formerly PK Cables Oy)</b> Cable harnesses <i>Public listing</i>	 1994	<b>ROYAL RAVINTOLAT OY (formerly Royal-Rest Oy)</b> Private restaurant corporation <i>Purchase by other owners/company</i>	 2002
<b>ROCLA OYJ</b> Forklift trucks <i>Public listing</i>	 1997	<b>EURA CONSUMER PRODUCTS LTD</b> Supplier of non-food products <i>Purchase by other owners/company</i>	 1997
<b>NORDIC ALUMINIUM PLC</b> Aluminium profiles and related products <i>Public listing</i>	 1995	<b>TEKNIKUM GROUP LTD</b> Technical rubber and polymer products <i>Purchase by other owners/company</i>	 1996
<b>CHYMOS JUOMAT OY*</b> Juices and beverages <i>Merger with Marli Oy in 1998</i>	 1995	<b>PROVIVO OY</b> Biotechnology <i>Receivership</i>	 1991
<b>RAMIRENT PLC (formerly A-Rakennusmies Oyj)</b> Construction equipment <i>Public listing</i>	 1995	<b>NORDINVEST RT.</b> Finance consultancy <i>Purchase by other owners/company</i>	 1992
<b>SERENA</b> In-house water park <i>Industrial buyer</i>	 1994	<b>DIAMOND CRUISE OY</b> Cruise line <i>Receivership</i>	 1990
<b>E.AHLSTRÖM OY</b> Kitchen utensils and tableware <i>Purchase by other owners/company</i>	 1992	<b>HOTELMAN OY</b> Hotel brand chain <i>Purchase by other owners/company</i>	 1994
<b>KOSAN TEKNOVA A/S</b> LPG valves and regulators <i>Industrial buyer</i>	 1993	<b>HIGH SPEED TECH OY LTD</b> High-speed electrical machines <i>Industrial buyer</i>	 1994
<b>SCANWOVEN OY</b> Non-woven products <i>Industrial buyer</i>	 1994	<b>HOPE SMOKE OY</b> Cooking and smoking products <i>Receivership</i>	 1997
<b>MERCURI INTERNATIONAL OY</b> Marketing and sales training <i>Industrial buyer</i>	 1998	<b>OY MYTEK LTD</b> Shiitake mushrooms production <i>Receivership</i>	 1997
<b>ELITE SHIPPING A/S</b> Shipping and ship owner business <i>Receivership</i>	 1992		
<b>POWERPIPE AB</b> Pre-insulated pipe systems <i>Receivership</i>	 1997		
<b>MICROTRONIC A/S</b> Components to hearing aids <i>Sale to another private equity investor</i>	 2000		
<b>ELCOTEQ NETWORK CORPORATION</b> Production services for the electronics industry <i>Public listing</i>	 1996		
<b>KEROX OY</b> Pet supplies trading <i>Industrial buyer</i>	 1997		

\* The exit is not included in the total number of exits (30) because the exit method was a merger with another CapMan portfolio company.

In addition Alliance ScanEast Fund L.P. has exited from three companies. CapMan manages the fund in co-operation with Alliance Capital Management Corp. The business descriptions of the exited companies date back to the exit years.

■ Buyout or growth financing, expansion  
■ Early stage/growth

■ Investment year  
■ Exit year

### Buyout team

CapMan's buyout team, including Senior Advisors, has 28 investment professionals with deep knowledge of industry and finance. The Senior Partners of the team have worked in the private equity industry for an average of 14 years, and the Partners have on average 8 years of experience in private equity investment. CapMan's buyout team was expanded to Norway in early 2004.



**IN THE BACK FROM LEFT TO RIGHT:** 1. Susanne Sylvest Jensen, Partner 2. Lars Hagelstam, Investment Director 3. Tuula Kamppari, Executive Assistant 4. Kai Jordahl, Senior Partner 5. Peter Langkjær, Senior Advisor 6. Orvo Siimestö, Senior Advisor 7. Leif Jensen, Deputy Head of Buyout team, Senior Partner 8. Vesa Vanha-Honko, Senior Partner, Head of Development team 9. Ari Tolppanen, Senior Partner, CEO of CapMan Plc 10. Tuomo Raasio, Senior Partner 11. Olli Liitola, Senior Partner, CFO of CapMan Plc 12. Elina Aartola-Mäkelä, Investment Manager 13. Morten Runge Poulsen, Investment Manager 14. Sanna Argillander, Partner 15. Curt Lindbom, Senior Advisor 16. Hans Tindlund, Investment Manager 17. Markus Sjöholm, Partner 18. Kari Österlund, Senior Advisor 19. Matti Copeland, Investment Director 20. Jukka Järvelä, Partner 21. Tuomas Lang, Partner

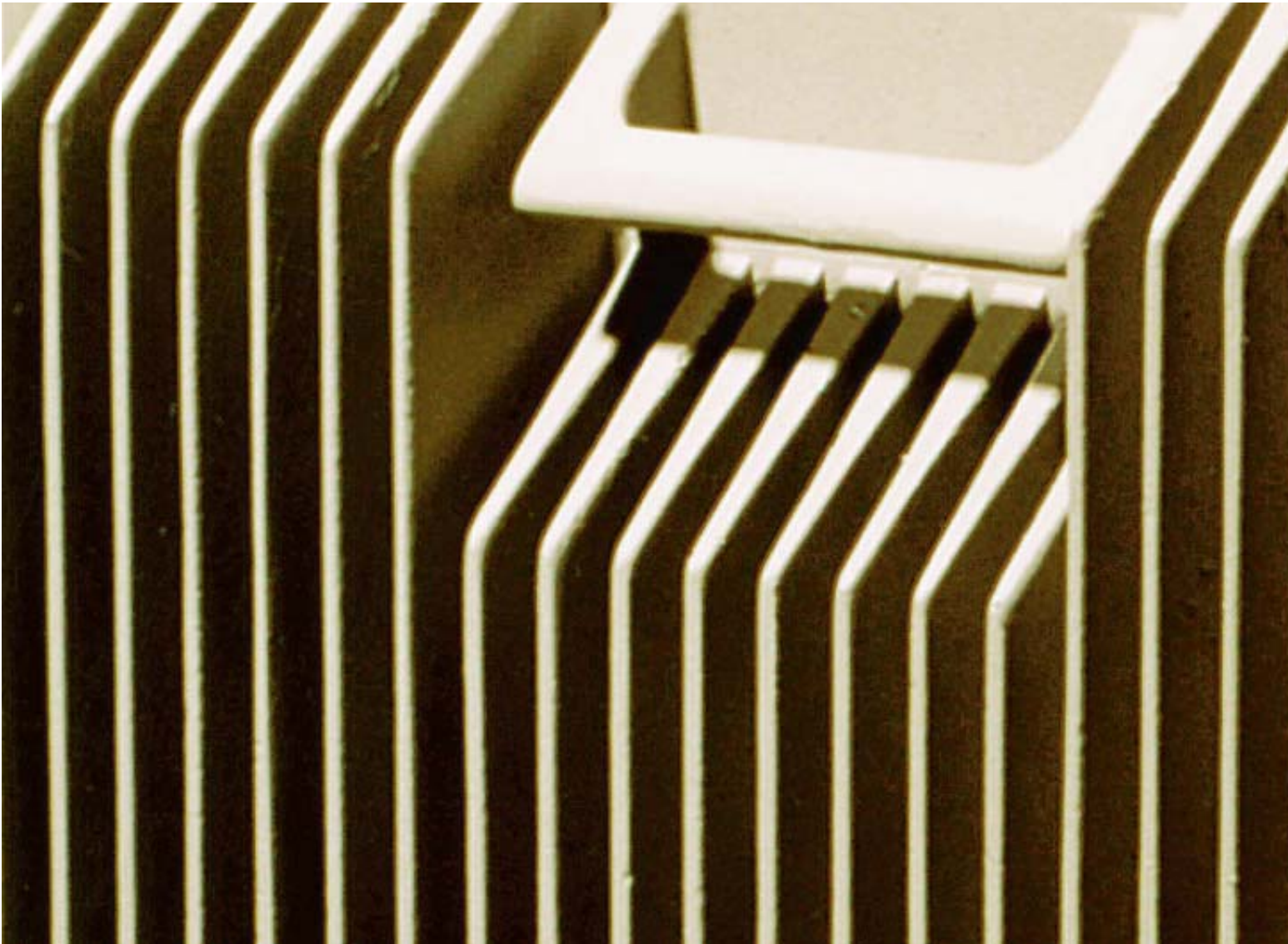


**IN THE FRONT FROM LEFT TO RIGHT:** 22. Anders Björkell, Partner 23. Mats Gullbrandsson, Investment Manager 24. Jan Mattlin, Investment Manager 25. Göran Barsby, Investment Director 26. Heikki Westerlund, Head of Buyout team, Senior Partner, Deputy CEO of CapMan Plc 27. Tarja Koikkalainen, Executive Assistant 28. Jan Dahlvist, Investment Director 29. Stiina Laine, Executive Assistant 30. Jerome Bouix, Director of Investor Relations and Communications

Background information on team members can be found at [www.capman.com](http://www.capman.com).  
You can send email to the team to [buyout@capman.com](mailto:buyout@capman.com).

## TECHNOLOGY

*...through industrial hands-on approach...*



Technology investments in the IT and telecommunication sectors have been a part of CapMan's investment activities since 1995. They represented 19.4% of CapMan's portfolio at cost at the end of 2003.



**FOCUS ON AVITEC AB: THE REPEATER SOLUTION FOR GSM AND EDGE NETWORKS.**

The Swedish company Avitec provides radio coverage solutions for all types of networks, including GSM, GSM-Rail, UMTS and Tetra. Avitec, founded in 1984, has grown rapidly in recent years and is the third largest repeater manufacturer in the world today. Avitec's net sales increased by 44% in 2003 to EUR 12.7 million. The company has 45 employees. CapMan invested in Avitec in 2002.

### **Investment activities**

CapMan's technology investments focus on strong growth companies in the IT and telecommunication sectors in Nordic countries. The portfolio companies are mainly unquoted companies that deliver industrial and business-to-business infrastructure, products or applications and have proof of concept with existing customer references. The size of equity investment typically varies between EUR 3–15 million per company.

### **Investment professionals mentor the management**

CapMan is usually a significant minority owner in its technology portfolio companies. The investment professionals of CapMan's technology team are always represented on the Boards of Directors of its portfolio companies, typically as Chairman. Portfolio companies are mentored at both strategic and operational levels according to the stage of development. CapMan's professionals participate in the planning and implementation of business strategy, recruitment, internationalisation and consolidation and exit processes. The buy-and-build strategy,

where company value is increased through mergers and acquisitions, and which is typical of buyout investments, is applied in some companies.

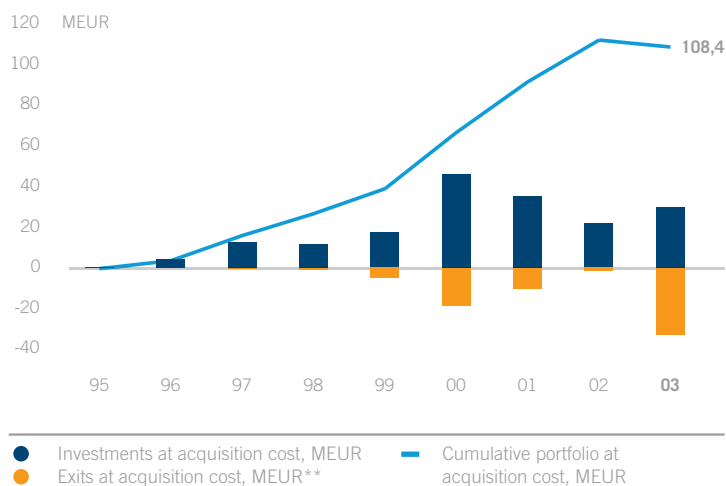
### **Sector outlook**

Consolidation in the private equity industry has reduced the number of Nordic private equity investors focusing on technology investments. At the same time the size and credibility of practitioners has increased. This trend is expected to continue also in 2004. The number of syndicated technology deals is also expected to rise, as weak market conditions in recent years have increased the average holding period and grown the need to share risks associated with investments more effectively than in the past. It is expected that exit markets will gradually pick up during 2004.

As a result of the limited size of the Nordic technology market, private equity firms cannot limit their investment activities to technology companies operating only in certain niche sectors. CapMan prioritises later stage b-to-b companies as well as buy-and-build portfolio companies. CapMan's technology team has Nordic reach and focus, and this strength facilitates the cross-border comparison of potential investments and valuation levels on a Nordic level. In addition the team has substantial capital remaining for both new and follow-on investments.



### TECHNOLOGY INVESTMENTS AND EXITS\*



\* Includes regressive figures for Swedestart and NPEP funds.

\*\* Exits include partial exits.

Foreign currency items are translated for the entire period at the exchange rate on 31.12.2003.

### CAPMAN'S TECHNOLOGY INVESTMENTS IN BRIEF

#### Investment focus and criteria

**Investment focus** IT and telecommunication companies in the Nordic countries.

**Investment criteria** The portfolio company has:

- favourable market development and outlook
- competitive, solid technology or product
- a complete, experienced management team
- a scalable business model with strong growth and profitability potential.

**Investment size** Mid-sized, typically MEUR 3–15.

**Investment stage** "Later stage"

#### Investment history

Cumulative investments as at 31 December 2003, number 52

Cumulative exits as at 31 December 2003, number 22

Average holding period (realised exits), years 3.2

#### Average increase in value of equity investments

Exit valuation compared to investment at cost 7x = seven times money back

IRR, % 139%

#### Important syndicating partners and competitors

##### in Finland

3i, Eqvitec Partners, Nextit Ventures

##### in Sweden

3i, Innovationskapital, IT-provider, SEB Företagsinvest

##### in Denmark

3i, Danske Venture Partners, Novi, Vækstfonden

##### in Norway

Four Seasons, Norsk Vekst, Northzone, Teknoinvest, Televenture

### Investments and exits in 2003

Active investment operations continued in 2003. The team's four new investments were made in Northlight Optronics, Distocraft, DataVis (current XLENT) and Setec and five substantial follow-on investments in Sentera (formerly Solagem), Silex Microsystems, Avitec, Ascade and EM4 Photonics. The team exited from six companies: Multichannel Instruments, Trittech Teknik, XFG-Holdings (formerly LPG Innovations), Utfors, Republica Jyväskylä and Talent Code. The exits were mainly related to unsuccessful technology investments, for which the values had been written down or written off in the fund valuations of the interim reports previous to realisations.

### Investments in 2003



**Northlight Optronics AB** manufactures active fibreoptic components such as laser modules, receiver modules and optical fibre amplifiers for optical communication systems. The company's customers are large international companies in the telecommunications sector. Northlight Optronics was financed with capital from CapMan and EDP and is a spin-off from Ericsson's Optoelectronics unit. The company's net sales totalled MEUR 2.1 in 2003 and it employs 55 people.



**Sentera Plc** develops and delivers business critical IT systems and integrated solutions for companies. Sentera, which was formed from the merger of CapMan's portfolio company Solagem Oy and Icore plc in summer 2003, is a good example of how portfolio companies can be developed via mergers and acquisitions. Sentera's net sales were MEUR 21.2 in 2003 and it had 234 employees.



**Setec Oy** develops and manufactures smart cards and related operating systems and applications. The company's main product groups are SIM cards, payment cards, PKI cards for electronic commerce, electronic identity cards and secure printed matter. Setec's major customers are public authorities, financial institutions and telecom operators throughout the world. The company's net sales totalled approx. MEUR 46 million in 2003 and it employs some 400 people.



**XLENT AB** In autumn CapMan invested in the Swedish IT consulting company DataVis AB, which offers qualified solutions within systems development and technology related services. In November the company announced a merger with management consulting company Digiscope AB, also a CapMan portfolio company. The name of the new firm will be XLENT AB. DataVis' net sales were MEUR 15.5 in 2003 and Digiscope's MEUR 2.7. The companies have some 200 employees in total.



**Distocraft Oy** delivers software products that enable network performance management and business intelligence for mobile telecommunications operators. The software provides exact information on performance so that operators are able to more accurately focus their network capacity and investments. Distocraft's strong technological expertise, experienced management and international growth potential fulfil CapMan's investment criteria well. The company's net sales were MEUR 1.8 in 2003 and it has 34 employees.

## TECHNOLOGY PORTFOLIO AND EXITS AS AT 31 DECEMBER 2003

CapMan made four new technology investments and exited from six technology companies in 2003. As at the end of the year, CapMan's technology team had made 52 technology investments and exited from 22 companies in total. The team has a top quartile track record in investment performance on a European level.




























### Technology portfolio as at 31 December 2003













<b>ATBUSINESS COMMUNICATIONS CORPORATION</b> CRM software & solutions	 1996
<b>AFFECTO OY</b> Business Intelligence solutions and consulting	 1999
<b>MEDIANORTH GROUP CORPORATION</b> Local city media concept	 1999
<b>MODULTEK OY</b> Product information software	 1999
<b>NETSEAL OY</b> Data security software	 2000
<b>QLIKTECH INTERNATIONAL AB</b> Software development	 2000
<b>RUNAWARE AB</b> Evaluation Service Provider (ESP)	 2000
<b>SENTERA PLC (formerly Solagem Oy)</b> Business-critical IT and integration solutions	 2000
<b>QUARTAL OY</b> Content management software	 2000
<b>SECGO GROUP OY</b> Information security solutions	 2000
<b>FORECA LTD</b> Weather services to media and weather sensitive industries	 2000
<b>CETEVO AB</b> Solutions for heterogenous network environments and broadcasting	 2000
<b>HANDWISE LTD</b> Design and implementation of mobile applications	 2000
<b>EXIDIO LTD</b> Treasury operation system	 2001
<b>SIENNAX INTERNATIONAL B.V.</b> Application service provider (ASP)	 2001
<b>EM4 PHOTONICS LTD</b> Optoelectronic device manufacturing services	 2001
<b>FASTRAX LTD</b> GPS technology	 2001
<b>TAKAMAKI INC.</b> Developing and licensing the coating technology	 2001
<b>SILEX MICROSYSTEMS AB</b> Components based on MEMS technology	 2001
<b>HANTRO PRODUCTS LTD</b> Multimedia technology for mobile devices	 2002
<b>TIETURI OY</b> IT training	 2002

<b>DIGISCOPE AB</b> Management consulting	 2002
<b>AVITEC AB</b> Radio coverage solutions	 2002
<b>ASCAD AB</b> Software solutions and consulting	 2002
<b>ECO-DAN A/S</b> High-tech guidance system for agricultural industry	 2002
<b>NORTHLIGHT OPTRONICS AB</b> Supplier of optoelectronic components	 2003
<b>DISTOCRAFT OY</b> Telecommunications software for telecom operators	 2003
<b>XLENT AB (formerly DataVis AB)</b> Management and IT consulting and business solutions	 2003
<b>SETEC OY</b> Smart cards and visual identity products	 2003

More detailed information on portfolio companies and the funds that have invested in them can be found at [www.capman.com/Funds/Overview](http://www.capman.com/Funds/Overview).

### Technology exits as at 31 December 2003

<b>CECAP AB*</b> Measurement sensors <i>Receivership</i>	 1996  1997
<b>FLEXIM SECURITY OY**</b> Software for access control <i>Merger with Aldata Solution Oyj in 1998</i>	 1997
<b>NEXOR SYSTEM SERVICE OY</b> IT services <i>Industrial buyer</i>	 1995  1999
<b>ALDATA SOLUTION OYJ</b> Software for retail market <i>Public listing</i>	 1997  1999
<b>SATAMA INTERACTIVE PLC****</b> Internet consultancy <i>Public listing</i>	 1998  2000
<b>IOBOX OY***</b> Internet services <i>Industrial buyer</i>	 1999  2000
<b>ALTITUM/ADC AB</b> Tunable lasers <i>Industrial buyer</i>	 1998  2000
<b>AUTOGRAF AB*</b> Imaging products <i>Purchase by other owners/company</i>	 1999  2000
<b>NETWISE AB</b> Computer telephony systems <i>Public listing</i>	 1998  2000
<b>ADRASOFT AB</b> Software for the utilities sector <i>Purchase by other owners/company</i>	 1997  2000
<b>UNIACCESS AB*</b> Communication products <i>Industrial buyer</i>	 1996  2000
<b>ALTOPTRONIC AB</b> Laser measurement systems <i>Receivership</i>	 1998  2001
<b>READSOFT AB*</b> Automatic document capture <i>Public listing</i>	 1996  2001
<b>LGP TELECOM AB</b> Mobile telecommunication products <i>Public listing</i>	 1996  2001
<b>MATCHON SPORTS OY</b> Real-time sports entertainment content and gaming technology <i>Receivership</i>	1999  2001
<b>EQUA AB</b> Simulation software <i>Receivership</i>	1998  2001
<b>DB2B OY (Digital-Business-to-Business)</b> Internet portal and e-commerce <i>Purchase by other owners/company</i>	2000  2001

<b>MULTICHANNEL INSTRUMENTS AB</b> Spectroscopic instruments <i>Receivership</i>	 1996  1997
<b>UTFORS AB</b> Broadband communication services <i>Industrial buyer</i>	 2000  2003
<b>LPG INNOVATIONS OY</b> Systems software for operators and service providers <i>Receivership</i>	 1999  2003
<b>TRITECH TEKNIK AB</b> Solution provider of modern complex product development <i>Industrial buyer</i>	 1996  2003
<b>REPUBLICA JYVASKYLA OY</b> XML-based software and related services <i>Purchase by other owners/company</i>	 2000  2003
<b>TIETURI ONLINE OY (formerly Talent Code Oy)</b> Internet based solutions for eLearning and eManagement <i>Industrial buyer</i>	 2000  2003

\* Swedestart Management AB's fund Swedestart AB, which did not transfer to the management of CapMan in connection with the Swedestart-acquisition in 2002, has invested in the company.

\*\* The exit is not included in the total number of exits (22) because the exit method was a merger with another CapMan portfolio company.

\*\*\* Alta-Berkeley Nordic Partners Ky, a subfund of Finnventure Fund III, has exited nine companies, of which Iobox Oy is one. CapMan manages the fund in co-operation with Alta-Berkeley Associates.

\*\*\*\* The funds still own shares of the company or shares received in place of them.

The business descriptions of the exited companies date back to the exit years.

### Technology team

CapMan's technology team, including Senior Advisors, comprises 16 members. The team's investment professionals have solid expertise in the technology and finance sectors. The Senior Partners and Partners of the team have on average eight years of experience in the private equity industry. The team has operations in Finland, Sweden, Denmark and Norway.



**IN THE FRONT FROM LEFT TO RIGHT:** 1. Timo Tiihonen, Senior Advisor 2. Lennart Jacobsson, Head of Technology team, Senior Partner 3. Lars Hagdahl, Senior Partner 4. Petri Saavalainen, Senior Partner 5. Petri Niemi, Deputy Head of Technology team, Partner  
**IN THE BACK:** 6. Tommy Valther Hansen, Investment Director 7. Julia Lundquist, Investment Manager 8. Sami Lampinen, Partner 9. Satu Pihlajamaa, Executive Assistant 10. Peter Buch Lund, Senior Partner 11. Morten Frederiksen, Investment Manager 12. Janne Martola, Investment Manager 13. K. Erik Berger, Investment Director 14. Vesa Wallidén, Investment Director 15. Martin Falkevall, Partner 16. Johanna Lindroos, Investment Director

Background information on team members can be found at [www.capman.com](http://www.capman.com).

You can send email to the team to [technology@capman.com](mailto:technology@capman.com).



*...dedication and innovativeness...*



Life science investments have been a part of CapMan's investment activities since 2002, when CapMan acquired Swedestart Management AB, a pioneer of the Swedish venture capital industry. Life science investments are a growing part of CapMan's investment activities.



Copyright Entific Medical Systems

**FOCUS ON ENTIFIC MEDICAL SYSTEMS AB: THE COMPLETE HEARING AID – FIXTURE, SUPPORT AND HEARING DEVICE ATTACHED TO THE BONE.**

Entific Medical Systems is a Swedish company that specialises in the development and marketing of bone anchored hearing implants and rehabilitative facial prostheses. The company's treatments involve a clinical procedure known as osseointegration, during which a small titanium fixture is placed in the bone. Entific Medical Systems was established in 1999 and is expanding rapidly, with Western Europe and North America as its major market areas. The company's net sales in 2003 were EUR 18.2 million and it has 70 employees. CapMan invested in the company in 1999.

### **Investment activities**

CapMan invests primarily in companies with revenues and focus on the medical technology sector. In many cases the portfolio companies have developed unique patented technologies that improve clinical outcome. The companies' products or services address frequently performed procedures and provide significant benefits to the healthcare system. The size of equity investment is typically EUR 1–5 million per company.

### **Deep involvement creates value**

CapMan is usually a significant minority owner in its life science portfolio companies. Many life science investments are made in syndicate with other private equity firms specialising in life science, as is normal practice in the sector. Portfolio company value creation is supported by active participation from a Board level where focus is often put on market and commercialisation challenges. CapMan is normally deeply involved in business strategy issues, recruitment of management as well as securing appropriate financing until positive cash flow is reached. It is typical for portfolio companies in the life science sector to require more than one round of financing before products or services can be profitably launched on the market.

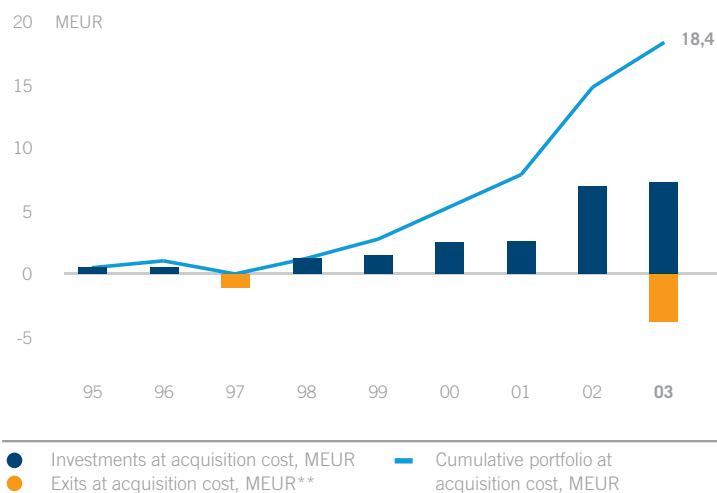
### **Sector outlook**

Life science is expected to be one of the fastest growing sectors in private equity investment in the future, due to changing demography and lifestyle patterns as well as increasing pressures for cost-efficient care methods. The sector's growth in the Nordic region is supported by world-class research and development work done in both public healthcare and academia as well as in life science companies.

Financing for seed companies in the life science sector in the Nordic area has fallen in recent years due to the economic downturn. As a result the number of potential investee companies in such a development phase that meets CapMan's investment criteria has decreased. However, in CapMan's case, the fall in the number of suitable investee companies is offset by the expansion of the life science team to Finland and Denmark in 2003. CapMan's network for finding good investee companies in all Nordic countries has been strengthened. Additionally, CapMan has substantial capital remaining for new life science investments in 2004.



## LIFE SCIENCE INVESTMENTS AND EXITS\*



\* Includes regressive figures for Swedestart funds.

\*\* Exits include partial exits.

Foreign currency items are translated for the entire period for at exchange rate on 31.12.2003.

## CAPMAN'S LIFE SCIENCE INVESTMENTS IN BRIEF

## Investment focus and criteria

**Investment focus** Medical technology companies in Nordic countries.

**Investment criteria** The portfolio company has:

- an experienced management group with ability to manage profitable growth
- a competitive position and state-of-the-art technology
- real market demand
- global market potential.

**Investment size** Mid-sized, typically MEUR 1–5.

**Investment stage** "Later early stage"

## Investment history

Cumulative investments as at 31 December 2003, number	11
Cumulative exits as at 31 December 2003, number	3
Average holding period, years	3–5

## Important syndicating partners and competitors

## in Finland

Biofund, Sitra

## in Sweden

Healthcap,  
Innovationskapital,  
Investor,  
SLS Venture


## in Denmark

BankInvest, Novo

## LIFE SCIENCE PORTFOLIO AND EXITS AS AT 31 DECEMBER 2003

CapMan made two new life science investments and exited from two life science companies in 2003. As at the end of the year, CapMan's life science team had made 11 investments and exited three companies in total.

Life science portfolio as at  
31 December 2003

<b>PROSTALUND AB</b>	
Manufacturing of equipment for microwave treatment of benign prostatic hyperplasia	1998
<b>ENTIFIC MEDICAL SYSTEMS AB</b>	
Development and marketing of hearing aids	1999
<b>NEOPHARMA PRODUCTION AB</b>	
Patent-protected pharmaceutical preparations and drug delivery systems for the treatment of Parkinson's disease	1999
<b>EUTECH MEDICAL AB</b>	
Treatment procedures for incontinence	2002



1998







1999



1999



2002

<b>OTRE AB</b>	
Technology development for surgical instrument serialisation	2002
<b>INION LTD</b>	
Biomaterials and their surgical applications	2002
<b>JOLIFE AB</b>	
Complete product and method systems for treatment of sudden cardiac arrest	2003
<b>SILEX MICROSYSTEMS AB</b>	
Components based on MEMS technology	2003



2002



2002






2003



2003

Life science exits as at  
31 December 2003

<b>BIORA AB</b>	
Biology-based dental products	1995
<i>Public listing</i>	1997
<b>HEMAPURE AB</b>	
Solutions and development within hemodialysis and related areas	1999
<i>Trade sale</i>	2003
<b>VICORE PHARMA AB</b>	
Development of drugs for treatment of gastrointestinal and cardiovascular diseases	2001
<i>Trade sale</i>	2003



1995

1997



1999

2003




2001

2003

More detailed information on portfolio companies and the funds that have invested in them can be found at [www.capman.com/Funds/Overview](http://www.capman.com/Funds/Overview).

The business descriptions of the exited companies date back to the exit years.

-  Investment year
-  Exit year

### Investments and exits in 2003

The life science team made two new investments in 2003. One of these was made into Jolife, and the other one in Silex Microsystems. Silex has been CapMan's technology portfolio company since 2001. Its main customers are in the life science sector. Significant add-on investments were made in Entific Medical Systems and Prostalund. In 2003, CapMan exited from two life science companies, Hemapure and Vicore Pharma.

### New investments in 2003



**Jolife AB** develops and markets products and care methods for the treatment of sudden cardiac arrest. LUCAS is Jolife's unique patented automatic chest compression/decompression device for the treatment of sudden cardiac arrest prior to hospital care. The company meets CapMan's investment criteria well because of its product and stage of development. Jolife's net sales were MEUR 0.2 in 2003 and it has 8 employees.



**Silex Microsystems AB** designs, develops and manufactures MEMS-based (Micro Electro Mechanical Systems) components such as sensors, actuators and precision structures for use by medical and telecommunications companies. Silex is one of the fastest growing and internationalising companies in the MEMS industry and meets CapMan's investment criteria well. The company had net sales of MEUR 2.8 in 2003 and it employs 26 people.

### Life science team

CapMan's life science team was expanded to Finland and Denmark in 2003, in line with CapMan's Nordic strategy. The team comprises five investment professionals and one Senior Advisor. The team members have held various management positions in med tech companies and have long term experience from private equity. An advisory board of highly experienced life science and industry professionals also supports the team.



**FROM LEFT TO RIGHT:** 1. Johan Bennarsten, Investment Manager 2. Björn Nordenvall, Investment Director 3. Morten Bro Nielsen, Investment Director 4. Semmy Rülff, Senior Advisor 5. Jan Lundahl, Head of Life Science team, Senior Partner 6. Yrjö E. K. Wichmann, Investment Director

Background information on team members can be found at [www.capman.com](http://www.capman.com).  
You can send email to the team to [lifescience@capman.com](mailto:lifescience@capman.com).

## CAPMAN FUNDS

*...for our stakeholders' success.*



At the end of 2003, CapMan managed/advised 13 equity funds and three mezzanine funds. In addition, CapMan's affiliated company Access Capital Partners managed/advised two funds of funds as well as private equity investment mandates.



**FOCUS ON MEHILÄINEN OYJ: A DOCTOR IN HIS WORK.**

Mehiläinen is a leading provider of private health care services in Finland. In addition to traditional health care the company specialises in services for the ageing population, occupational health care and information technology applications. CapMan invested in Mehiläinen in 2001 via the merger of Sairaalaosakeyhtiö Mehiläinen and Tohtoritilo, the first merger of its kind in the Finnish health care sector. The company has grown strongly through acquisitions in recent years and has a strategy to expand operations throughout Finland. Mehiläinen's net sales increased by 25% in 2003 to EUR 74.4 million. The company employs 1,034 people.

### Capital in the funds

At the end of 2003, CapMan managed/advised EUR 1,159.3 million in funds making direct investments in portfolio companies. Of this, EUR 881.7 million was in Nordic equity funds, EUR 255.2 million was in mezzanine funds and EUR 22.4 million was in Alliance ScanEast Fund that has Eastern European investment focus. The growth in capital in 2003 results mainly from the EUR 50 million commitment by Norwegian Argentum Fondsinvesteringer as in CapMan Equity VII Fund.

CapMan's affiliated company Access Capital Partners had EUR 559.7 million under management in two funds and private equity mandates. With Access Capital Partners, the total capital managed/advised by CapMan amounts to EUR 1,719.0 million in capital calculated as total commitments in the funds.

### New funds

CapMan did not raise new funds during 2003. CapMan aims to raise a new, fourth fund that invests mezzanine loans in mid-sized Nordic companies during 2004.

### Well-diversified portfolio

The investment focus of the funds that invest directly in Nordic portfolio companies is diversified between companies in various traditional industry segments and the technology and life science sectors. CapMan's investment focus and criteria are described in more detail in the buyout, technology and life science sections on pages 15, 23 and 31. At the end of 2003, 77.3% of the capital invested by the funds in existing portfolio companies was invested in traditional companies, 19.4% in technology companies and 3.3% in life science companies.

In exception to the other funds managed/advised by CapMan, the investment focus of Alliance ScanEast

Fund is on Eastern Europe. The fund has not made new investments after 1998.

### Private equity funds

A private equity fund has a limited and pre-determined life, usually ten years. Fund capital is invested in selected unquoted portfolio companies mainly during the fund's first three to four years.

The private equity investor has an active role in the development and expansion of the portfolio company. The aim is to create prerequisites for significant increase in the value of the company. Investments are usually made for three to six years after which the private equity investor exits from the portfolio company, for example through a listing on the stock exchange or through a trade sale. Following an exit, the invested capital and yield are returned to the private equity fund to be distributed to the fund's investors according to the agreed profit distribution policy. The Limited Partnership structure enables investors to receive interest, dividends and capital gains throughout the financial year as the fund exits from its portfolio companies.

The fund's management company or General Partner receives an annual management fee based on total capital in the fund. In addition, the management company receives carried interest. Management companies begin to receive carried interest after the investors (Limited Partners) have regained their investment in addition to a preferred annual return, usually 6 to 8%. After this point, carried interest is typically 20 to 25% of the fund's cash flow through exits from its portfolio companies. Carried interest from funds of funds is substantially smaller.

The continuity of business is assured by establishing new funds and raising capital for them as the previous funds become fully invested.

## LIFE CYCLE OF PRIVATE EQUITY FUNDS



## CAPMAN GROUP FUNDS AS AT 31 DECEMBER 2003 MEUR

Fund	Established/ Generating carried interest since	Fund size *	Paid-in capital **	Fund's current portfolio at cost	Fund's current portfolio/ EVCA- valuation ***	Distributed cash flow to investors	Distributed cash flow to management company ****	Liquid assets
<b>FUNDS INVESTING DIRECTLY IN PORTFOLIO COMPANIES</b>								
<b>Nordic Equity funds</b>								
Finnventure Fund I	1990 / 1997	11.1	11.1	3.2	4.7	29.4	5.6	
Nordic Private Equity Partners I	1991 / 2002	13.5	13.5	1.5	1.1	26.6	0.8	0.2
Finnventure Fund II	1994 / 1997	11.9	11.9	3.5	3.1	37.4	13.8	
Nordic Private Equity Partners II <sup>3)</sup>	1995	20.6	20.6	11.5	10.4	4.3		3.4
Finnventure Fund III <sup>1)</sup>	1996 / 2000	29.7	29.7	13.8	12.2	100.4	22.2	
<i>Fenno Program</i>								
<i>Fenno Fund</i> <sup>2)</sup>	1997	42.5	42.5	36.8	36.0	22.9		2.0
<i>Other</i> <sup>2)</sup>	1997	7.7	6.0	6.0	24.4			0.6
Skandia <sup>1), 2)</sup>	1997	16.9	16.3	14.4	21.6	9.4		
Swedestart II <sup>3)</sup>	1997	26.0	25.3	15.4	16.7	128.4		0.9
Finnventure Fund IV	1998	59.5	58.1	45.1	40.5	13.8		2.7
Finnventure Fund V								
<i>Finnventure Fund V</i>	1999	169.9	159.8	138.5	141.0	2.4		4.5
<i>Finnventure Fund V ET</i>	1999	34.0	31.7	22.5	12.9			0.4
Swedestart Life Science <sup>3)</sup>	2000	50.6	17.8	8.5	8.5			1.8
Swedestart Tech <sup>1), 3)</sup>	2000	84.5	29.9	19.7	16.9			1.9
CapMan Equity VII								
<i>CapMan Equity VII A</i>	2002	156.7	51.6	40.6	40.2			6.4
<i>CapMan Equity VII B</i>	2002	56.5	25.1	18.8	18.7			4.8
<i>CapMan Equity VII C</i>	2002	23.1	3.9	2.8	2.7			0.5
<i>CapMan Equity Sweden</i>	2002	67.0	23.1	17.3	17.2			3.6
<b>Nordic mezzanine funds</b>								
Finnmezzanine Fund I	1995 / 2001	31.4	31.4	7.1	6.9	45.0	1.3	0.3
Finnmezzanine Fund II <sup>1)</sup>	1998	88.3	85.2	44.7	49.5	45.0		1.3
Finnmezzanine Fund III <sup>1)</sup>	2000	135.5	89.0	77.1	82.5	14.1		4.4
<b>Other</b>								
Alliance ScanEast Fund <sup>3), 4)</sup>	1994	22.4	22.4	8.7	10.7	9.0		1.7
Total private equity funds		1,159.3	805.9	557.5	578.4	488.1	43.7	41.4
<b>FUNDS OF FUNDS, managed/advised by CapMan's affiliate company</b>								
<b>Access Capital Partners</b>								
Access Capital Fund <sup>1)</sup>	1999	250.3						
Access Capital Fund II A <sup>1)</sup>	2001	153.5						
Access Capital Fund II B <sup>1)</sup>	2001	123.5						
Private Equity Mandaatit	2003	32.4						
Funds of funds total		559.7						
<b>All funds in total</b>		<b>1,719.0</b>						

\* Total capital committed by investors. In CapMan's statistics the terms 'capital under management' and 'size of a fund' refer to the gross capital commitment in the fund. Funds managed by affiliated company Baltcap Management Oy are excluded (CapMan's share of Baltcap Management Oy is 20%; the total size of the funds approx. EUR 57.3 million)

\*\* Total capital paid into the fund by investors.

\*\*\* EVCA-valuation is carried out in accordance with the guidelines of the European Private Equity & Venture Capital Association (guidelines for the year 2001, EVCA/conservative value). Instead of EVCA Fair Market valuation CapMan has adopted the more generally applied EVCA Conservative valuation from the beginning of the year 2003. The conservative value of some investments has been adjusted to some extent by the General Partner. More information about the EVCA guidelines can be found on EVCA's website: [http://www.evca.com/pdf/EVCA%20Guidelines/Guidelines\\_valuation.pdf](http://www.evca.com/pdf/EVCA%20Guidelines/Guidelines_valuation.pdf)

\*\*\*\* When the return of a fund has exceeded a required cumulative return target, the management company is entitled to a share of the cash flow from the funds (carried interest). Cash flow includes both the distribution of profits (incl. tax credits) and distribution of capital. Carried interest % of the remaining cash flows are (for the funds which are currently generating carried interest): Finnventure Fund I: 25%, Finnventure Fund II: 35%, Finnventure Fund III: 25%, Finnmezzanine Fund I: 20%, Nordic Private Equity Partners I approx. 61% (exceptional carried interest agreement).

CapMan Group's share of the carried interest is less than 100% for the following funds: Finnmezzanine Fund I: 70%, Fenno Fund and Fenno Program (Skandia, others): 50-60%, Swedestart II: 4-20%, Swedestart Life Science: 10%, Swedestart Tech: 12%, Alliance ScanEast Fund: 42%, Access Capital Fund: 47.5%, Access Capital Fund II A, B: 45%, Access/Private Equity Mandates: 25%.

<sup>1)</sup> The fund is comprised of two or more legal entities (parallel funds are presented separately only if they have different investment focuses).

<sup>2)</sup> Fenno Program is managed jointly with Fenno Management Oy.

<sup>3)</sup> Currency items are valued at the average EUR rate at 31 December 2003.

<sup>4)</sup> The portfolio valuation is made by the Fund's General Partner/management company with adjusted EVCA guidelines.

CapMan updates the information above in conjunction with the release of interim reports.

### **Investments and exits by the funds**

By the end of 2003 the funds managed/advised by CapMan investing directly in portfolio companies had invested in 137 companies and exited from 58 companies in total. The value of CapMan's equity investments had increased by an average of 5.1 times from the initial investment. The past and present portfolio companies of CapMan's Nordic funds are presented in the buyout, technology and life science sections.

### **Five funds generating carried interest**

The funds managed/advised by CapMan are at different stages of the life cycle, which evens out the payment of carried interest from the funds to the management company over several years. Of the funds managed/advised by CapMan, the Finnventure I, II and III, Finnmezzanine I and Nordic Private Equity Partners I Funds were generating carried interest at the end of the fiscal year. The capital in these five funds was EUR 97.6 million, which represents approximately 8.4% of the total capital in the CapMan funds that invest in the Nordic countries. The funds that are not in carry are accompanied by a high return potential.

### **Nordic equity funds over five years old**

The funds that have started operations between 1990-1998 have mainly yielded good returns to investors when compared to European funds. These funds have typically invested in both buyout and technology portfolio companies. Only the Swedestart II Fund focuses purely on technology and life science investments.

CapMan has succeeded well in supporting the portfolio companies as well as in utilising the prevailing market situations in the equity funds established more than five years ago. As a pioneer in the private equity investment field CapMan made many investments in the mid 1990s, in which the associated growth potential was realised by the end of the decade. New types of exit opportunities such as listings on the stock exchange emerged at the same time. For the period 1997-2001, CapMan's successful realisations via public listings included exits from current PKC Group, Rocla, Nordic Aluminium, Ramirent, Aldata, Satama, LGP Telecom and ReadSoft.

The portfolios of older CapMan funds that already generate good returns still include investments to be realised in more favourable market conditions.

### **Nordic equity funds between two and five years old**

The investment focus of the CapMan funds that have started operations in 1999-2001 is distributed into buyout, technology and life science investments. Finnventure Fund V, Fenno Program /Skandia II and Fenno Program/Other invest both in buyout and technology companies (80/20%). Buyout investments have been made at moderate prices and value has mostly developed as expected.

The technology boom in the late 1990s and early 2000 raised the acquisition prices of technology investments, and some of the investments have been made at quite high valuation levels. Correspondingly, the current situation in the technology sector can be seen in the market-based valuations, and this has an effect on the rate of return of the funds. Swedestart Tech and Life Science funds started operations after the technology boom and the entry valuations of their investments can be considered as normal. The funds are in the early stage of their operations and have not reached an active exit phase yet, which is reflected in the funds' return figures to investors. In the first few years private equity funds will typically show negative returns as a result of management fees and start-up costs paid. Therefore their returns are not comparable with those of older funds.

The overall portfolios of the funds are in good condition and include substantial return potential. However, the holding period of the investments in these funds will be longer than before, as the markets have not been favourable for large-scale exit activities in recent years.

The comparison does not include the CapMan funds established in 2002, which funds are in the early stage of their operations.



## NET RETURN TO INVESTORS FROM NORDIC PRIVATE EQUITY FUNDS MANAGED BY CAPMAN AS AT 31 DECEMBER 2003

Funds that have started operations between 1990 and 2001

Fund	Operations started in year *	Size of fund MEUR	Net return to investors	Return multiple (net)
			** IRR% p.a.	to investors ***
<b>FUNDS OVER 5 YEARS OLD</b>				
Finnventure Fund I	1990	11.1	15.5%	3.0
Nordic Private Equity Partners I	1991	13.5	10.2%	2.0
Finnventure Fund II	1994	11.9	55.7%	3.3
Nordic Private Equity Partners II	1995	20.6	-	0.9
Finnventure Fund III	1996	29.7	63.5%	3.7
Fenno Program / Fenno Fund	1997	42.5	10.1%	1.4
Fenno Program / Skandia I	1997	8.4	19.2%	1.4
Swedestart II	1997	26.0	176.0%	5.7
Finnventure Fund IV	1998	59.5	-	1.0
<b>FUNDS 2-5 YEARS OLD</b>				
Finnventure Fund V	1999	169.9	-	0.9
Finnventure Fund V ET	2000	34.0	-	0.4
Swedestart Tech	2001	84.5	-	0.6
Swedestart Life Science	2001	50.6	-	0.6
Fenno Program / Skandia II	2001	8.5	36.9%	2.1
Fenno Program / Other	2001	7.7	65.6%	3.5

\* The year when operations were started differs with the fund's establishment year for following funds: Finnventure Fund V ET (established in 1999), Swedestart Tech and Swedestart Life Science (established in 2000), Fenno Program / Skandia II and Other (established in 1997).

\*\* Net return to investors = Internal Rate of Return (IRR) p.a. to investors; cumulative cash flow between investors and fund + portfolio at current valuation.

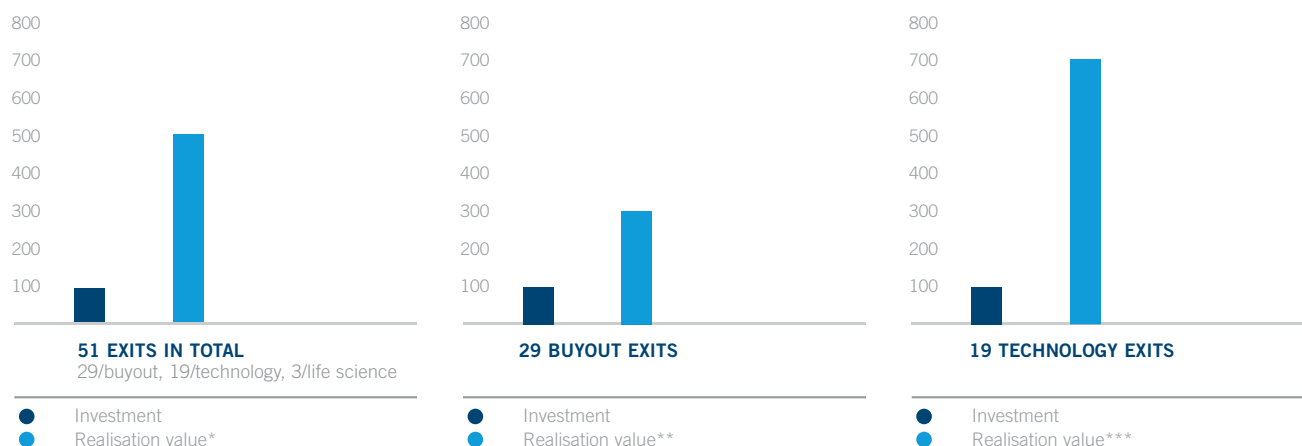
\*\*\* (Cash flow to investors + investors' share of the portfolio)/paid-in capital.

The investors' share of the funds' portfolio includes possible liquid assets.

A more comprehensive table is presented on the Internet at [www.capman.com](http://www.capman.com).

## INCREASE IN THE VALUE OF INVESTMENTS TO FUNDS, ACQUISITION PRICE INDEXED (DATE OF INVESTMENT=100)

Nordic equity funds managed/advised by CapMan 31 December 2003



\* The value of investments has on average increased by 5.1 times. IRR 51%. Average holding period 3.8 years.

\*\* The value of investments has on average increased by 3.0 times. IRR 32%. Average holding period 4.2 years.

\*\*\* The value of investments has on average increased by 7.0 times. IRR 139%. Average holding period 3.2 years.

Realisation value includes profit from the sale in connection with the exit and dividend and interest income received during the investment period. Exits made by Swedestart AB are included, and mezzanine exits and Alliance ScanEast Fund's exits are excluded. Exits made by AltaBerkeley Nordic Partners Ky are recorded as one single exit.

**Investors in the funds**

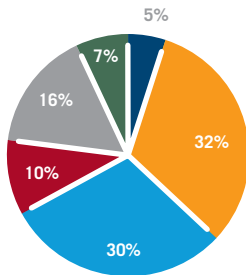
Major investors in the funds managed/advised by CapMan include pension funds, life assurance and non-life insurance companies, as well as banks and foundations. Historically almost half of the commitments are made by pension funds, one fourth by insurance companies, less than one tenth by banks and foundations and one fourth by other investors like investment companies. The figures below illustrate the investor base for CapMan latest Nordic fund CapMan Equity VII that was established in 2002.

The majority of these investors have invested in several CapMan funds and many have invested in both equity and mezzanine funds.

**Fundraising**

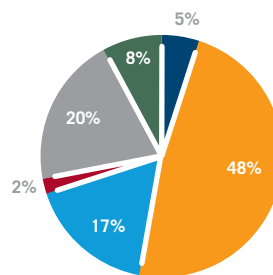
The Group's fundraising for all business areas is centralised in the Development Unit. For further information please contact Mr Jerome Bouix, Director of Investor Relations and Communications, tel. +358 9 6155 8358 or jerome.bouix@capman.com.

**INVESTORS IN CAPMAN EQUITY VII AS AT 31 DECEMBER 2003\***



**GEOGRAPHIC DISTRIBUTION OF INVESTORS**

- CapMan
- Finland
- Sweden
- Denmark
- Norway
- Other



**INVESTORS BY TYPE**

- CapMan
- Pension funds
- Insurance companies
- Foundations
- Investment companies
- Other

\* Based on the amount of funds committed. Total size of CapMan Equity VII is EUR 303.3 million.

CapMan Plc's affiliated company Access Capital Partners is one of the leading fund of funds managers/advisors in Europe. The company manages/advises two funds of funds, Access Capital Fund and Access Capital Fund II as well as private equity investment mandates, with a total of EUR 559.7 million in capital. CapMan's investment in Access Capital Partners contains significant earnings potential.

CapMan owns 47.5 per cent of the funds' management/advisory company Access Capital Partners. The remainder of the shares is owned by the operative management. Access Capital Fund (ACF) has EUR 250.3 million in capital and Access Capital Fund II (ACF II) EUR 277.0 million in capital.

Access Capital Partners offers its investors the opportunity to diversify their investments throughout Europe. The investors are mainly pension funds, insurance companies and other institutional investors, but include also some family businesses and wealthy private individuals.

#### **Investment focus and criteria**

Access Capital Partners constitutes a carefully selected portfolio of high-performance European private equity funds. Portfolios are balanced between growth and buyout funds and both early and later stage funds within technology and life science.

ACF and ACF II invest mostly in country-specific private equity funds usually in the range of EUR 100 to 1,000 million in size. The underlying funds target companies at diverse stages in the value creation stream. The funds managed/advised by Access Capital Partners do not invest in Finnish private equity funds or in the funds managed/advised by CapMan.

Access Capital Partners is looking for investment teams that have been working together for several years and demonstrated an ability to deliver superior rates of return. Investment teams are typically specialised according to the business sectors or stages of development of portfolio companies.



Access Capital Partners has 14 employees in Paris. The partners are Ms Agnès Nahum, Mr Dominique Peninon and Mr Philippe Poggioli. They all have extensive experience in international private equity investment.

# PERSONNEL

Competent and motivated personnel are the cornerstones of CapMan's success. The key components of CapMan's personnel strategy are the wellbeing of the staff and the enhancement of their competence, as well as recruitments that support achieving the company's vision. The daily work of personnel is guided by the Group's Nordic strategy, business model and values.

At the end of 2003 CapMan had 71 (66) employees and seven Senior Advisors acting as consultants for CapMan. The growth in personnel resulted mainly from the expansion of the investment teams. The Nordic integration of different operations and working practices throughout the Group had a central position and reflected directly in the duties of the company's personnel.

## Personnel development

The individual work performance of employees is regularly evaluated in employee evaluation discussions, where employees receive feedback and new objectives and individual developmental needs are defined. In 2003 CapMan's total expenditure on personnel development exceeded EUR 275,000 or an average of EUR 3,500 per employee.

## High job satisfaction

In autumn 2003, CapMan implemented the third internal employee attitude barometer to measure employee satisfaction and to develop the working community. The response rate to the questionnaire was 77% and the average results were good compared to common standards. The survey revealed that the commitment of CapMan employees to the objectives of the company and their own units was

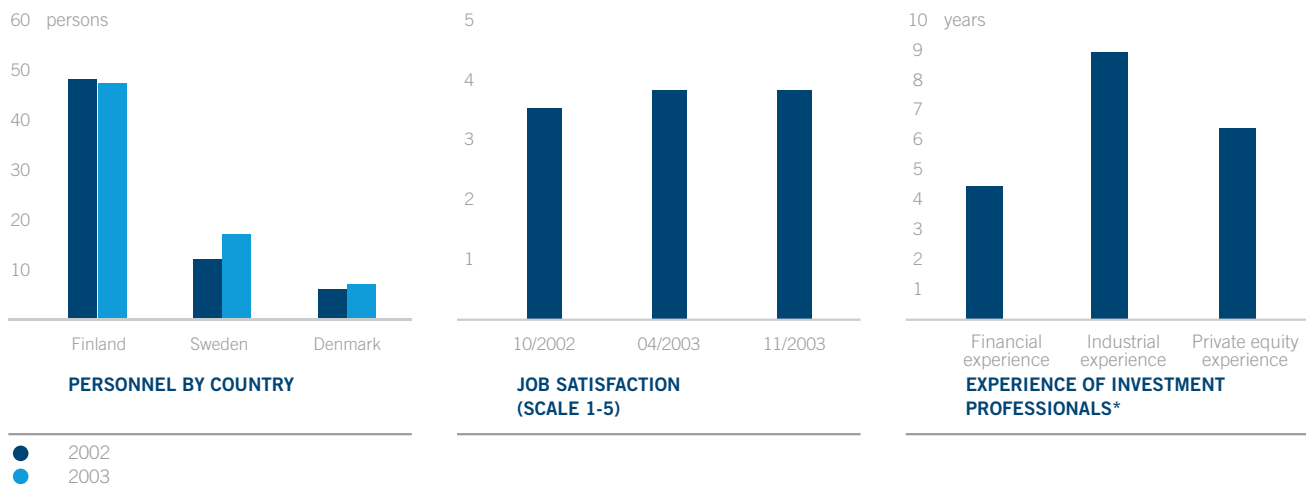
better than average. Feedback from supervisors was raised as the most important area for development. CapMan conducts the barometer twice per year. The results and recommendations for further measures to improve the working community are handled at both the Group and team levels. Measures for improvement are reported at the Group's biannual Nordic Training Days that are attended by the entire personnel.

## Personnel incentive scheme

CapMan has a bonus scheme and two incentive schemes to motivate and reward employee commitment. Detailed information about the warrant scheme and employee shareholdings can be found in the Shares and shareholders section on pages 68–71.

The bonus scheme covers CapMan's entire personnel. The bonus is paid annually and is based on both the achievement of personal objectives and the Group's result.

Additionally, CapMan's investment professionals have the opportunity to participate in portfolio company investments alongside the funds, via an equity fund established for this purpose.



\* The total number of investment professionals is 48. The figure includes CapMan's Senior Advisors.

CapMan strives to be a responsible and ethical corporate citizen in all its relations with its stakeholders. CapMan complies with prevailing laws and instructions and takes social factors into consideration. The company's values guide a responsible course of action.

### CapMan's role in society

CapMan has an important role in society as the manager/adviser of the capital invested by institutional investors in its funds. Pension insurance companies, whose investments represent about 45% of the capital in CapMan funds, are socially the most significant group of fund investors. The success of investment activities has a direct effect on the results of fund investors and their interest groups, such as pensioners. The risks associated with investments and risk management are described on page 46.

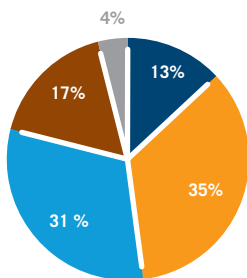
CapMan also has an important role as the developer of portfolio companies. In international surveys<sup>1)</sup>, private equity investment has been proven to have a positive effect on the development of investee companies and thus on the economy and employment. The positive effects arise from the opportunities for development that are enabled by the private equity investor's finance and strategic expertise.

CapMan guides the operations and business principles of its portfolio companies via active work on the Boards of Directors. The companies comply with prevailing laws and instructions as well as commonly accepted and socially sustainable business and management principles. In 2003 CapMan conducted a survey on Board work among its buy-out and technology investee companies, the results of which will be used to further develop their Board work and corporate governance.

In addition, CapMan has a partnership with the Family Business Network of Finland and is a supporter of family businesses. In 2003 CapMan was one of the donors of a private equity professorship to the Helsinki University of Technology, Department of Industrial Engineering and Management. The professorship develops the prerequisites for entrepreneurship and internationalisation.

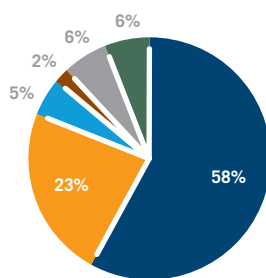
<sup>1)</sup>See "Survey of the Economic and Social Impact of Venture Capital in Europe" and "Survey of the Economic and Social Impact of Buyouts in Europe" by the European Private Equity and Venture Capital Association at [www.evca.com](http://www.evca.com).

### PERSONNEL AS AT 31 DECEMBER 2003\*



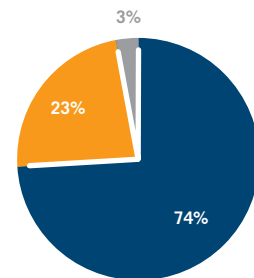
PERSONNEL AGE PROFILE

- 20-29 years
- 30-39 years
- 40-49 years
- 50-59 years
- 60+ years



EDUCATIONAL BACKGROUND OF EMPLOYEES\*\*

- Economics
- Engineering
- Law
- Medical
- Humanistic
- Other



EDUCATIONAL LEVELS OF EMPLOYEES

- Academic education
- Intermediate education
- Other

\* Including Senior Advisors.

\*\* There are eight CapMan employees who have academic qualifications in two fields. Qualifications are listed under the level of education that they represent.

# CORPORATE GOVERNANCE

## Complied principles

CapMan Plc will follow the new Recommendation for Corporate Governance of Listed Companies by the Helsinki Exchanges, the Finnish Central Chamber of Commerce and the Confederation of Finnish Industry and Employers as of 1 July 2004, when the Recommendation enters into force. Until that the company applies the former corporate governance guidelines of the aforementioned organisations. The Board of Directors is responsible for the implementation of the new standards and the according revision of CapMan Plc's principles on corporate governance.

## Group structure

The CapMan Group is comprised of CapMan Plc and its subsidiaries and affiliated companies. The most significant subsidiaries, which are 100% owned by CapMan Plc, are CapMan Capital Management Oy, CapMan AB, CapMan Sweden AB, CapMan Invest A/S, CapMan Norway AS and CapMan (Guernsey) Ltd. The subsidiaries act as fund management and/or advisory companies for Group funds making direct investments in portfolio companies.

The most significant affiliated company is Access Capital Partners, which is 47.5% owned by CapMan Plc. The company's operations are presented on page 41. All of CapMan Plc's Group and affiliated companies are listed in the Notes to the balance sheet on page 61.

## Operative organisation

The Group's operations are divided into three Nordic business units: Buyout, Technology and Life Science. The business units are responsible for identifying new portfolio companies, making investments, developing the value of portfolio companies and carrying out exit projects.

The operations of the business units are supplemented by two support units: Finances and Administration and Development. The support units are responsible for Group finances and administration, fundraising, fund product development, fund and shareholder investor relations, communications, legal matters, corporate governance and business development.

## Annual General Meeting

The highest power of decision is the Annual General Meeting (AGM) of CapMan Plc, where the shareholders can exercise their rights to speak and vote. The Board of Directors convenes the AGM annually, no later than the end of May. The AGM decides on the tasks specified by the law and the Articles of Association.

## Board of Directors

### Composition and term

The members of the Board of Directors of CapMan Plc are elected by the AGM for a one-year term, which commences at the closing of the AGM and ends when the following AGM concludes. The Board elects the Chairman and the Vice Chairman among themselves.

The Board of Directors has between three and nine members, who do not have deputy members. The members of the Board and their personal information and shareholdings in CapMan Plc are presented on page 47. In 2003 the Board of Directors met 8 times and the participation rate of its members was 90%.

### Duties and responsibilities

The duties and responsibilities of the Board of Directors are determined for the main part by the Finnish Companies Act. The Board is responsible for the administration and proper organisation of the company's operations and decides upon exceptional or far-reaching matters, taking into account the extent and quality of the company's operations. Examples of such matters include the adoption of Group business strategy and approval of large investments. The Board has general authority to render decisions on all of those company matters which, on the basis of the law or the Articles of Association, are not stipulated to be decided or carried out by another executive body.

The Chairman of the Board is responsible for overseeing that the Board fulfils the tasks specified by the law and the Articles of Association.

### Remuneration

The remuneration of the members of the Board of Directors is decided by the AGM. In 2003 the AGM resolved to pay monthly compensation of EUR

2,000 to the Chairman and EUR 1,600 to the Vice Chairman and other members. In addition the AGM decided to distribute 100,000 of the year 2000 stock options to the Chairman and 50,000 to the other members of the Board. Half of the options are 2000A options and half are 2000B options.

Compensation is not paid and stock options are not distributed to those Board members who are employed by CapMan Group. In 2003 the total remuneration paid to the Board was EUR 43,200.

#### **CEO and Deputy CEO**

The CEO and Deputy CEO of CapMan Plc are elected by the Board of Directors. The CEO leads and oversees the company's operations in accordance with the instructions and orders set forth by the Companies Act and the Board of Directors. As a rule, the CEO is independently responsible for deciding and implementing matters concerning the company's operative activities and ordinary business.

#### **Remuneration**

The central conditions of the CEO's employment are specified in writing in the service contract, which is approved by the Board of Directors. In 2003, CEO Ari Tolppanen received salary and other remuneration totalling EUR 157,680. Deputy CEO Heikki Westerlund received salary and other remuneration totalling EUR 170,538. Mr Tolppanen's and Mr Westerlund's personal information and company shareholdings are presented on pages 47 and 48.

The retirement age and retirement benefits for the CEO and Deputy CEO are specified according to the statute on employee pensions. The term of notice for the CEO, Deputy CEO and the company is 12 months, during which time the normal monthly salary is paid.

#### **Other management**

The Steering Group of CapMan Plc, which comprises the CEO and Heads of business and support units, is responsible for the preparation and co-ordination of matters other than investment activities for the business and support units. Decisions on these matters are made on a case-by-case basis by the Head of the unit, the CEO or the Board of Directors. The members of the Steering Group and

their personal information and shareholdings in CapMan Plc are presented on page 48. In 2003, the salaries and remuneration paid to the Steering Group totalled EUR 854,995.

CapMan also has an Investment Committee which is comprised of the Senior Partners of the company. The Investment Committee makes investment presentations and proposals on new investments and exits from portfolio companies to the funds' Advisory Boards.

#### **Insider issues**

CapMan Plc complies with the guidelines for insiders issued by the Helsinki Stock Exchange on 1 March 2000. In addition CapMan's Board of Directors has its own rules on insider issues, which are in part stricter than the general guidelines.

#### **Insiders**

In accordance with the Securities Market Act, the permanent insiders of CapMan Plc are the members of the Board of Directors, the CEO, Deputy CEO and auditors, including the auditor in charge. The Board has defined other parties who also are permanent insiders because of their assignments. The Finnish Central Securities Depository Ltd keeps the insider register for CapMan Plc. A register of insiders and their holdings of shares and stock options is updated monthly on the company's Internet pages at the address [www.capman.com](http://www.capman.com).

#### **Internal insider guidelines**

CapMan Plc has a set of internal insider guidelines that is distributed to the entire staff. The CFO of CapMan Plc together with a lawyer oversees compliance with the guidelines. The insider register is sent to permanent insiders regularly for inspection.

Employees of CapMan Group are not permitted to trade company shares or stock options without the permission of the CFO. Trading is completely forbidden in the fourteen-day period prior to the release of the company's financial results.

### **Control systems**

Clear financial and other operative objectives are specified for all of the Group's business and support units. Internal instructions are in use for the achievement of set objectives and the minimisation of risks associated with the Group's operations.

CapMan Plc's auditors PricewaterhouseCoopers Oy and auditor in charge Mr Jan Holmberg, Authorised Public Accountant, are responsible for guiding and co-ordinating the auditing work of the entire Group.

### **Sources of income and risk management**

CapMan Plc Group's result is influenced by management fees and carried interest from funds and a share of the result of affiliated companies. In future the returns on direct fund investments will increase, as CapMan's objective is to make fund investments representing about 5% of the capital in future funds from its own balance sheet. The Group's business risks are primarily related to the establishment of new funds and the success of investments in portfolio companies.

The annual management fees are 1.0–2.5% of the funds' total capital. The income received from management fees can be quite accurately calculated for the lifespan of each fund, which is about 10 years. CapMan's objective is to well cover the company's expenses with management fees, in which case carried interest income fully contributes to the company's profit.

Carried interest income depends on the success of the funds' investments in portfolio companies. Fund management/advisory companies begin to receive carried interest after the investors have regained their investment and a preferential return, usually 6–8% p.a. Carried interest is typically 20–25% of the fund's cash flow through exits from its portfolio companies. The funds managed/advised by CapMan are at different stages of their lifespans, which evens out the carried interest over several years.

The establishment of new funds and fundraising are important for the continuing of active investment operations as well as for the receiving of management fees and carried interest. Successful investments and exits build fund investors' confidence and trust in CapMan, which facilitates fundraising for new funds. A loyal investor base is one of CapMan's strengths.

CapMan strives to minimise the risks and maximise the returns associated with investments by means of deliberate investment strategies and criteria, a phased investment decision-making process and a well-diversified portfolio of investee companies. CapMan's investment focus and criteria are described in more detail on pages 15, 23 and 31. In addition, risks are managed and return potential is increased by active participation in the business development of portfolio companies, for example through work on the companies' Boards of Directors.

CapMan Plc is not party to any legal proceedings.





FROM LEFT TO RIGHT: Lennart Jacobsson, Teuvo Salminen, Lauri Koivusalo, Ari Tolppanen and Vesa Vanha-Honko.

**Lauri Koivusalo** (b. 1941), LL.M.  
Chairman of the Board since 2001.  
Managing Director of Etera Mutual Pension Insurance Company.

Key Board memberships: The Mortgage Society of Finland (Chairman of the Board of trustees), Tornator Forest Oy, Garantia Insurance Company Ltd, VVO-group plc.

CapMan Plc shares and options:  
10 B shares.

50,000 2000 A options, 50,000 2000 B options.

**Vesa Vanha-Honko**  
(b. 1955), M.Sc. (Eng.), B.Sc. (Econ.).  
Chairman of the Board from 1993 to 2001 and Vice Chairman since 2001. Head of CapMan's Development Unit, Senior Partner\*. Joined CapMan in 1989.

Key Board memberships: Access Capital Partners S.A. (member of the supervisory board), Espe Group Oy (Chairman).

CapMan Plc shares and options:  
1,291,638 A shares, 5,746,218 B shares.

**Lennart Jacobsson** (b. 1955), BBA.  
Member of the Board since 2002.  
Head of CapMan's Technology Business Unit, Senior Partner\*. Joined CapMan in 1995.

Key Board memberships: Eco-Dan A/S, Northlight Optronics AB, Runaware AB.

CapMan Plc shares and options:  
1,500,000 B shares.

**Teuvo Salminen** (b. 1954), M.Sc. (Econ.),  
Authorised Public Accountant.  
Member of the Board since 2001.  
Executive Vice President of Jaakko Pöyry Group Oyj.

Key Board memberships: Tapiola General Mutual Insurance Company (member of the Board of Directors), YIT Corporation.

CapMan Plc shares and options:  
20,000 B shares.  
25,000 2000 A options, 25,000 2000 B options.

**Ari Tolppanen** (b. 1953), M.Sc. (Eng.).  
Member of the Board since 1993.  
CEO of CapMan Plc, Senior Partner\*.  
Joined CapMan in 1989.

Key Board memberships: Access Capital Partners (Guernsey) Limited, Vogue Group Oy, Å&R Carton AB.

CapMan Plc shares and options:  
2,447,032 A shares, 10,910,830 B shares.

\* The Senior Partners of CapMan own all unquoted A shares and most of their B shares through their companies.  
The ownership figures are as at 31 December 2003.

# STEERING GROUP

Lennart Jacobsson (see p.47)

Olli Liitola (b. 1957), M.Sc. (Eng.).  
CFO, MD of CapMan Capital  
Management Oy, Senior Partner\*.  
Joined CapMan in 1991.

Key Board memberships: Finnhepo Oy (Chairman),  
Lohja Caravans Oy Ab, Ondine Oy, PPTH-Norden Ltd (Chairman),  
Pretax Oy, Wood Heat Group Ltd (Chairman).

CapMan Plc shares and options:  
1,291,638 A shares, 5,759,218 B shares.

Jan Lundahl (b. 1954), B.Sc. (Econ.).  
Head of Life Science Business Unit,  
Senior Partner\*. Joined CapMan in 1997.

Key Board memberships: Entific Medical  
Systems AB, NeoPharma Products AB, Otre AB, ProstaLund AB.

CapMan Plc shares and options:  
1,500,000 B shares

Ari Tolppanen (see p.47)

Vesa Vanha-Honko (see p.47)

Heikki Westerlund (b. 1966), M.Sc. (Eng.).  
Head of Buyout Business Unit,  
Deputy CEO of CapMan Plc,  
Senior Partner\*. Joined CapMan in 1994.

Key Board memberships: AtBusiness Communications Corporation,  
Medianorth Group Corporation.

CapMan Plc shares and options:  
741,448 A shares, 3,307,557 B shares.

\* The Senior Partners of CapMan own all unquoted A shares and most of  
their B shares through their companies.  
The ownership figures are as at 31 December 2003.

## BUSINESS

CapMan's core business is private equity fund management and advisory services. The Group's income derives from management fees from the funds, carried interest from funds generating carried interest, and a share of the result of affiliated companies. Returns on direct fund investments will also have a greater influence on the company's result in the future. CapMan's objective is to make investments from its balance sheet corresponding to about five per cent of the capital in future CapMan funds.

The Report of the Board of Directors for 2003 is divided into two sections: the investment activities of the funds managed/advised by CapMan and CapMan Group's financial performance and events in 2003.

## FUNDS MANAGED/ADVISED BY CAPMAN

The main investment activity of CapMan's funds comprises direct investments in portfolio companies. Direct investments in Finland, Sweden, Denmark and Norway include mid-sized buyouts, technology investments and investments in the life science sector. Buyouts are made in manufacturing, service and retail industries; technology investments focus on strong growth companies in the IT and telecommunications sectors; and life science investments focus on companies specialising in medical technology.

CapMan has also a 47.5 per cent stake in Access Capital Partners, a fund of funds manager based in Paris and Guernsey. Access Capital Partners manages/advises two funds that invest in mid-sized buyout and technology funds throughout Europe, as well as private equity investment mandates.

### Capital under management

CapMan manages/advises MEUR 1,159.3 (MEUR 1,125.0) in funds making direct investments in portfolio companies. The growth in capital in 2003 results mainly from the MEUR 50 commitment by Norwegian Argentum Fondsinvesteringer as in CapMan Equity VII Fund. When considering the assets managed/advised by Access Capital Partners, which are MEUR 559.7 (MEUR 527.3) in total, the total capital managed/advised by CapMan amounts to MEUR 1,719.0 (MEUR 1,652.3) in capital calculated as total commitments in the funds.

### MEUR 360 remains for direct investments

Investments in portfolio companies at acquisition cost totalled MEUR 557.5 as at the end of 2003. Of this, 77.3 per cent was invested in traditional companies, 19.4 per cent in technology companies and 3.3 per cent in life science companies. Capital totalling about MEUR 360 remains to be invested in portfolio companies.

### Investments in portfolio companies in 2003

CapMan's funds investing directly in portfolio companies made nine new investments, nine substantial follow-on investments and several smaller follow-on investments in 2003 (12 new investments and six follow-on investments in 2002). All in all, MEUR 138.5 (MEUR 104.5) was invested by CapMan funds during the financial year.

### Investments in the final quarter

There were three new investments in the final quarter of 2003, of which two were technology investments and one was a buyout investment. In October Swedestart Tech Fund invested in Swedish IT consulting company DataVis AB, which offers qualified solutions within systems development and technology related services. In November DataVis announced a merger with another CapMan portfolio company, the Swedish management consulting company Digiscope AB. The merged entity's name will be XLENT AB.

In October, CapMan Equity VII fund acquired a 40 per cent stake of the shares in Finnish company Setec Oy from the Bank of Finland. Setec develops and manufactures smart cards and visual identity products as well as related operating systems and applications.

In October, CapMan Equity VII Fund invested in Swedish Serco Sverige AB. Serco Sverige is one of Sweden's leading providers of integrated outsourced facility management services.

There were six substantial follow-on investments in the final quarter. Of these follow-on investments, one was a buyout (Finnish Tiimari Oyj), three were technology investments (Swedish Avitec AB and Ascade AB and American EM4 Photonics Ltd), and two were life science investments (Swedish Entific Medical Systems AB and ProstaLund AB).

### **Investments in January - September**

There were six new investments during the period January to September 2003. Of these, three were buyout investments, two were technology investments and one was a life science investment.

In January, Finnventure V ET, Swedestart Tech and CapMan Equity VII funds invested in Swedish technology company Northlight Optronics AB, one of the leading suppliers of integrated active fibre optic components for optical communication systems.

In February the funds managed/advised by CapMan closed a substantial buyout investment in Finnish Nordkalk Corporation, which is the leading producer of lime-based products in the Nordic countries. Finnventure V and CapMan Equity VII funds invested in the company together with a larger investor consortium.

In April, Swedestart Life Science Fund invested in Swedish medtech company Jolife AB. Jolife has developed a unique medical device for the treatment of sudden cardiac arrest prior to hospital care.

In August, Finnventure V, CapMan Equity VII and Finnmezzanine III funds closed a buyout investment in Swedish Metallfabriken Ljunghäll AB. Metallfabriken Ljunghäll is the leading manufacturer of technically advanced aluminium die-cast products in the Nordic countries.

In August, CapMan Equity VII and Swedestart Tech funds invested in Finnish technology company Distocraft Oy. Distocraft develops telecommunications software products that enable operators to integrate network design and maintenance with business performance intelligence and productivity.

At the beginning of October, CapMan Equity VII and Finnmezzanine III funds acquired the Noiro business unit from Orion Corporation. Noiro Oy develops, manufactures and markets high quality cosmetics and hygiene products as well as other technochemical products. The investment in Finnish Noiro is one of the biggest single investments made by CapMan funds. Part of the investment in Noiro was syndicated with other investors in December.

There were three substantial follow-on investments during the first three quarters of 2003, of which one was a buyout (Finnish Mehiläinen Oyj) and two were technology investments (Swedish Silex Microsystems AB and Finnish Sentera Plc).

### **Exits by the funds in 2003**

The funds managed/advised by CapMan exited in total from nine companies in 2003 (five exits in 2002). Exits at acquisition cost (including partial

exits and mezzanine loan instalments) for the review period totalled MEUR 65.5 (MEUR 16.6). The exits that were closed in 2003 were mainly related to mezzanine loan repayments and in part to unsuccessful technology investments, for which the values had already either been written down or written off in the fund valuations of the interim reports previous to realisations.

### **Exits in the final quarter**

There were three final exits in the last quarter of 2004, of which two were technology companies and one was a life science company.

In November Swedestart Life Science Fund exited from Swedish Vicore Pharma AB, which develops drugs for treatment of gastrointestinal and cardiovascular diseases. The fund invested in the company in 2001.

In December, Alliance ScanEast Fund exited from Russian Sevryba International Shipping Ltd, which operated commercial fishing vessels. The fund invested in the company in 1998.

In December, Finnmezzanine Fund II made a final exit from the Swedish provider of broadband communication infrastructure solutions and services Utfors AB. The fund invested in the company in 2000 and a partial exit from the company had been made in January 2003.

Additionally, CapMan announced the sale of Finnish PIC Engineering Oyj to Swedish SWECO AB in December. Finnmezzanine Fund II made a partial exit from the company in connection with the deal. CapMan funds Finnmezzanine II, Finnventure IV and V received SWECO shares as settlement for the deal. The shares are listed on the Stockholm Exchanges and will be sold in stages in the next few years. The fund invested in the company in 2000.

### **Exits in January - September**

There were six final exits during the period January to September 2003, of which five were technology companies and one was a life science company.

Swedestart Tech Fund's portfolio company Multi-channel Instruments AB, the developer of patented spectroscopic instruments, filed for bankruptcy in March. The fund invested in the company in 2002.

Swedestart II Fund sold its stake in Trio AB in April. The fund received the shares in Trio in connection with the exit from Netwise AB in 2000.

In April, the shares of Swedestart II Fund's portfolio company Trittech Teknik AB were exchanged for shares of Nexus AB, which is listed on the O-list of

the Stockholm Exchanges. The shares were sold on the Exchange in stages from April to June. Swedestart II Fund invested in Trittech, provider of embedded software solutions and consulting projects, in 1999.

In June Swedestart Life Science Fund exited from Hemapure AB, which develops and markets Hemaport© continuous access ports for use by dialysis patients. The fund invested in the company in 1999.

Finnventure IV, V and V ET funds' portfolio company, software company XFG-Holdings Oy went into liquidation during the first half of the year. The investment no longer held an expected yield and its value had been written off. Therefore the funds are considered to have exited from the company finally in June.

Finnventure V and V ET funds sold their shares in the Finnish company Republica Jyväskylä Oy to the company's founder for a nominal price in August. The final selling price will depend on the company's future development. The funds invested in Republica in 2000.

In addition, CapMan's mezzanine funds Finnmezzanine II and III made a partial exit from the Finnish Karelia Corporation in July, when the company repaid its mezzanine loan to the funds. The funds invested in Karelia together with Finnventure IV and V funds in 2000.

Information on the funds managed/advised by CapMan and their portfolio companies is presented at CapMan's Internet pages [www.capman.com](http://www.capman.com).

#### European fund investments

CapMan Plc's affiliated company Access Capital Partners has MEUR 559.7 (MEUR 527.3) under management in two funds and mandates. Access Capital Fund has MEUR 250.3 in capital, and Access Capital Fund II has EUR 277.0 million in capital. In addition, Access Capital Partners manages/advises private equity investment mandates for a total consideration of MEUR 32.4. Additional information about Access Capital Partners can be found online at [www.access-capital-partners.com](http://www.access-capital-partners.com).

#### Other events in 2003

In December, Finnventure Fund I, Wärtsilä Oyj Abp and the management of Lohja Caravans Oy Ab announced the sale of their stake in Finnish caravan manufacturer Lohja Caravans to an investor group comprised of private individuals. Finnventure Fund I invested in Lohja Caravans in 1993.

## CAPMAN GROUP

### Financial performance in 2003

CapMan's turnover in 2003 was MEUR 18.7 (MEUR 20.0). Management fees from the funds increased to MEUR 17.8 (MEUR 15.9) due to the growth of capital under management. Carried interest received by CapMan from the funds decreased to MEUR 0.2 (MEUR 3.0). The amount of carried interest income was affected by weak exit markets, which were unfavourable for large-scale exit activities. Also, the realisations that were closed in 2003 were for the main part in funds that are not generating carried interest yet.

The share from the result of CapMan's affiliated companies was MEUR 0.3 (MEUR 0.6).

Operating profit in 2003 was MEUR 1.8 (MEUR 4.7) and profit after taxes and minority interests was MEUR 1.1 (MEUR 3.4). Earnings per share was 1.5 cents (4.6 cents).

Shareholder's equity per share at year-end was 60.6 cents (70.9 cents), and CapMan's cash assets on 31 December 2003 totalled MEUR 13.9 (MEUR 26.9). The Company has no interest-bearing debt. Return on equity was 2.30 per cent (5.95 per cent).

### Key events in 2003

CapMan concluded the Nordic expansion of its three business units in 2003. Now CapMan has, as the first private equity investor in Nordic countries, experienced buyout and technology teams in Helsinki, Stockholm, Copenhagen and Oslo as well as a life science team in Helsinki, Stockholm and Copenhagen. A strong local presence in all Nordic capitals gives CapMan excellent prerequisites to find attractive portfolio companies and actively support their internationalisation to other Nordic countries.

In 2003, CapMan's newest fund CapMan Equity VII grew to MEUR 303.3 when the Norwegian Argentum Fondsinvesteringer as committed MEUR 50 to the fund.

### Board of Directors

The Annual General Meeting (AGM) of CapMan Plc held on 9 April 2003 re-elected the following Members to the Board of Directors: Mr Lauri Koivusalo, Managing Director of Etera Mutual Pension Insurance Company, Mr Teuvo Salminen, Executive Vice President of Jaakko Pöyry Group Oyj, Mr Ari Tolppanen, CEO of CapMan Plc and CapMan's Senior Partners Mr Lennart Jacobsson and Mr Vesa Vanhahonko.

## **Personnel**

At the end of 2003, CapMan had 71 (66) employees. There were 47 (48) employees in Helsinki, 17 (12) in Stockholm and 7 (6) in Copenhagen. In addition there were seven Senior Advisors acting as consultants for CapMan, four in Finland, two in Sweden and one in Denmark.

## **Shares and shareholders**

A total of 10,740,016 (15,930,043) CapMan Plc B shares with an approximate value of MEUR 17.5 (MEUR 37.4) were traded on the Helsinki Stock Exchange during 2003. The share's highest trading price was EUR 1.91 and the lowest trading price was EUR 1.33, with an average price of trades of EUR 1.63. The closing price on the first day of trading for the year was EUR 1.66 and on the last trading day it was EUR 1.75. The market value of CapMan Plc's B shares at year-end was MEUR 116.7 (MEUR 107.6) and the company's total market capitalisation, including CapMan A shares, was MEUR 130.7 (MEUR 120.4).

The AGM resolved to lower the Company's share capital by EUR 10,130 by invalidating 1,013,000 CapMan Plc B shares held by the Company. The share invalidation was entered in the Trade Register on 30 April 2003, after which the total number of CapMan B shares is 66,681,630 and the share capital of CapMan Plc is (including A shares) EUR 746,816.30.

There were no significant changes in ownership or notices of flagging in 2003. CapMan Plc had 6,491 shareholders at the end of the year.

## **Authorisations of the Board of Directors**

The AGM authorised the Board of Directors of CapMan Plc to resolve upon an increase in the Company's share capital, regardless of the subscription rights of existing shareholders, by a maximum of 3,500,000 new B shares in one or more instalments via a new share subscription or convertible loan agreement. Additionally, the AGM authorised the Board to resolve upon the repurchase of a maximum of 3,500,000 of the Company's own B shares. Both authorisations are valid for one year from the date of resolution.

On 6 May 2003, the Board of Directors of CapMan Plc resolved to repurchase a maximum of 3,500,000 of the Company's B shares as per the authorisation adopted by the AGM. No shares had been acquired as at the close of the financial year.

## **Warrant scheme 2003**

The AGM resolved to adopt the warrant scheme 2003. A total of 1,250,000 warrants will be issued. As a result of the share subscriptions from the

2003 warrants, the share capital of the Company may be increased by a maximum of EUR 12,500 and the number of shares by a maximum of 1,250,000 new B shares. A half of the warrants are marked with symbol 2003A and the other half are marked with symbol 2003B. The warrants will be gratuitously distributed to key persons within or recruited to the CapMan Group or to the Members of the Board of Directors.

The share subscription price for stock option 2003A shall be the trade volume weighted average price of the CapMan B share traded during the period 1 December – 31 December 2003, which is EUR 1.72. The share subscription price for stock option 2003B shall be the trade volume weighted average price of the CapMan B share traded during the period 1 June – 30 June 2004. The dividends payable annually shall be deducted from the share subscription prices. The subscription period for stock option 2003A shall be 1 October 2006 – 31 October 2008 and for 2003B it shall be 1 October 2007 – 31 October 2009.

## **Warrant scheme 2000**

The AGM resolved to amend the terms and conditions of the warrant scheme 2000, such that the right to options can be issued without consideration and in deviation from the shareholders' pre-emptive right to subscription, also to Members of the Board of Directors.

A total of 5,270,000 warrants will be issued. As a result of the share subscriptions from the 2000 warrants, the share capital of the Company may be increased by a maximum of EUR 52,700 and the number of shares by a maximum of 5,270,000 new B shares. Half of the warrants are marked with symbol 2000A and the other half are marked with symbol 2000B. The current B share subscription price is EUR 0.90 per share for 2000A and 2000B warrants. The dividends payable annually shall be deducted from the share subscription price. The subscription period for 2000A warrants is 1.10.2003 – 31.10.2007 and for 2000B warrants 1.10.2005 – 31.10.2007.

The listing of CapMan Plc's year 2000A warrants on the Main List of Helsinki Exchanges commenced on 1 October 2003. The closing price of the year 2000A warrants was EUR 0.68 on the first day of listing and EUR 0.88 at year-end. The highest trading price was EUR 1.07, the lowest was EUR 0.68 and the average price of trades was EUR 0.82. A total of 421,600 A warrants with a value of EUR 345,672 were traded from October to December. As at 31 December 2003 the warrants had not been subscribed for CapMan Plc B shares.

### Dividend

CapMan's objective is to distribute at least 50 per cent of the net profit in dividends. The Board of Directors proposes to the AGM that for the year 2003 a dividend of EUR 0.05 per share, which equals to 327 per cent of the net profit, will be distributed to shareholders. The dividend paid for 2002 was EUR 0.10 per share.

## EVENTS AFTER THE CLOSE OF THE YEAR

### Funds managed/advised by CapMan

Lohja Caravans deal that was announced in December 2003 was closed in January. The transaction will have an effect of approximately MEUR 0.9 on CapMan's 2004 result.

In January, Swedestart Tech Fund signed an agreement according to which it will sell its stake in the Swedish technology company Cetevo AB to the Swedish company Displayit AB. The fund invested in Cetevo in 2000. Displayit will finance the acquisition with its own shares, which are listed on the Stockholm Exchanges Nordic Growth Market (NGM Equity) List.

## ADOPTION OF IFRS STANDARDS (IAS)

CapMan Plc will adopt IAS/IFRS financial reporting procedures in its interim and annual financial statements in 2005. The IFRS project team was established in 2003, and it has reviewed differences between IFRS and FAS that affect the accounting principles used in preparing CapMan Plc's financial statements. During 2004 the opening IFRS balance sheet and comparable data for 2004 will be calculated for the 2005 interim reports. Similarly, the necessary IT system changes will be made in order to begin IFRS reporting from the beginning of 2005. The impacts of IFRS standards are still open and they will be communicated during 2004.

## FUTURE OUTLOOK

### Funds managed/advised by CapMan

CapMan's expansion of operations to Norway further increases the Company's recognition and strengthens its position as one of the leading private equity investors in the Nordic countries. In turn, companies seeking private equity investors are more attracted to CapMan and the number of suitable potential investments for CapMan's investment strategy grows. CapMan will continue to focus its investment strategy on a Nordic level in mid-sized buyouts, IT and telecommunications companies as well as medical technology companies.

The foundations for value creation of portfolio companies are organic growth or mergers and acquisitions, improved profitability and cash flows and sophisticated financing structures. CapMan strives to secure its portfolio companies with a strategic market position that will arouse the interest of industrial buyers and stock markets alike. CapMan actively evaluates the optimal time and method of exit, depending on the development stage of the portfolio company and the prevailing market conditions. Profitable realisations from portfolio companies are not solely dependent on the stock market. Trade sales to industrial buyers or other private equity investors have become a typical exit method in the private equity business.

Lohja Caravans and PIC Engineering transactions that were closed in early 2004 indicate the gradual recovery of exit markets in 2004. However, the focus of investment activities will remain on developing the existing portfolio and finding new investee companies.

### CapMan Group

Private equity investment in Europe is estimated to show growth in the mid and long term. Consolidation will continue in both buyout and technology sectors. Other important trends in all of the countries where CapMan has activities are the privatisation of public services and functions, and the rising affluence and ageing of the population - which in turn grows the demand of the service sector. Private equity financing is also increasingly used for the implementation of management successions by family businesses.

In CapMan's home market in the Nordic area, growth is also supported by strong investment in technology research and development and increasing entrepreneurial activity. The outlook for technology companies remains uncertain, although signs of market recovery are evident. For example, the market valuations of listed technology companies have risen in recent months.

The life science sector is expected to show strong growth in the future, due to changing demography patterns and rising demand for innovative and cost-efficient methods of care. Sweden in particular is a pioneer in the development of life science products and services. Public and private health care systems in the Nordic countries produce world-class research and development in life sciences. Because of the nature of the sector, portfolio companies usually need more than one round of financing before a product or service can be profitably launched on the market.

Private equity funds have long life spans, usually 10 years. Private equity fund management companies begin to receive carried interest after the investors have regained their investment in addition to a preferred annual return, usually 6 to 8 per cent. Carried interest is typically 20 to 25 per cent of the fund's cash flow through exits from its portfolio companies. Five of the funds managed/advised by CapMan are already generating carried interest. These funds' original capital is MEUR 97.6, which represents approx. 8.4 per cent of the total capital in CapMan funds that invest directly in portfolio companies (MEUR 1,159.3).

The portfolios of the funds that invest directly in portfolio companies, totalling MEUR 557.5 at acquisition cost, include traditional manufacturing and service companies, technology companies and life science companies. To date, 77.3 per cent of the capital invested by funds in portfolio companies is invested in traditional companies, 19.4 per cent in technology companies and 3.3 per cent in life science companies. Several of the portfolio companies offer substantial upside potential. At the same time the portfolios include companies that have higher risk levels than at the time of the initial investment.

CapMan is well positioned to continue as an active player in the private equity market in 2004, as its funds have approximately MEUR 360 in capital for new and follow-on investments. Another strength of CapMan's Nordic investment teams is the ability to compare potential investments and valuation levels on a Nordic level.

As a result from recent rises in stock prices and pick up in mergers and acquisitions, the opportunities for exits from portfolio companies have improved to some extent. Although several exit discussions are underway, CapMan will continue to focus on developing companies in the existing portfolio and finding new investee companies.

The management fees CapMan receives from the funds are expected to well cover the company's expenses. CapMan's result in 2004 will depend largely on exits from portfolio companies owned by funds already generating carried interest and whether new funds will begin to generate carried interest income. However, the outcome of exit discussions that are underway cannot be estimated at this stage.

Helsinki 12 February 2004

CAPMAN PLC  
Board of Directors



# INCOME STATEMENT

EUR	Note	GROUP		PARENT COMPANY	
		2003	2002	2003	2002
<b>Turnover</b>	1	18 663 307	19 993 258	992 620	853 358
Other operating income	2	13 292	24 050	4 345	9 590
Personnel expenses	3	-7 100 391	-5 850 231	-452 222	-274 658
Depreciation	4	-1 589 890	-1 896 655	-72 475	-29 868
Other operating expenses		-8 224 034	-7 525 901	-707 842	-652 485
<b>Operating profit (loss)</b>		1 762 284	4 744 521	-235 574	-94 063
Financial income and expenses	5	402 050	450 589	841 588	12 331 390
<b>Profit before extraordinary items</b>		2 164 334	5 195 110	606 014	12 237 327
Extraordinary items	6	0	0	2 200 000	570 000
<b>Profit before taxes</b>		2 164 334	5 195 110	2 806 014	12 807 327
Income taxes	7	-1 030 973	-1 663 142	-694 818	-3 637 103
Minority interest		9 290	-161 656	0	0
<b>Profit for the financial year</b>		1 142 651	3 370 312	2 111 196	9 170 224

# BALANCE SHEET

EUR	Note	GROUP		PARENT COMPANY	
		2003	2002	2003	2002
<b>ASSETS</b>					
<b>Fixed assets</b>					
Intangible assets	1	921 465	908 840	219 137	163 231
Consolidated goodwill	2	6 964 665	8 089 406	0	0
Tangible assets	3	1 247 670	1 277 134	30 041	48 314
Investments	4				
Shares in subsidiaries		0	0	11 920 692	12 027 342
Investments in associated companies		943 722	1 078 188	198 062	198 062
Own shares		0	1 279 576	0	1 279 576
Other investments		16 060 981	10 505 385	10 583 492	5 558 872
Total investments		17 004 703	12 863 149	22 702 246	19 063 852
<b>Total fixed assets</b>		<b>26 138 503</b>	<b>23 138 529</b>	<b>22 951 424</b>	<b>19 275 397</b>
<b>Current assets</b>					
Long-term receivables	5	4 092 255	1 767 812	4 092 255	1 761 684
Deferred tax receivables	6	245 780	226 575	245 780	226 575
Short-term receivables	7	4 438 224	5 794 511	8 540 676	9 956 468
Marketable securities		7 196 917	13 701 507	4 822 374	11 806 911
Cash and bank		6 663 873	13 225 681	3 965 524	8 308 228
<b>Total current assets</b>		<b>22 637 049</b>	<b>34 716 086</b>	<b>21 666 609</b>	<b>32 059 866</b>
<b>TOTAL ASSETS</b>		<b>48 775 552</b>	<b>57 854 615</b>	<b>44 618 033</b>	<b>51 335 263</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
<b>Shareholders' equity</b>					
Share capital		746 816	756 946	746 816	756 946
Share premium account		36 864 539	36 854 438	36 864 539	36 854 438
Reserve for own shares		0	1 279 576	0	1 279 576
Retained earnings		6 538 335	10 784 868	4 202 324	2 709 577
Profit for the financial year		1 142 651	3 370 312	2 111 196	9 170 224
<b>Total shareholders' equity</b>	8	<b>45 292 341</b>	<b>53 046 140</b>	<b>43 924 875</b>	<b>50 770 761</b>
<b>Minority interest</b>		<b>38 330</b>	<b>265 257</b>	<b>0</b>	<b>0</b>
<b>Liabilities</b>					
Deferred tax liabilities	9	293 158	268 807	0	0
Long-term liabilities	10	90 202	88 219	0	0
Short-term liabilities	11	3 061 521	4 186 192	693 158	564 502
<b>Total liabilities</b>		<b>3 444 881</b>	<b>4 543 218</b>	<b>693 158</b>	<b>564 502</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>48 775 552</b>	<b>57 854 615</b>	<b>44 618 033</b>	<b>51 335 263</b>

# CASH FLOW STATEMENT

EUR	GROUP		PARENT COMPANY	
	2003	2002	2003	2002
<b>Operations</b>				
Operating profit	1 762 284	4 744 521	-235 574	-94 063
Adjustments to operating profit	1 552 308	1 812 101	-139 157	284 069
Change in net working capital	1 125 370	-2 678 235	2 268 503	-9 248 711
Interest paid	-15	-110 548	-10	-167
Interest received	395 152	797 040	79 504	483 638
Dividends received	422 750	268 850	859 750	9 248 850
Taxes paid	-1 712 441	744 273	-1 242 497	998 361
<b>Total from operations</b>	<b>3 545 408</b>	<b>5 578 002</b>	<b>1 590 519</b>	<b>1 671 977</b>
<b>Investments</b>				
Investments in tangible and intangible assets	-598 618	-1 368 557	-20 962	-110 290
Proceeds from sale of tangible and intangible assets	166 246	48 872	0	9 590
Investments in other placements	-5 935 364	-4 865 988	-5 024 621	-9 801 770
Investments in subsidiaries	0	-4 771 648	0	0
Translation differences	43 728	41 265	0	0
Dividends received from investments	5 558	8 734	5 558	8 734
<b>Total from investments</b>	<b>-6 318 450</b>	<b>-10 907 322</b>	<b>-5 040 025</b>	<b>-9 893 736</b>
<b>Financing</b>				
Purchase of own shares	-209 314	-1 257 681	-209 314	-1 257 670
Change in short-term loan receivables	125 837	0	125 837	-2 158 457
Change in long-term loan receivables	-2 526 066	-1 508 156	-2 526 066	-1 372 876
Dividends paid	-7 693 163	-18 510 604	-7 468 163	-18 510 604
Translation differences and other changes	9 351	24 205	-29	-11
Group contributions received	0	0	2 200 000	570 000
<b>Total from financing</b>	<b>-10 293 355</b>	<b>-21 252 236</b>	<b>-7 877 735</b>	<b>-22 729 618</b>
<b>Change in cash</b>	<b>-13 066 397</b>	<b>-26 581 556</b>	<b>-11 327 241</b>	<b>-30 951 377</b>
Liquid assets, 1 January	26 927 187	53 508 743	20 115 139	51 066 516
Liquid assets, 31 December	13 860 790	26 927 187	8 787 898	20 115 139

# NOTES TO THE FINANCIAL STATEMENTS

## ACCOUNTING PRINCIPLES

### Extent of consolidation

The consolidated financial statements include the accounts of all companies and associated companies of CapMan Group, excluding inoperative subsidiaries.

### Consolidation principles

#### Internal shareholdings

The consolidated financial statements have been drawn up by acquisition accounting and the price paid for shares in subsidiaries in excess of shareholders' equity is given as consolidated goodwill.

#### Internal transactions and margins

Intra-Group transactions, internal receivables and debts, and intra-Group dividends have been eliminated.

#### Minority interest

Minority interest has been separated from the Group's shareholders' equity and net profit and is shown as a separate item.

#### Translation difference

The figures for the foreign subsidiaries' financial statements have been translated into euros at the average year-end exchange rate and the translation differences from the elimination of shareholders' equity is given in the Group's shareholders' equity.

#### Associated companies

The associated companies have been consolidated by the equity method. The Group's share (based on its holding) of the associated companies' net profit for the year is given in the turnover.

### Valuation of fixed assets

Fixed assets are reported in the balance sheet at their acquisition value less depreciation according to plan. Planned depreciation on items included in fixed assets has been calculated in straight-line depreciation over the economic life of the item based on the original acquisition price, beginning the month after purchase.

The periods of depreciation used are:

Intangible rights	5 – 10 years
Consolidated goodwill	5 – 10 years
Other long-term expenditure	5 years
Machinery and equipment	4 – 5 years

### Valuation of financial assets

Securities included in financial assets have been valued at the acquisition cost or market price, whichever is the lower, money market funds in market value.

### Pensions

Statutory pension liabilities are handled through private insurance companies. Pension expenses are reported in accordance with local regulations and practices.

### Income taxes

The consolidated income statement includes current taxes calculated in accordance with local regulations and deferred taxes. Deferred tax assets or liabilities are recognised for the future tax consequences of events that have been recognised in financial statements or tax returns, based on the tax laws and tax rates enacted by the balance sheet date.

### Foreign currency items

Receivables and liabilities denominated in foreign currencies are translated at the year-end exchange rate.

# NOTES TO THE INCOME STATEMENT

EUR	GROUP		PARENT COMPANY	
	2003	2002	2003	2002
<b>1. Turnover</b>				
Turnover by area				
Finland	7 950 759	10 112 848	319 870	284 761
Foreign	10 712 548	9 880 410	672 750	568 597
<b>Total</b>	<b>18 663 307</b>	<b>19 993 258</b>	<b>992 620</b>	<b>853 358</b>
<b>2. Other operating income</b>				
Gain on sales of fixed assets	3 403	13 552	0	9 590
Other	9 889	10 498	4 345	0
<b>Total</b>	<b>13 292</b>	<b>24 050</b>	<b>4 345</b>	<b>9 590</b>
<b>3. Personnel expenses and average number of employees</b>				
Personnel expenses				
Wages and salaries	5 386 333	4 542 999	284 227	251 875
Pension expenses	792 080	741 373	45 305	43 843
Other personnel expenses	921 978	565 859	122 690	-21 060
<b>Total</b>	<b>7 100 391</b>	<b>5 850 231</b>	<b>452 222</b>	<b>274 658</b>
Management wages and salaries				
President and members of the Board of Directors	670 970	896 751	12 600	12 600
Average number of employees				
Personnel	75	65	7	7
<b>4. Depreciations</b>				
Depreciation by asset type:				
Intangible rights	162 704	67 450	36 372	13 755
Consolidated goodwill	1 035 596	1 555 826	0	0
Other long-term expenditure	34 066	14 482	17 829	0
Machinery and equipment	357 524	258 897	18 274	16 113
<b>Total</b>	<b>1 589 890</b>	<b>1 896 655</b>	<b>72 475</b>	<b>29 868</b>
<b>5. Financial income and expenses</b>				
Dividend income				
Income from subsidiaries	0	0	437 000	12 084 225
Others	38 535	12 302	7 828	12 302
<b>Dividend income total</b>	<b>38 535</b>	<b>12 302</b>	<b>444 828</b>	<b>12 096 527</b>
Other interest and financial income				
Group companies	0	0	20 951	2 744
Others	611 992	1 330 129	442 343	1 013 579
<b>Other interest and financial income total</b>	<b>611 992</b>	<b>1 330 129</b>	<b>463 294</b>	<b>1 016 323</b>
Interest and other financial expenses				
Others	-248 477	-891 842	-66 534	-781 460
<b>Interest and other financial expenses total</b>	<b>-248 477</b>	<b>-891 842</b>	<b>-66 534</b>	<b>-781 460</b>
<b>Financial income and expenses total</b>	<b>402 050</b>	<b>450 589</b>	<b>841 588</b>	<b>12 331 390</b>
<b>6. Extraordinary items</b>				
Extraordinary income				
Group contributions received	0	0	2 200 000	570 000
<b>Total</b>	<b>0</b>	<b>0</b>	<b>2 200 000</b>	<b>570 000</b>
<b>7. Income taxes</b>				
Imputation credit	12 880	52 919	0	0
Income taxes	-1 038 707	-1 871 100	-714 023	-3 863 678
Change in deferred tax asset/liability	-5 146	155 039	19 205	226 575
<b>Total</b>	<b>-1 030 973</b>	<b>-1 663 142</b>	<b>-694 818</b>	<b>-3 637 103</b>

# NOTES TO THE BALANCE SHEET

EUR	GROUP		PARENT COMPANY	
	2003	2002	2003	2002
<b>1. Intangible assets</b>				
Intangible rights				
Acquisition cost 1.1	950 980	418 846	183 724	41 492
Increases	120 323	532 134	20 962	142 232
Decreases	-24 141	0	0	0
Acquisition cost 31.12.	1 047 162	950 980	204 686	183 724
Accumulated depreciation 1.1.	-110 694	-43 244	-20 493	-6 738
Accumulated depreciation in decreases	24 068	0	0	0
Depreciation for financial year	-162 704	-67 450	-36 372	-13 755
Accumulated depreciation 31.12..	-249 330	-110 694	-56 865	-20 493
Book value 31.12.	797 832	840 286	147 821	163 231
Other long-term expenditure				
Acquisition cost 1.1.	81 185	313 604	0	60 225
Increases	0	47 852	0	0
Transfers between items	89 145	0	89 145	0
Decreases	0	-280 271	0	-60 225
Acquisition cost 31.12.	170 330	81 185	89 145	0
Accumulated depreciation 1.1.	-12 631	-15 628	0	0
Accumulated depreciation in decreases	0	15 628	0	0
Depreciation for financial year	-34 066	-12 631	-17 829	0
Accumulated depreciation 31.12.	-46 697	-12 631	-17 829	0
Book value 31.12.	123 633	68 554	71 316	0
Intangible rights total	921 465	908 840	219 137	163 231
<b>2. Consolidated goodwill</b>				
Acquisition cost 1.1.	9 847 756	2 356 137		
Increases	0	7 491 619		
Transfers between items	-89 145	0		
Acquisition cost 31.12.	9 758 611	9 847 756		
Accumulated depreciation 1.1.	-1 758 350	-202 524		
Depreciation for financial year	-1 035 596	-1 555 826		
Accumulated depreciation 31.12.	-2 793 946	-1 758 350		
Book value 31.12.	6 964 665	8 089 406		
Consolidated goodwill total	6 964 665	8 089 406		
<b>3. Tangible assets</b>				
Machinery and equipment				
Acquisition cost 1.1.	1 700 388	906 525	84 877	72 257
Increases	560 410	972 101	0	28 282
Decreases	-407 281	-178 238	-6 045	-15 662
Acquisition cost 31.12.	1 853 517	1 700 388	78 832	84 877
Accumulated depreciation 1.1.	-544 136	-384 585	-41 488	-41 037
Accumulated depreciation in decreases	137 246	113 893	6 045	14 605
Depreciation for financial year	-319 839	-273 444	-18 273	-15 056
Accumulated depreciation 31.12.	-726 729	-544 136	-53 716	-41 488
Book value 31.12.	1 126 788	1 156 252	25 116	43 389
Other tangible assets				
Acquisition cost 1.1.	120 882	23 944	4 925	4 925
Increases	0	96 938	0	0
Book value 31.12.	120 882	120 882	4 925	4 925
Tangible assets total	1 247 670	1 277 134	30 041	48 314

## 4. Investments

	GROUP OWNERSHIP OF SHARES, %	PARENT COMPANY OWNERSHIP OF SHARES, %	SHARE CAPITAL
Subsidiaries:			
CapMan Capital Management Oy, Finland	100%	100%	
CapMan Holding AB, Sweden	100%	100%	
CapMan AB	100%		
CapMan Invest A/S, Denmark	100%	100%	
NPE General Partner II Ltd, Jersey	100%	100%	
CapMan (Guernsey) Ltd, Guernsey	100%	100%	
CapMan Sweden AB, Sweden	100%	100%	
Finnmezzanine Oy, Finland	70%		
EastMan Advisors Oy, Finland	60%		
ScanEast Managing Partner Ltd., Guernsey *)		70%	
*) Via the subsidiary EastMan Advisors Oy			
Dissimilium Enumeratio Invest AB, Sweden*)	100%	100%	SEK 100 000
Præveniens Præsumentur Invest AB, Sweden *)	100%	100%	SEK 100 000
CapMan Norway AS, Norway *)	100%	100%	NOK 100 000
CapMan Germany GmbH, Germany *)	100%	100%	EUR 25 000
*) not consolidated, included in the total of other investments			
Associated companies:			
Access Capital Partners S.A., France	47.47%	47.47%	
Access Capital Partners (Guernsey) Limited, Guernsey	47.50%	47.50%	
Baltcap Management Oy, Suomi	20.00%	20.00%	
BIF Management Ltd, Finland	33.33%	33.33%	
Baltic SME Management B.V., The Netherlands	33.33%	33.33%	
	<b>GROUP</b>	<b>PARENT COMPANY</b>	
<b>EUR</b>	<b>2003</b>	<b>2002</b>	<b>2003</b> <b>2002</b>
Shares in subsidiaries			
Acquisition cost 1.1.			12 027 342    3 073 128
Increases			0    8 954 214
Decreases			-106 650    0
Acquisition cost 31.12.			11 920 692    12 027 342
Shares in associated companies			
Acquisition cost 1.1.	1 078 188	753 894	198 062    198 062
Increases	0	324 294	0    0
Decreases	-134 466	0	0    0
Acquisition cost 31.12.	943 722	1 078 188	198 062    198 062
Own shares			
Acquisition cost 1.1.	1 279 576	0	1 279 576    0
Increases	209 314	1 279 576	209 314    1 279 576
Decreases	-1 488 890	0	-1 488 890    0
Acquisition cost 31.12.	0	1 279 576	0    1 279 576
Other investments			
Acquisition cost 1.1.	10 505 385	5 356 368	5 558 872    1 741 317
Increases	5 990 373	5 709 791	5 089 261    3 940 538
Decreases	-397 762	-519 509	-64 641    -122 983
Translation difference	-37 015	-41 265	0    0
Acquisition cost 31.12.	16 060 981	10 505 385	10 583 492    5 558 872
<b>Investments total</b>	<b>17 004 703</b>	<b>12 863 149</b>	<b>22 702 246</b> <b>19 063 852</b>

EUR	GROUP		PARENT COMPANY	
	2003	2002	2003	2002
<b>5. Long-term receivables</b>				
Receivables from associated companies				
Loan receivables	0	125 939	0	125 939
Loan receivables	4 092 255	1 641 873	4 092 255	1 635 745
<b>Long-term receivables total</b>	<b>4 092 255</b>	<b>1 767 812</b>	<b>4 092 255</b>	<b>1 761 684</b>
<b>6. Deferred tax receivables</b>				
Accrued differences	245 780	226 575	245 780	226 575
<b>Deferred tax receivables total</b>	<b>245 780</b>	<b>226 575</b>	<b>245 780</b>	<b>226 575</b>
<b>7. Short-term receivables</b>				
Accounts receivable	547 155	304 194	1 479	39 732
Receivable from group companies				
Accounts receivable	0	0	850 683	521 666
Loan receivables	0	0	1 093 746	493 767
Other receivables	0	0	5 810 695	7 563 241
Total	0	0	7 755 124	8 578 674
Receivable from associated companies				
Loan receivables	125 939	0	125 939	0
Loan receivables	219 889	336 507	219 889	336 507
Other receivables	1 870 862	3 846 920	75 111	948 975
Accrued income	1 674 379	1 306 890	363 134	52 580
<b>Short-term receivables total</b>	<b>4 438 224</b>	<b>5 794 511</b>	<b>8 540 676</b>	<b>9 956 468</b>
<b>8. Shareholders' equity</b>				
Share capital 1.1.	756 946	711 946	756 946	711 946
Increase of share capital	0	45 000	0	45 000
Decrease of share capital	-10 130	0	-10 130	0
Share capital 31.12.	746 816	756 946	746 816	756 946
Share premium account 1.1.	36 854 438	33 929 448	36 854 438	33 929 448
Issue premium	0	2 924 990	0	2 924 990
Decrease	-29	0	-29	0
Decrease of share capital	10 130	0	10 130	0
Share premium account 31.12.	36 864 539	36 854 438	36 864 539	36 854 438
Reserve for own shares 1.1.	1 279 576	0	1 279 576	0
Increase	209 314	1 279 576	209 314	1 279 576
Decrease	-1 488 890	0	-1 488 890	0
Reserve for own shares 31.12.	0	1 279 576	0	1 279 576
Retained earnings 1.1.	14 155 180	30 560 640	11 879 801	22 499 757
Dividend payment	-7 468 163	-18 510 604	-7 468 163	-18 510 604
Translation differences	2 018	14 408	0	0
Transfer to reserve for own shares	-209 314	-1 279 576	-209 314	-1 279 576
Transfer from other reserves	58 614	0	0	0
Retained earnings 31.12.	6 538 335	10 784 868	4 202 324	2 709 577
Profit for the financial year	1 142 651	3 370 312	2 111 196	9 170 224
<b>Shareholders' equity, total</b>	<b>45 292 341</b>	<b>53 046 140</b>	<b>43 924 875</b>	<b>50 770 761</b>
Calculation of distributable assets				
Retained earnings	6 538 335	10 784 868	4 202 324	2 709 577
Other reserves	-58 614	0	0	0
Profit for the financial year	1 142 651	3 370 312	2 111 196	9 170 224
<b>Total</b>	<b>7 622 372</b>	<b>14 155 180</b>	<b>6 313 520</b>	<b>11 879 801</b>



CapMan Plc's share capital is divided as follows:

	2003 pcs	€	2002 pcs	€
Series A share (10 votes / share)	8 000 000	80 000	8 000 000	80 000
Series B share (1 vote / share)	66 681 630	666 816	67 694 630	676 946

EUR	2003	GROUP 2002	PARENT COMPANY 2003	2002
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#### 9. Deferred tax liabilities

From untaxed reserves	293 158	268 807	0	0
Deferred tax liabilities total	293 158	268 807	0	0

#### 10. Long-term liabilities

Other long-term liabilities	90 202	88 219	0	0
Long-term liabilities total	90 202	88 219	0	0

#### 11. Short-term liabilities

Advances received	322 290	649 801	0	0
Accounts payable	644 892	1 266 550	63 868	9 482
Liabilities to Group companies				
Other liabilities	0	0	376 006	45 850
Other liabilities	281 460	562 036	27 963	35 036
Accrued expenses	1 812 879	1 707 805	225 321	474 134
Short-term liabilities total	3 061 521	4 186 192	693 158	564 502

# OTHER NOTES

EUR	GROUP		PARENT COMPANY	
	2003	2002	2003	2002
<b>1. Contingent liabilities and other commitments</b>				
Rent and leasing obligations				
Year 2004	157 452	149 250	0	0
Thereafter	70 230	114 356	0	0
<b>Total</b>	<b>227 682</b>	<b>263 606</b>	<b>0</b>	<b>0</b>
Other contingent liabilities				
Pledged deposit for own commitment	7 835	6 090	0	0
Remaining commitments to Funds				
Finnventure Fund IV Ky	12 951	12 951	0	0
Finnventure Fund V Ky	99 899	311 133	0	0
Finnventure Fund V ET Ky	22 284	65 092	0	0
Finnmezzanine Fund II A Ky	4 697	4 697	0	0
Finnmezzanine Fund II B Ky	12 109	12 109	0	0
Finnmezzanine Fund II C Ky	6 174	6 174	0	0
Finnmezzanine Fund II D Ky	8 057	8 057	0	0
Finnmezzanine Fund III A Ky	325 333	622 369	0	0
Finnmezzanine Fund III B Ky	119 175	155 909	0	0
Finnmezzanine Fund III C Ky	178 290	238 354	0	0
Maneq Fund 2002 Ky	0	1 672 840	0	1 635 400
Access Capital FCPR	12 082	18 169	12 082	18 169
Access Capital FCPR II A	26 037	29 193	26 037	29 193
Access Capital FCPR II B	16 121	18 075	16 121	18 075
Access Capital LP	141 985	207 000	141 985	207 000
Access Capital LP II A	4 191 547	4 705 663	4 191 547	4 705 663
Access Capital LP II B	4 175 960	4 686 769	4 175 960	4 686 769
Access Capital LP II C	18 556	22 493	18 556	22 493
Access Capital LP II D	22 268	26 991	22 268	26 991
Access Capital II Founder Partner LP	79 245	96 054	79 245	96 054
CapMan Equity VII A L.P.	7 146 150	9 265 500	7 146 150	9 265 500
CapMan Equity VII B L.P.	1 082 250	1 638 000	1 082 250	1 638 000
CapMan Equity VII C L.P.	871 500	997 500	871 500	997 500
CapMan Equity Sweden KB	1 552 350	2 050 050	884 250	1 167 750
Swedestart Tech KB	2 827 400	3 402 158	2 827 400	3 402 158
Swedestart Tech AB	128 927	156 122	128 927	156 122
Swedestart Life Science AB	64 855	74 656	64 855	74 656
<b>Total</b>	<b>23 146 202</b>	<b>30 504 078</b>	<b>21 689 133</b>	<b>28 147 493</b>
<b>Total other contingent liabilities and other commitments</b>	<b>23 154 037</b>	<b>30 510 168</b>	<b>21 689 133</b>	<b>28 147 493</b>

# BOARD OF DIRECTORS' PROPOSAL TO THE ANNUAL GENERAL MEETING

At the end of the fiscal year, the Group's unrestricted equity totalled EUR 7.6 million and the parent company's EUR 6.3 million. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.05 be paid for each A and B share. Total dividends amount to EUR 3.7 million.

Helsinki, 8 March 2004

Lauri Koivusalo  
Chairman of the Board of Directors

Lennart Jacobsson

Teuvo Salminen

Ari Tolppanen  
CEO

Vesa Vanha-Honko

# AUDITOR'S REPORT

## To the shareholders of CapMan Plc

We have audited the accounting, the financial statements and the corporate governance of CapMan Plc for the period 1.1.-31.12.2003. 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 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 distribution of retained earnings is in compliance with the Companies Act.

Helsinki, 8 March 2004

PricewaterhouseCoopers Oy  
Authorised Public Accountants

Jan Holmberg  
Authorised Public Accountant

$$\text{Return on equity \% (ROE) = } \frac{\text{Profit before extraordinary items - taxes}}{\text{Shareholders' equity + minority interest (average)}} \times 100$$

$$\text{Return on investment \% (ROI) = } \frac{\text{Profit before extraordinary items + interest expense and other financial expenses}}{\text{Balance sheet total - non-interest bearing debts (average)}} \times 100$$

$$\text{Equity ratio (\%) = } \frac{\text{Shareholders' equity + minority interest}}{\text{Balance sheet total - advances received}} \times 100$$

$$\text{Earnings per share (EPS) = } \frac{\text{Profit before extraordinary items - taxes +/- minority interest}}{\text{Share issue adjusted number of shares (average)}}$$

$$\text{Shareholders' equity per share = } \frac{\text{Shareholders' equity}}{\text{Share issue adjusted number of shares at the end of the financial year}}$$

$$\text{Dividend per share = } \frac{\text{Dividend paid in the financial year}}{\text{Share issue adjusted number of shares at the end of the financial year}}$$

$$\text{Dividend per earnings (\%) = } \frac{\text{Dividend / share}}{\text{Earnings / share}} \times 100$$

# SHARES AND SHAREHOLDERS

KEY RATIOS PER SHARE	1999	2000	2001	2002	2003
Earnings/share, EUR	0.04	0.42	0.34	0.05	0.02
Diluted		0.38	0.32	0.04	0.02
Shareholders' equity/share, EUR	0.06	0.45	0.92	0.71	0.61
Dividend/share, EUR	0.04	0.32	0.26	0.10	0.05*
Dividend/earnings, %	104.2	76.2	85.2	222.5	327.0
Average share issue adjusted number of shares	126,632	40,918,032	64,797,244	73,752,718	74,681,630
Share issue adjusted number of shares at year-end	468,100	48,000,000	71,194,630	75,694,630	74,681,630
Number of shares outstanding			71,194,630	74,813,630	74,681,630

\* Proposal of the Board of Directors to the Annual General Meeting

## Share capital and share series

The share capital of CapMan Plc is a minimum of EUR 390,000 and a maximum of EUR 1,560,000, within which limits the amount of share capital can be increased or decreased without amending the Articles of Association. In 2003 the share capital was lowered by EUR 10,130.00, in accordance with the authorisation given to the Board of Directors by the Annual General Meeting (AGM). The paid-in share capital, which is entered in the Trade Register, was EUR 746,816.30 as of 31 December 2003.

CapMan Plc has two series of shares, A series and B series. Each A share entitles its holder to ten (10) votes and each B share entitles its holder to one (1) vote. At the end of 2003 the total number of A shares was 8,000,000 and the total number of listed B shares was 66,681,630. A shares entitle to 55% of all votes and B shares to 45% of all votes. Companies owned by CapMan's Senior Partners own all A shares.

The nominal share value is EUR 0.01. The company's shares belong to the book-entry system.

## CHANGES IN SHARES AND CAPITAL

	Number of A shares	Number of B shares	Total number of A and B shares	Share capital, EUR
Share capital on 1.1.2001	8,000,000	40,000,00	48,000,000	480,000.00
Merger / Vestcap Oyj on 2.4.2001		22,072,991	22,072,991	220,729.91
Decrease in share capital on 13.6.2001		-8,361	-8,361	-83.61
Direct share issue in 1.10.2001		1,130,000	1,130,00	11,300.00
Direct share issue in 18.4.2002		4,500,000	4,500,000	45,000.00
Decrease in share capital on 30.4.2003		1,013,000	1,013,000	10,130.00
Share capital on 31.12.2003	8,000,000	66,681,630	74,681,630	746,816.30

## Redemption obligation clause

A shareholder whose share of the entire share capital of the company or the votes produced by the shares reaches or exceeds 33.3% or 50% has, at the request of other shareholders, the obligation to redeem their shares and related securities in accordance with the Articles of Association of CapMan Plc.

## Stock options

CapMan has two stock option programs as part of the Group's incentive and commitment programme for all employees and Members of the Board, excluding substantial shareholders of the company. The full terms and conditions of the programs can be found online at the address [www.capman.com](http://www.capman.com). Key information about them is presented in the table next page.

	Stock option program 2000		Stock option program 2003	
	Stock option 2000A	Stock option 2000B	Stock option 2003A	Stock option 2003B
Stock options, number	2,635,000	2,635,000	625,000	625,000
Entitlement to subscribe for B shares, number	2,635,000	2,635,000	625,000	625,000
Share subscription price	EUR 1.26 less dividends from 2001 onwards (EUR 0.90 as of 31.12.2003)	EUR 1.26 less dividends from 2001 onwards	Trade volume weighted average price of the B share on the Helsinki Exchanges 1.12.–31.12.2003 ie EUR 1.72	Trade volume weighted average price of the B share on the Helsinki Exchanges 1.6.–30.6.2004
Share subscription period begins	1.10.2003	1.10.2005	1.10.2006	1.10.2007
Share subscription period ends	31.10.2007	31.10.2007	31.10.2008	31.10.2009

The AGM of CapMan Plc annually resolves on the number of stock options to be distributed to the members of the Board of Directors, in connection with the resolution on remuneration for Board members. The maximum amount of stock options that can be distributed to Board members totals 263,500 for year 2000 warrants and 125,000 for year 2003 warrants. The Board of Directors decides on the distribution of stock options to all others, who are not members of the Board.

The maximum amount of shares and voting rights respectively that can be subscribed with stock options is 6.49% and 3.44% for year 2000 stock options and 1.54% and 0.82% for year 2003 stock options, subsequent to a prospective increase in the share capital.

#### Listing and trading codes of shares and options

CapMan Plc's B share is listed on the Main List of the Helsinki Stock Exchange as of 2 April 2001. CapMan's company code on the Helsinki Exchanges is CPM and the trading code of CapMan B shares is CPMBV. The trading lot is 500 shares.

Trading of CapMan Plc's 2000A stock options commenced on the Main List of the Helsinki Stock Exchange on 1 October 2003. The trading code of A options is CPMBVEW100 and the trading lot is 100 options.

#### Trading and price of shares and options

The closing price of the B share was EUR 1.66 on the first day of trading of the year and EUR 1.75 on the last trading day. The share's lowest trading price was EUR 1.33 and the highest trading price was EUR 1.91. The average trading price was EUR 1.63.

A total of 10,740,016 (15,930,043) B shares with a value of approximately MEUR 17.5 (MEUR 37.4) were traded on the Helsinki Stock Exchange during 2003. Share turnover was 16.1

per cent (21.6 per cent) of all B shares. The market value of B shares at year-end was MEUR 116.7 (MEUR 107.6). The company's total market capitalisation, including all A and B shares, was MEUR 130.7 (MEUR 120.4).

The closing price of the 2000A stock option was EUR 0.68 on the first day of listing and EUR 0.88 at year-end. The option's lowest trading price was EUR 0.68 and the highest trading price was EUR 1.07. The average trading price was EUR 0.82. A total of 421,600 A options with a value of approximately EUR 345,672 were traded from October to December. The entitlement to subscribe for CapMan Plc B shares had not been used as of 31 December 2003.

#### Shareholders

CapMan Plc had 6,491 shareholders at the end of 2003. There were no notices of flagging or significant changes in ownership during the year.

#### Management's shareholdings

As of 30 December 2003 the members of the Board of Directors, the CEO and Deputy CEO of CapMan Plc own a total of 25,964,733 A and B shares, both directly and via their companies. Management's shareholdings represent 34.8% of shares and 45.2% of voting rights.

#### Own shares

CapMan Plc or its subsidiaries did not hold any of the company's own shares as of the end of the year.

**Dividend policy**

CapMan's policy is to distribute at least 50% of the net profit in dividends. Both share series give an equal entitlement to receive dividend. The Board of Directors will propose to the AGM that a dividend of EUR 0.05 per share be distributed to shareholders for the year 2003.

**Authorisations of the Board of Directors**

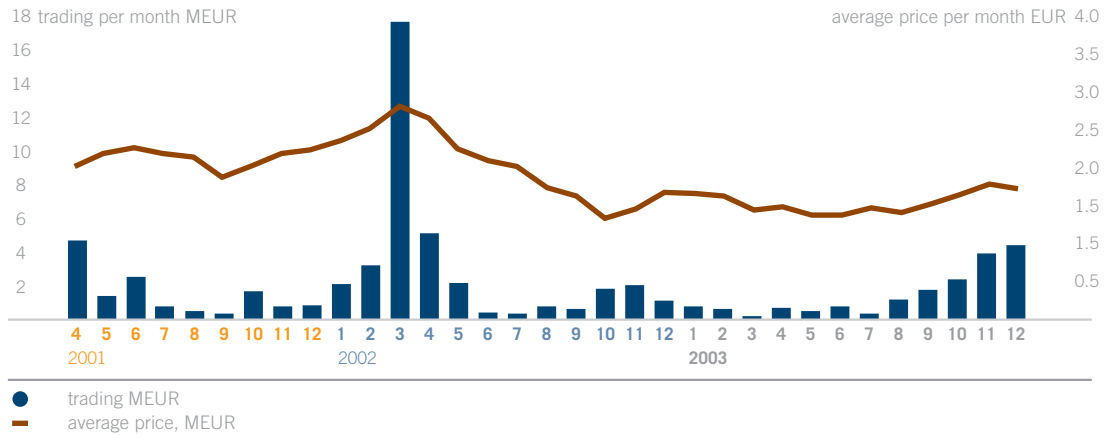
The authorisations granted to the Board of Directors by the AGM of CapMan Plc held on 9 April 2003 are outlined in the Report of the Board of Directors on page 52.

**Insiders**

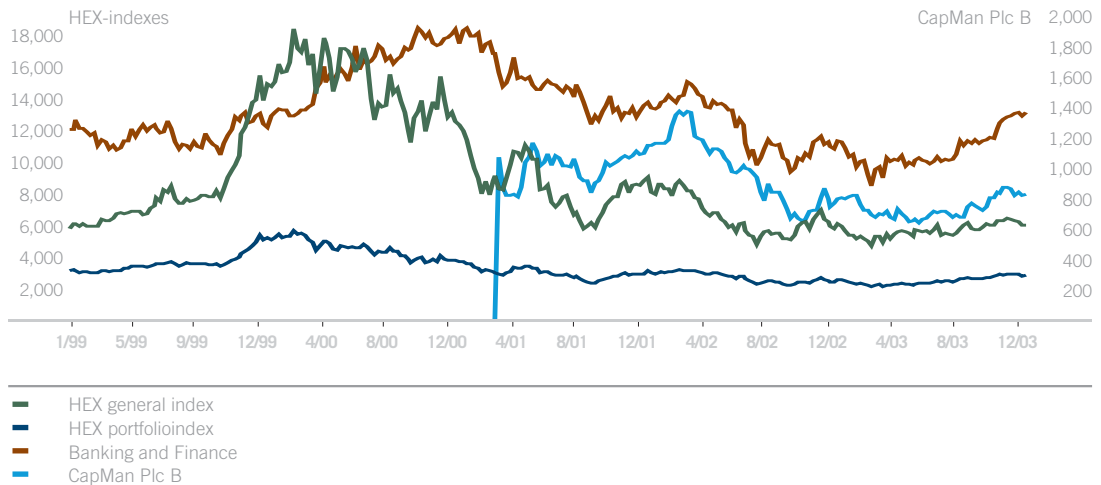
CapMan Plc's insiders and insider rules are outlined in the Corporate Governance section on page 45.



**CAPMAN B SHARE TRADING AND AVERAGE PRICE 2.4.2001 - 30.12.2003**



**INDEXES 4.1.1999 - 29.12.2003**





**DISTRIBUTION OF A AND B SHAREHOLDINGS ON 31 DECEMBER 2003**

Numbers of shares	Number of shareholders	%	Number of shares	%	Number of votes	%
1-100	1,137	17.52	50,120	0.07	50,120	0.03
101-1,000	3,225	49.68	1,746,914	2.34	1,746,914	1.19
1,001-10,000	1,907	29.38	6,087,247	8.15	6,087,247	4.15
10,001-100,000	176	2.71	4,513,509	6.04	4,513,509	3.08
100,001-1,000,000	33	0.51	13,999,907	18.75	29,102,393	19.84
1,000,001-	13	0.20	48,264,696	64.63	105,162,210	71.69
Total	6,491	100.00	74,662,393	99.97	146,662,393	99.99
On the book-entry register joint account			19,237	0.03	19,237	0.01
Total shares outstanding	6,491	100.00	74,681,630	100.00	146,681,630	100.00

**SHAREHOLDERS BY GROUP ON 31 DECEMBER 2003**

Group	Number of owners	%	Number of shares	%	Number of votes	%
Publicly and privately held companies	448	6.90	44,249,609	59.25	116,249,609	79.25
Financial and insurance institutions	13	0.20	4,161,620	5.57	4,161,620	2.84
Public associations	6	0.09	390,423	0.52	390,423	0.27
Non-profit entities	37	0.57	1,492,391	2.00	1,492,391	1.02
Households	5,958	91.79	16,864,992	22.58	16,864,992	11.50
International investors	23	0.35	5,396,611	7.23	5,396,611	3.68
In nominee register	6	0.09	2,106,747	2.82	2,106,747	1.44
Total	6,491	100	74,662,393	99.97	146,662,393	99.99
On the book-entry register joint account			19,237	0.03	19,237	0.01
Total shares outstanding			74,681,630	100.00	146,681,630	100.00

Source: Finnish Central Securities Depository Ltd, as at 31 December 2003. Figures are based on the total number of shares 74,681,630 and total number of shareholders 6,491.

**CAPMAN'S LARGEST SHAREHOLDERS ON 31 DECEMBER 2003**

	Number of shares	%	Number of votes	%
1 Aristo Invest Oy** + Ari Tolppanen*	13,357,862	17.89	35,381,150	24.12
2 Geldegal Oy** + Olli Liitola*	7,050,856	9.44	18,675,598	12.73
3 Winsome Oy** + Tuomo Raasio*	7,050,856	9.44	18,675,598	12.73
4 Vesasco Oy** (Vesa Vanha-Honko****)	7,037,856	9.42	18,662,598	12.73
5 Heiwes Oy** + Heikki Westerlund*	4,049,005	5.42	10,722,037	7.31
6 Novestra Ab** + Peter Buch Lund*	3,606,335	4.83	10,279,367	7.01
7 Other CapMan employees***	3,417,388	4.58	3,417,388	2.33
8 Nordea Life Assurance Finland Ltd	3,060,306	4.10	3,060,306	2.09
9 Mateus International SARL (Jan Lundahl****)	1,500,000	2.01	1,500,000	1.02
10 Torpet International SARL (Lars Hagdahl****)	1,500,000	2.01	1,500,000	1.02
11 Degato International SARL (Lennart Jacobsson****)	1,500,000	2.01	1,500,000	1.02
12 Guarneri Oy** + Petri Saavalainen*	1,434,460	1.92	3,190,882	2.18
13 Leif Jensen*	699,469	0.94	699,469	0.48
14 Geveles AB	585,092	0.78	585,092	0.40
15 Svenska Litteratursällskapet i Finland	512,000	0.69	512,000	0.35
16 Etra-Invest Oy Ab	501,851	0.67	501,851	0.34
17 Kari Stadigh	476,959	0.64	476,959	0.33
18 Premiere Holding Oy Ab	455,000	0.61	455,000	0.31
19 Central Union of Agricultural Producers and Forest Owner MTK Ry	320,000	0.43	320,000	0.22
20 OP-Suomi Kasvu Mutual Fund	268,000	0.36	268,000	0.18
Total	58,383,295	78.17	130,383,295	88.89

\* Employed by CapMan.

\*\* Companies owned by CapMan's Senior Partners own all 8,000,000 A shares, each of which has ten votes for every one B share vote. There were 66,681,630 B shares and 8,000,000 A shares in total at year-end.

\*\*\* CapMan employee shareholders in the 100 largest shareholders, excluding Senior Partners of CapMan.

\*\*\*\* The owner of the company marked in parentheses is a Senior Partner of CapMan who does not directly own CapMan shares.

# INFORMATION FOR SHAREHOLDERS

## **Annual General Meeting**

The Annual General Meeting of CapMan Plc will be held on Thursday, 1 April 2004 at 10.00 a.m. Finnish time in the Adams Room, at the address Erottajankatu 15–17, Helsinki.

Attendance at the Annual General Meeting is open to shareholders who, by Monday, 22 March 2004, have been entered as shareholders in the Company's Shareholder Register, which is kept by Finnish Central Securities Depository Ltd.

The deadline for registration to attend the meeting is Friday, 26 March 2004 at 12.00 p.m. Finnish time. Shareholders can register either by telephone to the numbers +358 9 6155 8345 or +358 9 6155 8356, by fax to the number +358 9 6155 8350, by e-mail to [pia.vilpas@capman.com](mailto:pia.vilpas@capman.com) or by post to CapMan Plc, Korkeavuorenkatu 32, 00130 Helsinki, Finland. Registrations shall be received at CapMan prior to the expiration of the registration period. Any proxy by which the shareholder wishes to exercise his or her voting right at the meeting shall be submitted to CapMan Plc at the aforementioned postal address prior to the expiration of the registration period.

## **Dividend**

The Board of Directors of CapMan Plc will propose to the Annual General Meeting the payment of a dividend of EUR 0.05 per share for the 2003 fiscal year. The dividend will be paid to shareholders who on the dividend record date, 6 April 2004, have been entered in the Company's Shareholder Register, which is kept by the Finnish Central Securities Depository Ltd. The dividend payment date in Finland will be 15 April 2004.

## **CapMan Plc financial reports in 2004**

In 2004, CapMan Plc will publish its interim reports on the following dates:

Interim Report for 1 January – 31 March 2004 on Wednesday, 5 May

Interim Report for 1 January – 30 June 2004 on Friday, 6 August

Interim Report for 1 January – 30 September 2004 on Thursday, 4 November

CapMan's financial reports are published in Finnish and English. CapMan's Annual Report, interim reports, stock exchange releases, press releases and other information for investors can be viewed on CapMan's Internet pages at the address [www.capman.com](http://www.capman.com). In addition, it is possible to subscribe to the Company's press releases and order print copies of CapMan's Annual Report online.

Print copies of the Annual Report and interim report releases can also be ordered from: CapMan Plc/Communications, Korkeavuorenkatu 32, 00130 Helsinki, Finland, tel. +358 9 6155 8345, fax +358 9 6155 8350.

## **Changes of address**

The Finnish Central Securities Depository Ltd maintains registers of CapMan Plc's shares, shareholders and options. Shareholders are requested to make notification of changes in their personal particulars and address directly to the Central Securities Depository (<http://www.hex.com/en/contact> and Change of address). We regret that CapMan is unable to update changes of address on shareholders' behalf.

WWW.CAPMAN.COM

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