

ANNUAL REPORT

CapMan 06

**High Ethics. Dedication. Active Ownership.**

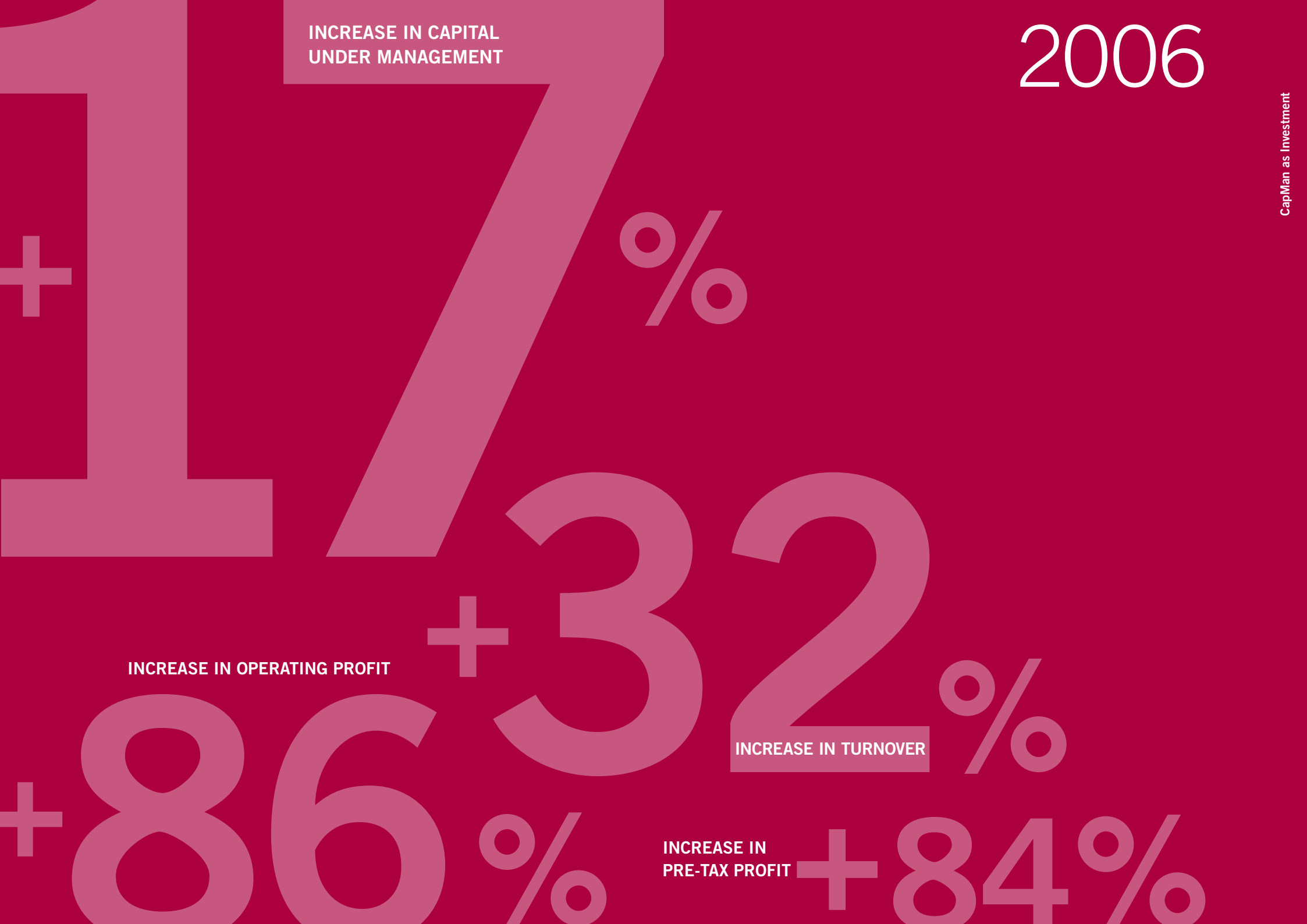
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#### **Illustrations**

The illustrations used in CapMan's 2006 Annual Report are based on self-portraits drawn by CapMan's personnel and on the characterisations that best describe CapMan accordingly to employees of the Company. The artwork and characterisations were submitted by employees in November 2006.

INCREASE IN CAPITAL  
UNDER MANAGEMENT

2006



INCREASE IN OPERATING PROFIT

INCREASE IN TURNOVER

INCREASE IN  
PRE-TAX PROFIT

# We want to grow with our clients, utilising our long-term expertise in value creation through active ownership.

In 2006 CapMan's result continued to improve for the fourth consecutive year, which also enables an attractive dividend yield. The demand for our services and products has continued to grow. Investments in the alternative asset class belong in our clients' investment strategies, and for many of them these investments are only in the early stages. The investor base of CapMan's funds internationalised in 2006 but Nordic institutions still form a solid cornerstone in our fundraising.

CapMan's business environment remained good in 2006. The active operations of private equity funds and the banks' willingness to finance various acquisitions had a positive impact on the number of buyout and real estate transactions in particular. Competition in the technology and life science sectors was still somewhat limited. In 2006 CapMan funds invested a total of €237.5 million in portfolio companies and real estate assets, and realised exits at cost amounted to €173.8 million.

CapMan published a revised mission, vision and values as well as redefined financial objectives for the Group in autumn. We want to grow with our clients, utilising our long-term expertise in value creation through active ownership. Our objective is to build a healthy future, for instance by creating stronger business entities and more functional sales concepts and channels in portfolio companies and by securing long-term leases in portfolio properties. Numerous examples of exceptionally strong growth can be found in our

funds' portfolios, such as Norwegian Cardinal Foods and Finnish Tokmanni among others. The sale of CapMan Real Estate I fund's portfolio at a remarkable profit, announced at the end of 2006, is proof of the opportunity to build added value with active development work also in real estate investments. CapMan funds' portfolio companies have an aggregate turnover of approximately €2.7 billion and an aggregate personnel of more than 17,000 employees, thus forming a quite significant corporate entity on a Nordic scale.

One of the major pillars of CapMan's business is the work contribution of our international, experienced investment professionals. CapMan has strived to build a model that combines a competitive long-term reward for investment professionals and benefits for shareholders, with growing fund sizes among others. There are three main income sources in our business model: management fees, carried interest and returns on fund investments. With regard to management fees, the foundation for profitable operations is built through successful fundraising in each investment area every 3–4 years. Successful investment activities by the funds are the prerequisite for generation of carried interest income, which typically begins some 6–7 years after a fund's inception. The most signif-

icant event recently in terms of this income component was the transfer of CapMan Real Estate I to carry in January 2007. Finnventure Fund V is also very close to the carry generation phase, and its portfolio still contains attractive targets such as Staffpoint and Pretax. The impact of fund investments on CapMan's result was substantial already in 2006. The value changes in especially buyout targets can have a large impact on our annual result. Examples of this include the exits from Nordkalk and Moventas, the impact of which is evident in the 2006 and 2007 income statements via fund investments. In addition to these three basic income sources, the success of our associated company Access Capital Partners will strengthen opportunities to improve our result in the next few years.

The long-standing favourable economic development has made many forecast an upcoming downcycle. One of the most fundamental rules of private equity investment is to invest with moderation in all economic conditions, exploit-

ing improved exit markets during upcycles and opportunities for making new investments during difficult times. CapMan funds have outstanding investment capacity for new investments and our Nordic organisation strives to select the most suitable investments for our investment strategy from more than 500 potential investment targets annually.

I want to thank CapMan's shareholders for their feedback and ideas for the Group's development, the fund investors for their commitments and confidence also in our new funds, the management and employees of our portfolio companies for their exertions enabling the achievement of growth and change, our partners for their professional support in the Nordic business environment and our personnel for their complete dedication in building CapMan's success.

The investor base of CapMan funds internationalised in 2006, but Nordic institutions still form a solid cornerstone in our fundraising.



**Heikki Westerlund**  
CEO, Senior Partner





Our mission is to create  
**financial returns through  
active ownership.** We act as  
a high quality service provider by  
investing capital in companies,  
properties or other targets within  
the alternative asset class. The  
lasting value of these investments  
is created by growth, change and  
professional governance.



**Mari Reponen**  
Communications Manager  
Fundraising, IR and Communications

# Mission



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



**Göran Barsby**  
Partner  
CapMan Buyout

# Vision





**Annica Hillman**  
Fund Administration Manager  
Deputy Head of Fund Administration



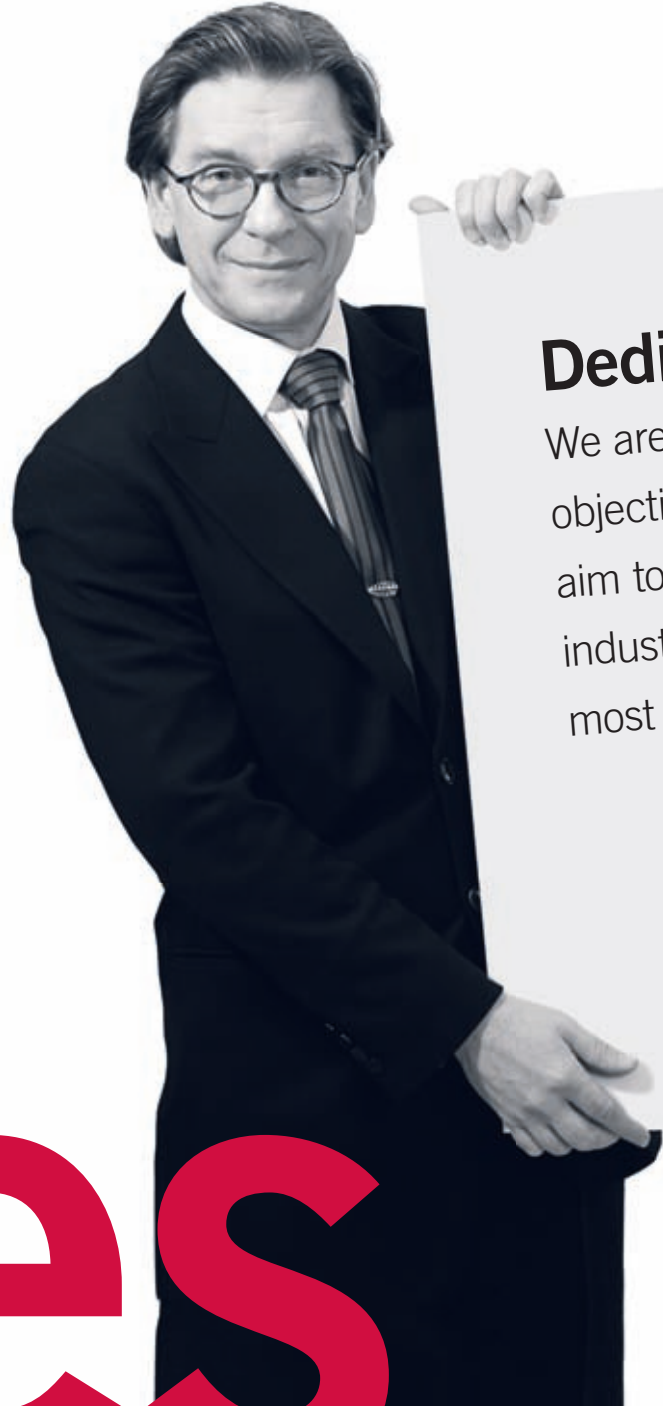
**Pekka Salakka**  
Investment Director  
CapMan Real Estate

## High Ethics – our heart

We believe in integrity and transparency.  
We are a reliable partner and we respect  
our stakeholders. We want to be an  
example of high ethics.

# Value





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



**Active Ownership – our drive**

We are an active industrial player with strong financial know-how. We create lasting value through growth, change and professional governance.



**Hans G. Tindlund**  
Investment Director  
CapMan Buyout



# Strategy

The cornerstones of CapMan's growth strategy are our wide range of fund products that meet fund investors' growing demand for alternative investments, our Nordic approach and the effective use of our balance sheet to grow shareholder value.

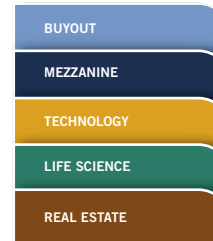
CapMan has actively realised its growth strategy since the Company was listed in 2001. CapMan's Nordic business model has been refined with the acquisitions in Denmark and Sweden in 2001 and 2002 and with the establishment of an office in Norway in 2004.

The investment activities of CapMan funds making direct investments in portfolio companies are specialised in three investment areas, which are middle market buyout transactions (CapMan Buyout), technology investments (CapMan Technology) and life science investments (CapMan Life Science). CapMan Buyout also has responsibility for mezzanine investments. CapMan expanded its operations into the real estate business (CapMan Real Estate) in 2005 with the establishment of its first private equity real estate fund. Private equity investments are made in all Nordic countries, whereas the investment focus of real estate funds is on Finland for the present.

CapMan has a strong market position in its selected investment areas, and there has been annual growth in capital under management and the funds' investment volume since the Company's inception. The share of direct fund investments has been increased in newly established funds, and CapMan Plc has been a substantial investor in the funds managed by the Group since 2002. CapMan Plc's investments from its own balance sheet represent 5–10% of the total capital in newer equity funds investing in portfolio companies, and debt financing is also used for these investments to make more effective use of the balance sheet.

# ACTIVE OWNER

## CORNERSTONES OF CAPMAN'S STRATEGY



### Wide range of fund products

- enables growth of capital under management
- levels out risks
- utilises common value creation concepts



### Nordic approach

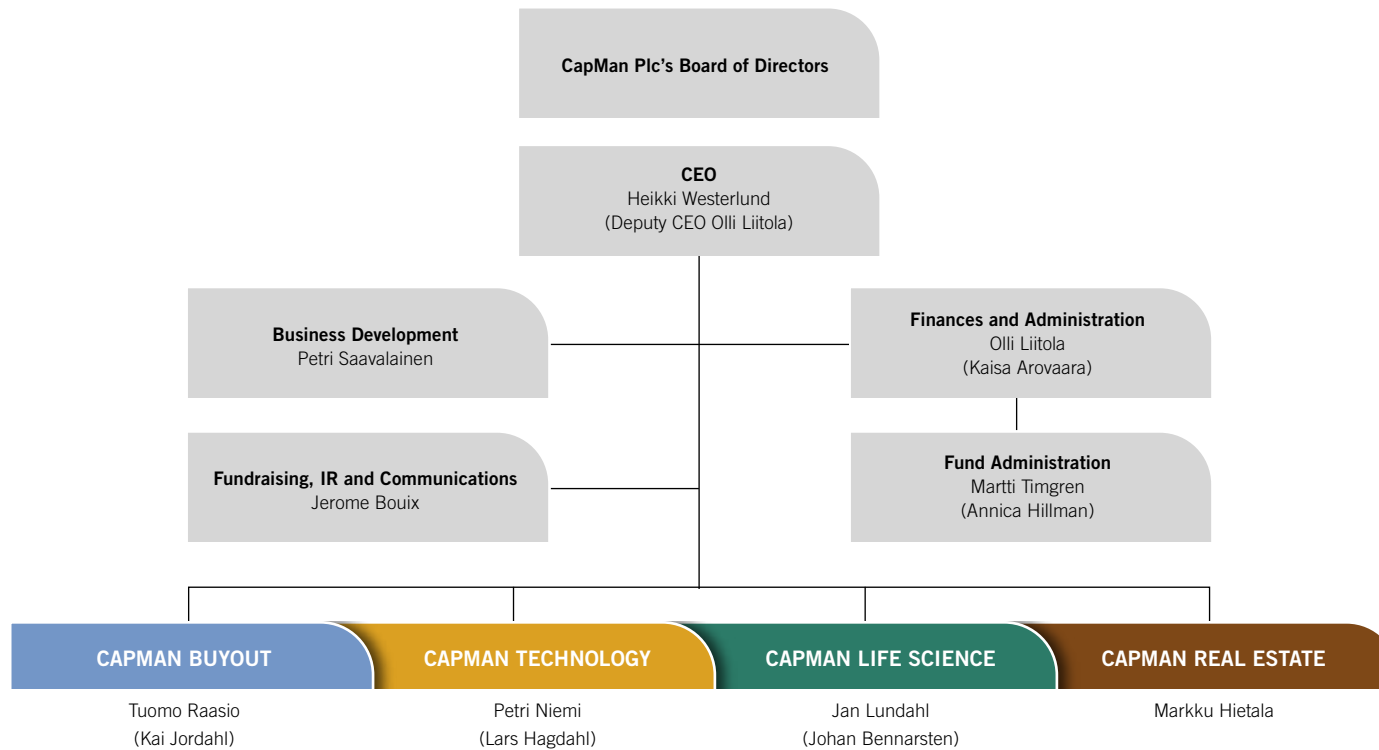
- ensures adequate deal flow
- creates good value creation prerequisites
- meets the needs of the fund investor base

### Effective use of the balance sheet

- growth in fund investments from own balance sheet
- aligned interests with investors
- the investments have significant return potential

# AMBITIOUS

## ORGANISATION



## OBJECTIVES

- to grow the value and liquidity of CapMan's share
- to develop CapMan as a public company while preserving the partnership model in investment activities
- to increase the Group's profitability through successful investment activities, growing the amount of capital under management and developing new fund products for institutional investors
- to internationalise and diversify the fund investor base
- to enhance the wellbeing of staff and CapMan's reputation as an employer for continuing personnel motivation, expertise and dedication
- to ensure proprietary deal flow in all Nordic countries through Nordic investment teams and strong local presence
- to create prerequisites for value creation in portfolio companies and real estate assets on a Nordic level and in Nordic structural reorganisations
- to achieve Nordic market leadership in selected investment areas

CapMan's financial objectives are presented on page 12.

## CapMan as an Investment

CapMan Plc's B share is listed on the Main List of the Helsinki Stock Exchange since April 2001, and CapMan is one of the few public private equity fund management companies in Europe.

# High drive

### PREREQUISITES FOR BUSINESS

A prerequisite for CapMan's business operations is successful fundraising, or the commitment of capital into newly established funds. The precondition for fundraising is that returns on capital invested in the funds fulfil the return targets of fund investors. Continuity of operations in the long-term depends on successful investment activities, which are related to strong deal flow generation, careful selection of investment targets, successful value creation in the investee companies or properties and exploitation of market conditions in investment and exit stages.

The success of investment activities and fundraising depends largely on the expertise of employees responsible for these areas as well as the high quality of complementary and supporting reporting, control and administrative processes. Successful investments and exits build fund investors' confidence in CapMan, which facilitates fundraising for new funds. A loyal investor base is one of CapMan's strengths. Fund investors and fundraising are described in more detail on pages 26–27.

### EVALUATION OF CAPMAN'S FINANCIAL PERFORMANCE

Growth of capital under management – and of management fees – is one of the indicators of CapMan's growth. Profitability of CapMan's business operations depends largely on the success of its funds and the transfer of funds to carry.

Each fund typically contains 10–20 investments and therefore a fund's success is not dependent on the success or failure of an individual investment. The value gains of an individual investment will have more rapid impact on CapMan's result as the number of investments made from CapMan's balance sheet grows, in so far as CapMan is a substantial investor in the fund in question.

The focus of investment activities varies as a consequence of prevailing economic conditions. During downward cycles exit markets are generally poor, and in that case CapMan's investment activities focus in particular on making new investments and developing existing investment targets. Conversely, during upward cycles exit opportunities are favourable and the focus shifts more towards realisations. Fluctuations in CapMan's income are evened out by different sources of income and by different stages of the lifecycle in the funds under management.

### Why invest in CapMan?

- an opportunity to participate in the value creation of unlisted Nordic companies and properties through CapMan's share
- an attractive earnings model
- multiple sources of income
- the objective is that management fees cover operative expenses
- profitability results from development of the funds' entire portfolios and is not sensitive to the success or failure of individual investments
- significant earnings potential in the funds yet to generate carry and the fund investments made from CapMan's own balance sheet
- targeted dividend pay-out ratio is over 50%
- CapMan is one of the few listed private equity fund management companies
- CapMan is a growth company in a growing industry

### When should individual investments be examined?

- when a fund has begun to generate carry, it is possible to evaluate the fair value of the fund's portfolio by assessing individual targets and in this way to forecast the carried interest potential of individual investments
- when CapMan is a substantial investor in a fund, a change in the fair value of an investment will be reflected in CapMan Group's result as a change in the fair value of own investments

**HOW CAPMAN'S INCOME IS CONSTITUTED**

CapMan Plc's income derives mainly from management fees from the funds, carried interest from funds generating carried interest and

returns on direct fund investments made from CapMan Plc's own balance sheet. In addition, CapMan receives income from real estate con-

sulting operations and a share of the result of associated companies.

**Main sources of income**

**Management fees**

- management fees are determined during the investment period by the original fund size and thereafter on the basis of the remaining portfolio at acquisition cost
- annual management fees are typically 0.5–2.5% of the funds' total capital (equity funds 1.5–2.5% p.a., mezzanine funds 1.25–1.5% p.a. and real estate funds 0.5–1.0% p.a.)
- the objective is that management fees cover CapMan's operating expenses

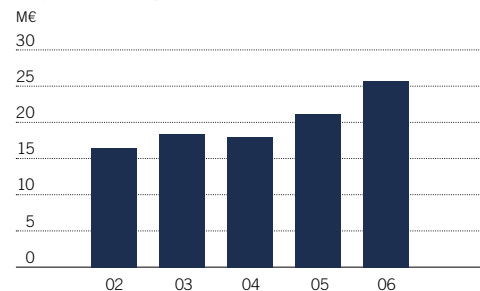
**Carried interest**

- as a fund management company, CapMan receives carried interest after the fund has returned a preferential return (usually 7–8% p.a.) to investors
- CapMan's share of carried interest (a fund's cash flow through exits from its investee companies or properties) is typically 20–25% for funds established before 2004 and 10–15% for funds established thereafter
- a share of carried interest received from funds established in 2004 and thereafter is distributed to the members of the investment team responsible for the fund's investment activities
- there may be volatile fluctuations in carried interest income in different years according to whether exits are made by funds generating carry
- as at 31 December 2006 the funds generating carry were Finnventure II, Finnventure III and Finnmezzanine II B funds and the Fenno Program

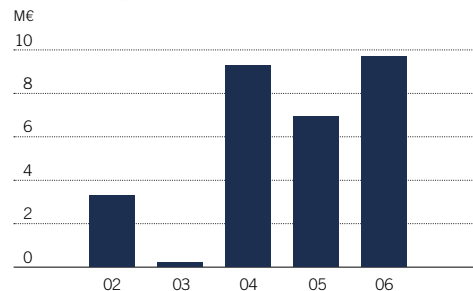
**Returns on direct fund investments**

- CapMan Plc has been a substantial investor in the funds managed by the Group since 2002
- CapMan's objective is to invest 5–10% of total capital in equity funds investing directly in portfolio companies
- investments improve the Company's return on equity and even out income fluctuations
- the significance of investments will grow in future, when there is an increase in the amount of invested capital
- substantial commitments have been made in CapMan Buyout VIII, CapMan Equity VII, CapMan Mezzanine IV, CapMan Life Science IV, Swedestart Tech and Access Capital Fund II funds to date

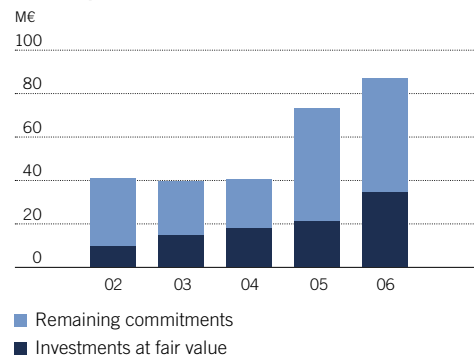
**Management fees have increased as a result of growth in capital under management**



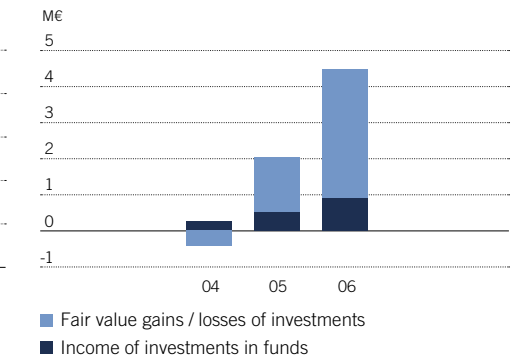
**Carried interest income may fluctuate strongly in different years**



**Increasing fund investments and commitments from CapMan's balance sheet...**



**...are reflected in total income from own investments**



## FINANCIAL OBJECTIVES

The Board of Directors of CapMan Plc approved redefined financial objectives for the Group in November 2006. The objectives are divided into four groups, which are growth, profitability, capital structure and dividend policy.

### Growth

- Average capital growth of funds under management at least 15% per annum

### Profitability

- Return on equity over 25%
- Equity fund performance above 15% net IRR to fund investors per annum

### Capital structure

- Finance approximately 50% of CapMan Plc's future fund investments with debt financing
- Equity ratio at least 50%

### Dividend policy

- Payout ratio at least 50% of the net profit

Realised returns from funds to fund investors are described on pages 24–25.

## KEY RATIOS FOR CAPMAN GROUP 2002–2006

M€	FAS 2002	FAS 2003	IFRS 2004	IFRS 2005	IFRS 2006
Turnover	20.0	18.7	27.7	28.7	<b>38.0</b>
Management fees	15.9	17.8	17.8	20.3	<b>24.9</b>
Carried interest	3.1	0.2	9.1	6.6	<b>9.4</b>
Income of investments in funds	0.0	0.0	0.2	0.5	<b>0.9</b>
Income from real estate consulting	–	–	–	0.9*	<b>2.0</b>
Other income	0.4	0.4	0.6	0.4	<b>0.8</b>
Share of associated companies' result	0.6	0.3	–	–	<b>–</b>
Other operating income	0.0	0.0	0.1	0.1	<b>0.7**</b>
Fair value gains/losses of investments	–	–	-0.4	1.6	<b>3.5</b>
Operating profit	4.7	1.8	7.4	8.4	<b>15.6</b>
Financial income and expenses	0.5	0.4	0.5	0.8	<b>0.4</b>
Share of associated companies' result	–	–	0.4	0.3	<b>1.3</b>
Profit for the financial year	3.4	1.1	4.9	7.0	<b>12.4</b>
Return on equity, %	5.9	2.3	11.1	14.8	<b>23.4</b>
Return on investment, %	10.3	4.9	18.9	20.2	<b>29.9</b>
Equity ratio, %	93.2	93.6	88.8	85.8	<b>71.6</b>
Dividend paid	7.5	3.7	4.5	5.3	<b>9.3***</b>
Personnel (at year-end)	66	71	74	87	<b>98</b>

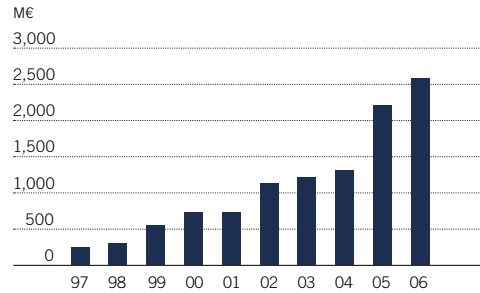
\* For the period July–December 2005.

\*\* Capital gain from the sale of Access Capital Partners shares (12.5% of shares) amounts to €0.6 million.

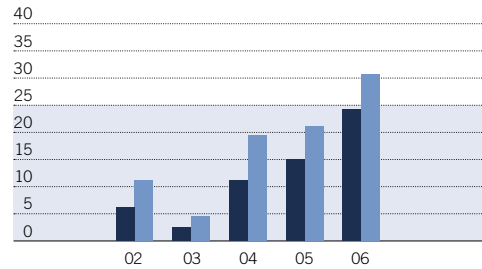
\*\*\* Proposal of the Board of Directors to the Annual General Meeting.

Money

**Average capital growth in funds under management has been nearly 40% since 1997**

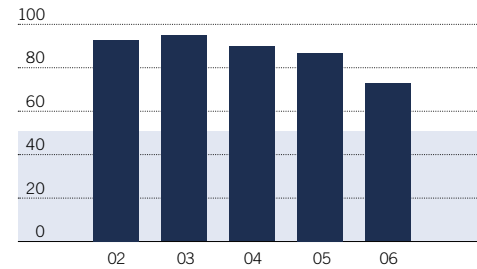


**ROE and ROI, %**



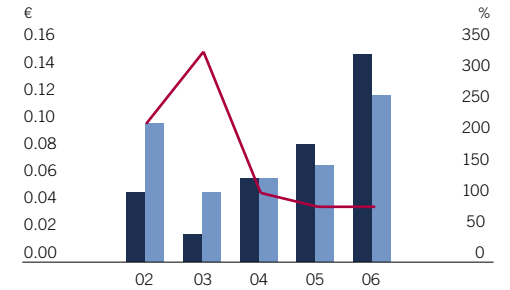
- Return on equity (ROE), %
- Return on investment (ROI), %
- ROE objective over 25%

**Equity ratio, %**



- Equity ratio objective over 50%

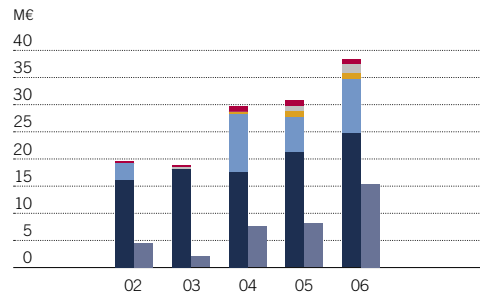
**Earnings/share, dividend/share and dividend/earnings**



- Earnings/share, €
- Dividend/share, € \*
- Dividend/earnings %\*

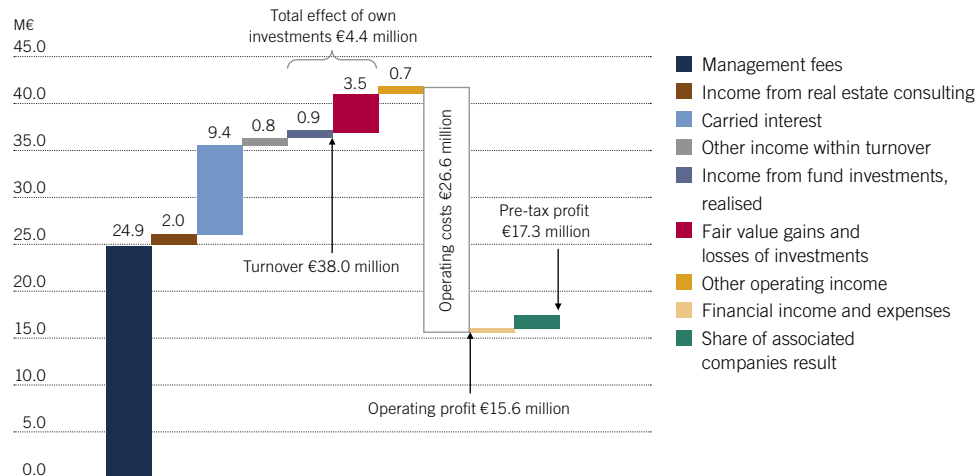
\* Proposal of the Board Directors to the Annual General Meeting for the year 2006.

**Turnover and operating profit**

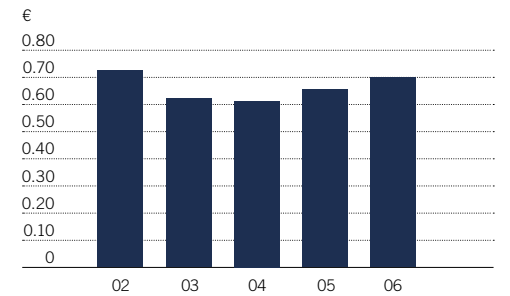


- Management fees
- Carried interest
- Income of investments in funds
- Income from real estate consulting
- Other income
- Operating profit

**Components of income and operating costs in 2006**



**Shareholders' equity per share**





## Shares and Shareholders

# DEDICATION

### SHARE CAPITAL AND SHARE SERIES

The share capital of CapMan Plc is a minimum of €390,000 and a maximum of €1,560,000 within which limits the amount of share capital can be increased or decreased without amending the Articles of Association. CapMan Plc's share capital was increased by €12,353.50 in 2006, when shares were subscribed with 2000A/B options. The Company's paid-in share capital, which is entered in the Trade Register, was €771,586.98 as of 31 December 2006. Changes in share capital since CapMan Plc's listing are presented on CapMan Plc's Internet pages at [www.capman.com/En/InvestorRelations/SharesAndStockOptions/](http://www.capman.com/En/InvestorRelations/SharesAndStockOptions/).

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 2006 the total number of A shares was 8,000,000 and the total number of listed B shares was 69,158,698. A shares entitle to 53.6% of all votes and B shares to 46.4% of all votes. Companies owned by CapMan's Senior Partners at the time of the Company's listing own all 8,000,000 A shares.

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

### REDEMPTION OBLIGATION CLAUSE

A shareholder whose share of the entire share capital of the Company or votes produced by the shares reaches or exceeds 33.3% or 50% has, at the request of other shareholders, the obligation

to redeem his or her shares and related securities in accordance with the Articles of Association of CapMan Plc.

In addition there is a redemption clause pertaining to the transfer of CapMan Plc A shares. If an A share is transferred to a new shareholder who does not already own A shares in the Company, the other shareholders of A shares have the right to redeem the shares under transfer in accordance with the conditions outlined in the Company's Articles of Association.

### STOCK OPTIONS

CapMan has two stock option programs as part of the Group's incentive and commitment program for all employees and members of the Board, excluding substantial shareholders of the Company. The full terms and conditions of the stock option programs and information on share subscriptions with options can be found on the Company's website under [www.capman.com/En/InvestorRelations/Shares/StockOptionPrograms](http://www.capman.com/En/InvestorRelations/Shares/StockOptionPrograms). Key information about the programs is presented in the enclosed table.

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 decision on remuneration for Board members. The maximum number of stock options that can be distributed to Board members totals 263,500 for year 2000 stock options and 125,000 for year 2003 stock options. The Board of Direc-

### KEY RATIOS PER SHARE

	FAS 2002	FAS 2003	IFRS 2004	IFRS 2005	IFRS 2006
Earnings/share, €	0.05	0.02	0.06	0.09	<b>0.15</b>
Diluted	0.04	0.02	0.06	0.09	<b>0.15</b>
Shareholders' equity/share, €	0.71	0.61	0.60	0.64	<b>0.74</b>
Dividend/share, € *	0.10	0.05	0.06	0.07	<b>0.12</b>
Dividend/earnings, % *	222.5	327.0	94.4	78.0	<b>80.0</b>
Average share issue adjusted number of shares	73 752 718	74 681 630	74 709 330	75 041 938	<b>76 212 849</b>
Share issue adjusted number of shares at year-end	75 694 630	74 681 630	74 709 330	75 923 348	<b>77 158 698</b>
Number of shares outstanding	74 813 630	74 681 630	74 709 330	75 923 348	<b>77 158 698</b>

\* Proposal of the Board of Directors to the Annual General Meeting for the year 2006.

tors decides on the distribution of stock options to all others, who are not members of the Board.

As at 31 December 2006, the amount of shares and voting rights respectively that can be subscribed with unused stock options is 3.9% and 2.0% for year 2000 stock options and 1.6% and 0.8% for year 2003 stock options.

### SHARE LISTING AND TRADING CODE

CapMan Plc's B share is quoted 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.

### MARKET VALUE DEVELOPMENT

At year-end the market value of B shares was €208.9 million (€192.9 million). The Company's

total market capitalisation, including all A and B shares, was €233.0 million (€215.6 million).

The listing of 2003A stock options was commenced in October 2006. A total of 92,450 2003A stock options were traded in the period October–December 2006 and the value of trades was €0.1 million. No shares had been subscribed with 2003A stock options as at 31 December 2006.

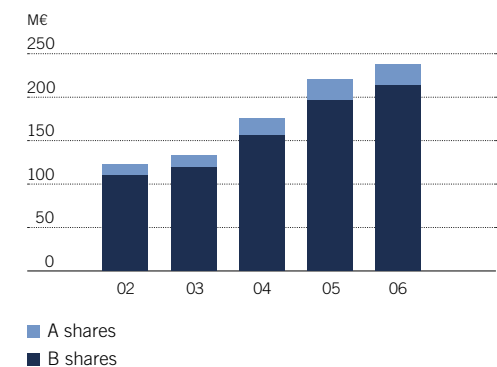
### CHANGES IN OWNERSHIP AND FLAGGING ANNOUNCEMENTS

There were no significant changes in ownership and no flagging announcements in 2006. The holdings of foreign shareholders and nominee-registered shareholders in CapMan Plc increased from 26.8% to 30.8%. CapMan Plc had 5,103 (5,683) shareholders as at 31 December 2006.

## STOCK OPTIONS

	Stock options 2000A/B	Stock options 2003A	Stock options 2003B
Stock options, number	5 270 000	625 000	625 000
Entitlement to subscribe for B shares, number	5 270 000	625 000	625 000
Share subscription price on 31.12.2006	€1.26 less dividends from 2001 onwards (€0.72 as of 31.12.2006)	Trade volume weighted average price of the B share on the Helsinki Exchanges 1.12–31.12.2003 (€1.72) less dividends from 2003 onwards (€1.54 as of 31.12.2006)	Trade volume weighted average price of the B share on the Helsinki Exchanges 1.6–30.6.2004 (€1.60) less dividends from 2004 onwards (€1.47 as of 31.12.2006)
Share subscription period began / begins	1.10.2003 (A options), 1.10.2005 (B options)	1.10.2006	1.10.2007
Share subscription period ends	31.10.2007	31.10.2008	31.10.2009
Number of shares subscribed with stock options as at 31.12.2006	2 295 250	–	–
Trading code of options on the Helsinki Exchanges	CPMBVEW100	CPMBVEW103	–

## Market value development



## BOARD AND MANAGEMENT HOLDINGS

As of 31 December 2006 the members of the Board of Directors, the CEO and Deputy CEO of CapMan Plc own a total of 20,495,639 A and B shares, both directly and through their companies. The holdings of the Board and management represent 26.6% of shares and 40.8% 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 financial year.

## DIVIDEND POLICY

CapMan's policy is to use at least 50% of the net profit for dividend payments. Both share series give an equal entitlement to receive dividend.

The Board of Directors proposes to the Annual General Meeting that a dividend of €0.12 per share will be distributed to shareholders for the year 2006.

## AUTHORISATIONS OF THE BOARD

The authorisations granted to the Board of Directors by the AGM of CapMan Plc held in 22 March 2006 are outlined in the Report of the Board of Directors on page 76.

## INSIDERS

CapMan Plc complies with the Guidelines for Insiders by the Helsinki Stock Exchange that entered into force on 1 January 2006. In addition the Company has supplemented the general guidelines with its own set of internal insid-

er guidelines, which are in part stricter than the general guidelines. Control of insider issues is outlined within the corporate governance principles on the Company's Internet pages under [www.capman.com/En/InvestorRelations/CorporateGovernance](http://www.capman.com/En/InvestorRelations/CorporateGovernance). The Finnish Central

Securities Depository Ltd holds the insider register for CapMan Plc and a list of share and stock option holdings of public insiders, as well as the holdings of their interest parties, is also presented on CapMan's website.

## TRADING AND PRICE OF B SHARES

	2006	2005
<b>Trading price, €</b>		
Highest	3.15	3.23
Lowest	2.33	2.24
Average	2.74	2.61
Closing price 31.12	3.02	2.84
<b>Trading, number of shares</b>	21 162 823	19 141 024
<b>Trading, M€</b>	58.3	49.9

## TRADING AND PRICE OF 2000A / B STOCK OPTIONS

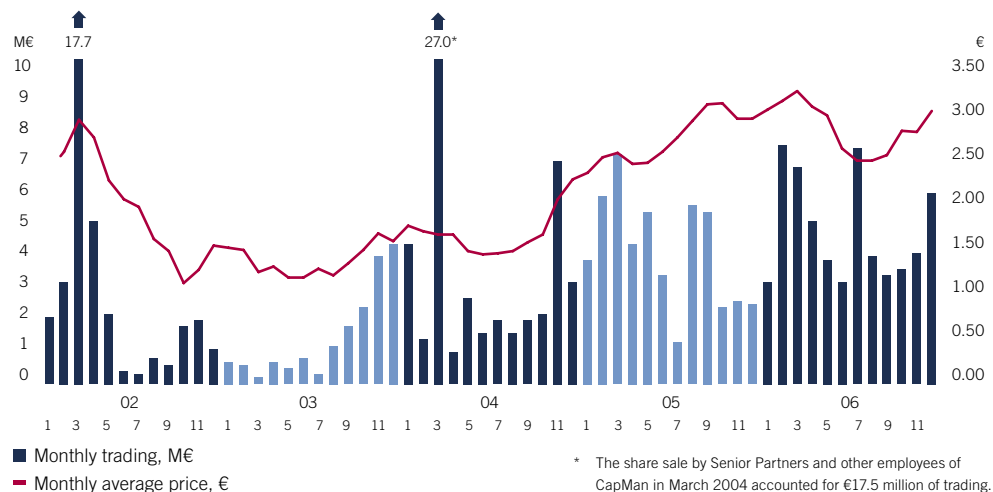
	2006	2005
<b>Trading price, €</b>		
Highest	2.28	3.23
Lowest	1.62	2.24
Average	2.11	1.82
Closing price 31.12	2.20	1.92
<b>Trading, number of stock options</b>	1 574 249	1 868 300
<b>Trading, M€</b>	3.3	3.4

DISTRIBUTION OF A AND B SHAREHOLDINGS BY NUMBER OF SHARES AND SECTOR AS AT 31 DECEMBER 2006

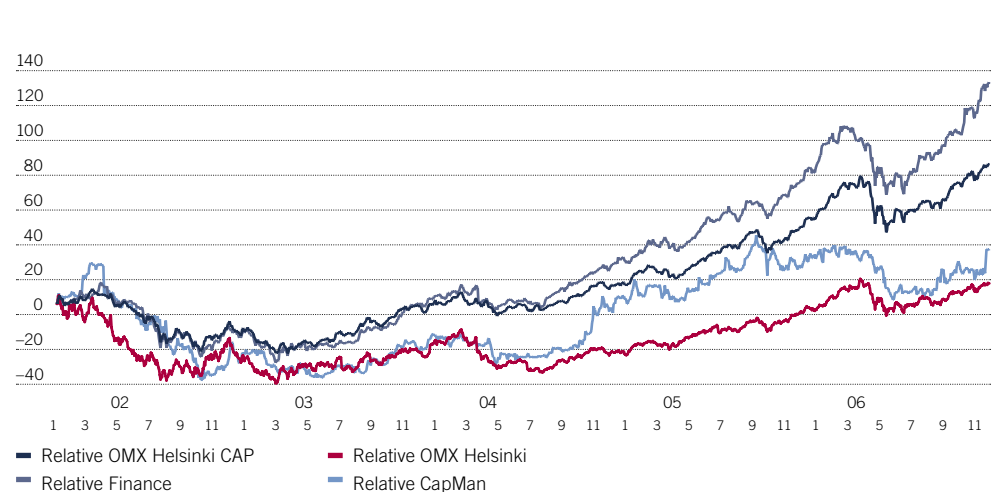
NUMBER OF SHARES	Number of shareholders	%	Number of shares	%	Number of votes	%
1-100	965	18.91 %	43 052	0.06 %	43 052	0.03 %
101-1 000	2 538	49.74 %	1 378 146	1.79 %	1 378 146	0.92 %
1 001-10 000	1 415	27.73 %	4 526 439	5.87 %	4 526 439	3.03 %
10 001-100 000	142	2.78 %	3 497 379	4.53 %	3 497 379	2.34 %
100 001-	43	0.84 %	67 694 716	87.73 %	139 694 716	93.66 %
<b>Total</b>	<b>5 103</b>	<b>100.00 %</b>	<b>77 139 732</b>	<b>99.98 %</b>	<b>149 139 732</b>	<b>99.99 %</b>
Nominee registered	7		20 308 632	26.32 %		
On the book-entry register joint account			18 966	0.02 %	18 966	0.01 %
Total shares outstanding			77 158 698	100.00 %	149 158 698	100.00 %
SECTOR	Number of shareholders	%	Number of shares	%	Number of votes	%
Corporations	295	5.78 %	32 287 145	41.85 %	104 287 145	69.93 %
Financial and insurance corporations	14	0.27 %	23 708 120	30.73 %	23 708 120	15.90 %
Public sector institutions	6	0.12 %	3 375 208	4.37 %	3 375 208	2.26 %
Households	4 726	92.61 %	12 062 950	15.63 %	12 062 950	8.09 %
Non-profit organisations	42	0.82 %	2 233 891	2.90 %	2 233 891	1.50 %
Foreign shareholders	20	0.39 %	3 472 418	4.50 %	3 472 418	2.33 %
<b>Total</b>	<b>5 103</b>	<b>100.00 %</b>	<b>77 139 732</b>	<b>99.98 %</b>	<b>149 139 732</b>	<b>99.99 %</b>
Nominee registered	7		20 308 632	26.32 %		
On the book-entry register joint account			18 966	0.02 %	18 966	0.01 %
Total shares outstanding			77 158 698	100.00 %	149 158 698	100.00 %

Source: Finnish Central Securities Depository Ltd, as at 31 December 2006. Figures are based on the total number of shares 77,158,698 and total number of shareholders 5,103. Companies owned by CapMan's Senior Partners at the time of the Company's listing own all 8,000,000 A shares.

CapMan B share trading and average price 1.1.2002-31.12.2006



Relative development of CapMan's B share and OMX indices 1.1.2002-31.12.2006



## CAPMAN'S LARGEST SHAREHOLDERS AS AT 31 DECEMBER 2006

	Number of A shares	Number of B shares	Total number of shares	Proportion of A and B shares, %	Number of votes	Proportion of votes, %
1. Aristo Invest Oy* + Ari Tolppanen**	2 447 032	7 608 920	10 055 952	13.03 %	32 079 240	21.51 %
2. Geldegal Oy* + Olli Liitola**	1 291 638	4 016 327	5 307 965	6.88 %	16 932 707	11.35 %
3. Winsome Oy* + Tuomo Raasio**	1 291 638	4 016 327	5 307 965	6.88 %	16 932 707	11.35 %
4. Vesasco Oy*	1 291 638	3 004 540	4 296 178	5.57 %	15 920 920	10.67 %
5. Heiwes Oy* + Heikki Westerlund**	741 448	3 221 057	3 962 505	5.14 %	10 635 537	7.13 %
6. The State Pension Fund		2 500 000	2 500 000	3.24 %	2 500 000	1.68 %
7. Novestra Ab* + Peter Buch Lund**	741 448	1 150 000	1 891 448	2.45 %	8 564 480	5.74 %
8. OP-Finland Small Firms Fund		1 633 200	1 633 200	2.12 %	1 633 200	1.09 %
9. Nordea Life Assurance Finland Ltd.		1 256 129	1 256 129	1.63 %	1 256 129	0.84 %
10. Guarneri Oy* + Petri Saavalainen**	195 158	1 039 302	1 234 460	1.60 %	2 990 882	2.01 %
11. Degato International SARL (Lennart Jacobsson***)		1 129 217	1 129 217	1.46 %	1 129 217	0.76 %
12. Svenska litteratursällskapet i Finland r.f.		912 000	912 000	1.18 %	912 000	0.61 %
13. Mateus International SARL (Jan Lundahl****)		859 217	859 217	1.11 %	859 217	0.58 %
14. Torpet International SARL (Lars Hagdahl****)		753 936	753 936	0.98 %	753 936	0.51 %
15. Leif Jensen		699 469	699 469	0.91 %	699 469	0.47 %
16. Ilmarinen Mutual Pension Insurance Company		548 500	548 500	0.71 %	548 500	0.37 %
17. The Finnish Association of Graduates in Economics and Business Administration - SEFE ry		500 000	500 000	0.65 %	500 000	0.34 %
18. Oy Etra Invest Ab		500 000	500 000	0.65 %	500 000	0.34 %
19. Kari Henrik Stadigh		497 959	497 959	0.65 %	497 959	0.33 %
20. Sanna-Liisa Argillander		472 500	472 500	0.61 %	472 500	0.32 %
<b>Total</b>	<b>8 000 000</b>	<b>36 318 600</b>	<b>44 318 600</b>	<b>57.44 %</b>	<b>116 318 600</b>	<b>77.98 %</b>
Nominee registered		20 288 680	20 288 680	26.29 %	20 288 680	13.60 %
Shareholdings of management and employees ****	6 708 362	25 362 341	32 070 703	41.56 %	92 445 961	61.98 %

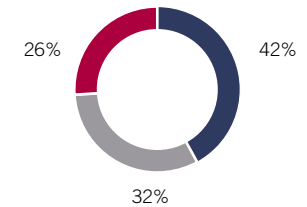
\* The A shares of CapMan Plc are owned by companies which are controlled by persons acting as CapMan's Senior Partners at the time of the Company's listing in 2001. Each A share entitles to 10 votes and each B share entitles to one vote. There are 69,158,698 B shares and 8,000,000 A shares in total.

\*\* Employed by CapMan as at 31 December 2006.

\*\*\* CapMan employee who exercises controlling power in the aforementioned company but who does not own CapMan shares directly.

\*\*\*\* Shareholdings among the 100 largest shareholders of the Company.

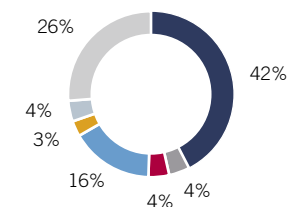
## Shareholder structure by shareholding as at 31 December 2006



■ Management and employees of CapMan\*  
 ■ Other shareholders  
 ■ Nominee registered

\* Shareholdings among the 100 largest shareholders of the Company.

## Shareholders by sector as at 31 December 2006



■ Corporations  
 ■ Financial and insurance corporations  
 ■ Public sector institutions  
 ■ Households  
 ■ Non-profit organisations  
 ■ Foreign shareholders  
 ■ Nominee registered

## CapMan Funds

The establishment of new funds in 2006 resulted in strong growth in the amount of capital under management by CapMan, totalling €2,549.6 million at 31 December 2006.

VERSATILE

### CAPITAL UNDER MANAGEMENT

CapMan managed 16 private equity funds at the end of 2006. Capital under management in these funds totalled €2,549.6 million as at 31 December 2006 (2005: €2,176.1 million), of which €1,773.6 million (€1,676.1 million) was in funds investing in portfolio companies and €776 million (€500 million) was in private equity real estate funds.

Of the capital in funds making direct portfolio company investments, €1,309.8 million (€1,180.9 million) was in equity funds and €463.8 million (€495.2 million) was in mezzanine funds. Capital under management in funds investing in portfolio companies increased during the year as a result of fundraising for CapMan Buyout VIII and CapMan Life Science IV funds, and was decreased by the termination of Alliance ScanEast Fund's, Swedestart II and Finnmezzanine I funds' operations.

The total investment capacity of the private equity real estate funds increased by €276 million in 2006 with the establishment of CapMan Real Estate II fund and was €776 million (€500 million) at the end of the year.

One fund may consist of several parallel funds, which have a different investment focus or portfolio.

### OPERATIONAL MODEL OF CAPMAN FUNDS

A private equity fund has a limited and predetermined term, usually ten years. The funds make investments in selected unquoted portfolio com-

panies or properties mainly during the fund's first three to four years. A dedicated team is responsible for the investment activities in each of CapMan's investment areas.

CapMan has an active role in the development of investment targets. The aim is to create prerequisites for significant increase in the value of the portfolio companies and properties. The ownership period is on average four to six years, after which CapMan exits from the target for example through a sale to an industrial or financial buyer or an initial public offering. Following an exit, the invested capital and yield are re-

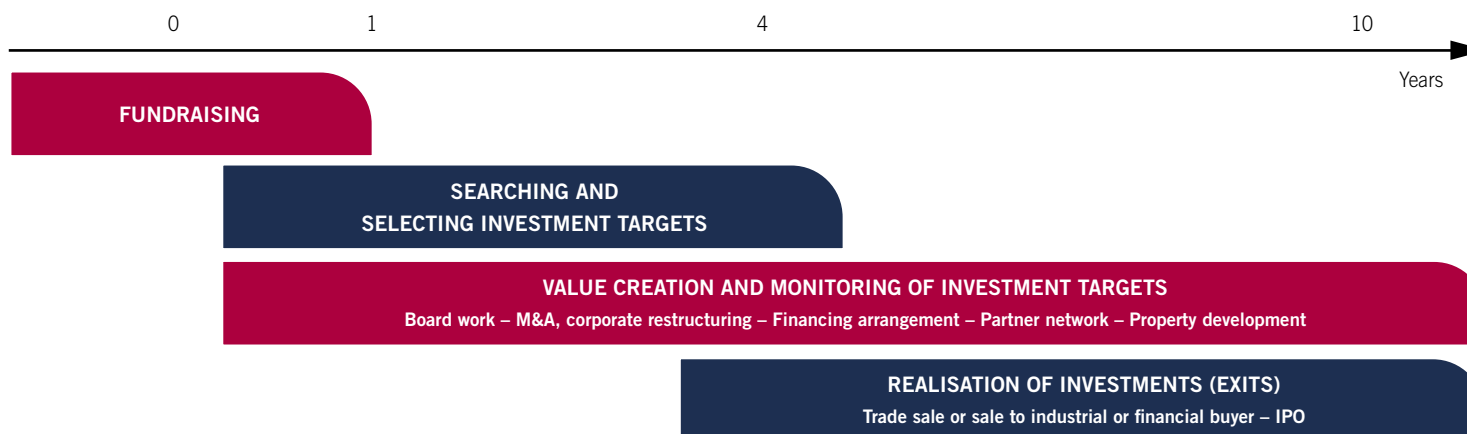
turned to the private equity fund to be distributed to the fund's limited partners (the investors and management company) according to the agreed profit distribution policy. The funds' limited partnership structure enables investors to receive interest, dividends and capital gains throughout the financial year as the fund exits from its portfolio companies and properties.

The fund's management company or General Partner receives an annual management fee for the fund's entire period of operations that is based on the amount of capital under management. In addition, the management company

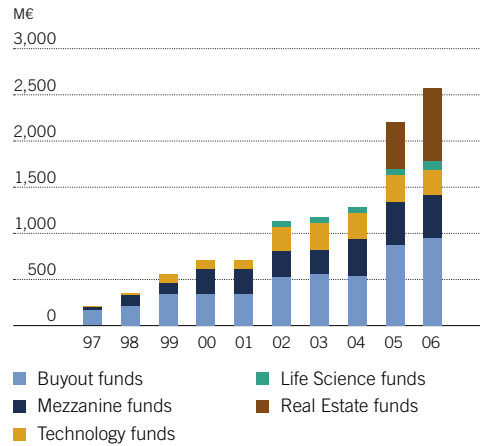
receives carried interest after the limited partners have regained their investment in addition to a preferential annual return, usually 7 to 8%. CapMan's share of carried interest is typically 20–25% for funds established prior to 2004 and 10–15% for funds established in 2004 and thereafter. More information on CapMan's share of the funds' carried interest is presented on page 23.

Private equity houses assure the continuity of business by establishing new funds as the previous funds become fully invested.

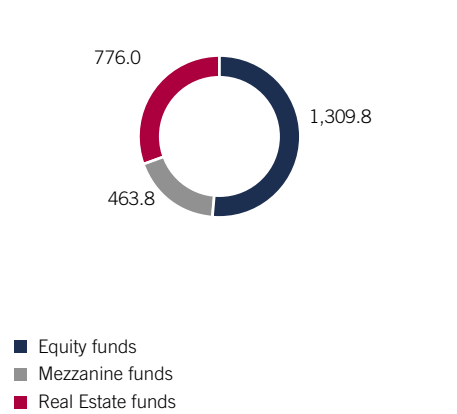
### LIFE CYCLE OF A PRIVATE EQUITY FUND



**Growth in capital under management in 1997–2006**

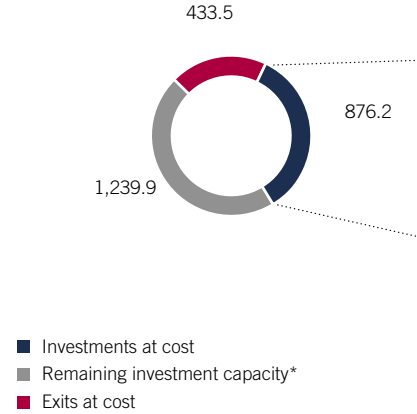


**Cumulative capital in equity, mezzanine and real estate funds as at 31 December 2006, M€**



- ▶ Equity, mezzanine and real estate funds have different return potential
- ▶ The funds vary in terms of management fees and carried interest percentages as well as value creation potential of the investment targets

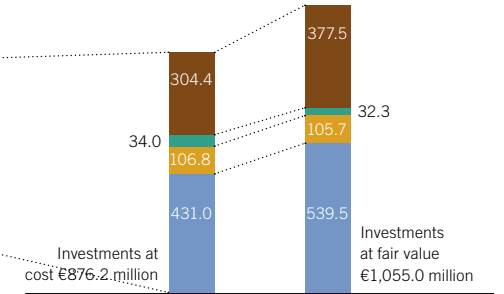
**Substantial capital remaining for new investments as at 31 December 2006, M€**



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

- ▶ There are very good prerequisites for investment operations, as remaining investment capacity represents almost half of the capital under management
- ▶ The share of capital that has already been exited represents approximately one-fifth of capital under management

**Funds' portfolio by investment teams as at 31 December 2006, M€**



- ▶ The funds' portfolios at acquisition cost are divided among four investment areas
- ▶ Diversification evens out the risks associated with investments
- ▶ The portfolio includes companies and properties at different stages of development
- ▶ At the end of 2006 the majority of value creation in the gross portfolio targeted buyout and real estate investments

## INVESTMENT ACTIVITIES

The funds managed by CapMan invest mainly in unquoted Nordic companies or in real estate assets. The investment activities of the funds investing directly in portfolio companies target the Nordic countries in three investment areas, which are middle market buyouts (CapMan Buyout), technology investments (CapMan Technology) and investments in medical technology (CapMan Life Science). The investment focus of real estate funds is on commercial properties in the Helsinki metropolitan area and property development targets in Finland.

## FUNDS IN THE ACTIVE INVESTMENT PHASE

### CapMan Buyout

- CapMan Buyout VIII: Established 2005, size €440 million.
- CapMan Mezzanine IV: Established 2004, size €240 million.

### CapMan Technology

- CapMan Technology 2007: Established February 2007 at €110 million. Fundraising will continue in 2007.

### CapMan Life Science

- CapMan Life Science IV: Established 2006, size €46 million at 31 December 2006. Fundraising will continue in the first quarter of 2007.

### CapMan Real Estate

- CapMan RE II: Established 2006, investment capacity approximately €276 million at 31 December 2006 and approximately €550 million at 1 February 2007.
- CapMan Real Estate I: Established 2005, size €500 million.

Additionally, CapMan Equity VII, Swedestart Tech, Swedestart Life Science and Finnventure V funds have the opportunity to make add-on investments in the funds' current portfolio companies.

## INVESTMENT FOCUS



- Almost all industries
- Equity investments approximately €10–50 million per company
- Mezzanine financing is used alongside equity finance

- Expansion and later stage technology companies
- Equity investments approximately €3–15 million per company

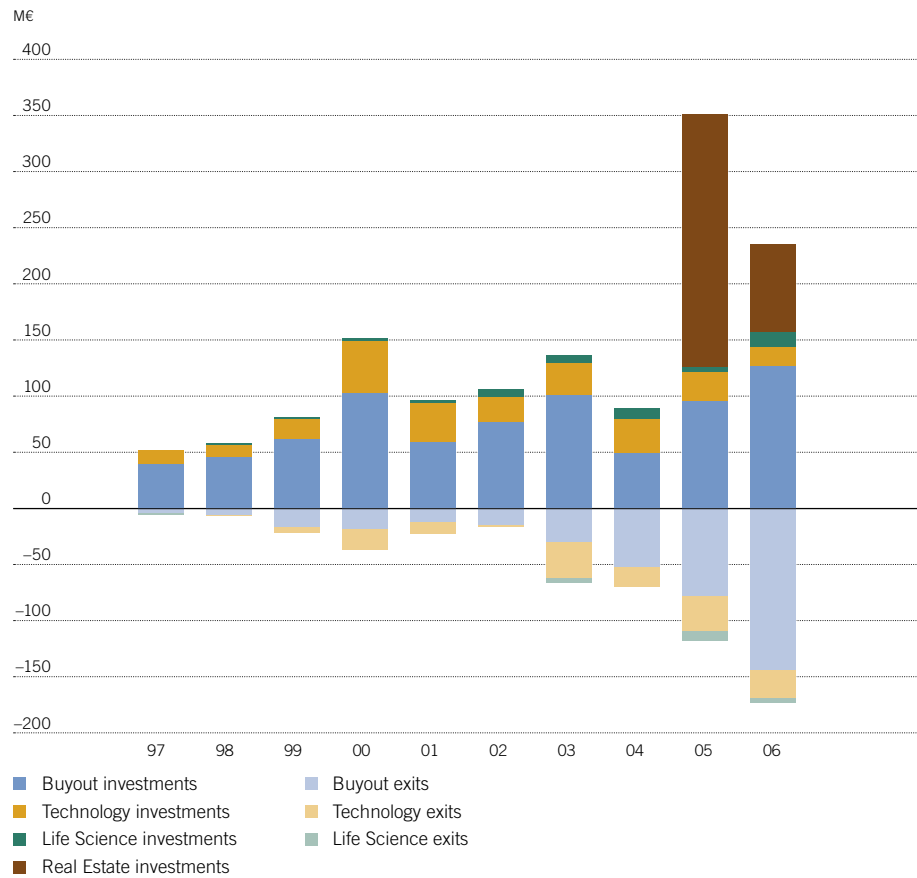
- Medical technology companies
- Equity investments approximately €2–7 million per company

- Commercial properties in the Helsinki metropolitan area and property development targets in Finland
- Investments typically €5–50 million per property

As at the end of 2006 the funds making direct investments in portfolio companies had invested in over 160 companies and exited from over 100 companies, and CapMan Real Estate I had invested in 22 real estate assets. Further information on current and previous investment targets as well as the focus and strategies of the investment teams are presented on pages 38–66 and on CapMan's Internet pages at [www.capman.com](http://www.capman.com).

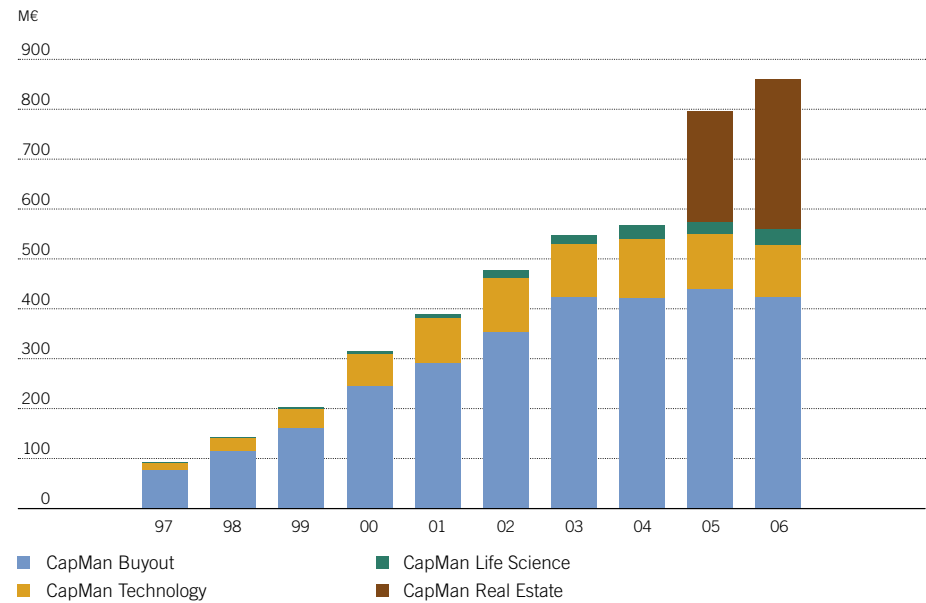


**Investments and exits at cost 1997–2006\***



\* Includes regressive figures for investments and exits by NPEP and Swedestart funds for years prior to acquisitions. Exits include partial exits. Foreign currency items are translated for the entire period at the exchange rate on the last day of trading in 2006. The figures include transactions finalised as at 31 December 2006.

**Funds' aggregate portfolio at cost 1997–2006**



## CAPMAN PLC GROUP FUNDS AS PER 31 DECEMBER 2006, M€

	Established / generating carried interest since	Fund size *	Paid-in capital **	Remaining commitment	Fund's current portfolio		Liquid assets	Distributed cash flow		Hurdle rate, IRR % p.a.	Share of carried interest	
					at cost	at fair value ***		to investors	to management company (carried interest) ****		to management company %	to CapMan
<b>Funds generating carried interest</b>												
Finnventure Fund II	1994 / 1997	11.9	11.9	0.0	1.1	0.8		41.7	16.1	–	35%	100%
Finnventure Fund III <sup>1)</sup>	1996 / 2000	29.7	29.7	0.0	2.0	1.6		116.7	27.5	–	25%	100%
Fenno Program / Fenno Fund <sup>2)</sup>	1997 / 2005	42.5	42.5	0.0	9.0	12.8	0.2	76.7	4.3	–	20%	50–60%
Fenno Program / Skandia I <sup>2)</sup>	1997 / 2005	8.4	8.4	0.0	4.2	4.4		10.4	0.3	–	20%	50–60%
Fenno Program / Skandia II <sup>2)</sup>	1997 / 2004	8.1	8.1	0.0	3.0	2.1		26.1	2.7	–	20%	50–60%
Finnmezzanine Fund II B	1998 / 2006	17.0	15.8	1.2	0.1	0.5	0.4	21.2	0.5	–	20%	100%
		117.6	116.4	1.2	19.4	22.2	0.6	292.8	51.4			
<b>Funds that are estimated to start generating carried interest in 2007–2008</b>												
Finnventure Fund IV	1998	59.5	59.5	0.0	14.3	13.9	0.6	62.2		5%	20%	100%
Finnventure Fund V	1999	169.9	159.8	10.1	65.4	55.4	4.3	211.3		7%	20%	100%
CapMan Equity VII A	2002	156.7	121.0	35.7	88.5	141.1	13.9	17.4		8%	20%	100%
CapMan Equity VII B	2002	56.5	49.9	6.6	37.0	65.1	7.8	3.5		8%	20%	100%
CapMan Equity Sweden	2002	67.0	51.9	15.1	37.8	60.4	6.4	7.5		8%	20%	100%
CapMan Real Estate I <sup>5)</sup>	2005	500.0	301.1	198.9	304.4	377.5	-11.2	22.1		8.5%	20%	64%
		1,009.6	743.2	266.4	547.4	713.4	21.8	324.0				
<b>Other funds not yet generating carried interest</b>												
CapMan Equity VII C	2002	23.1	13.3	9.8	9.1	9.9	0.3	4.6		8%	20%	100%
CapMan Buyout VIII Fund A	2005	360.0	65.3	294.7	53.1	53.1	3.4			8%	20%	70%
CapMan Buyout VIII Fund B	2005	80.0	14.5	65.5	11.8	11.8	0.9			8%	20%	70%
CapMan Life Science IV Fund	2006	46.1	10.9	35.2	8.7	8.7	0.6			8%	20%	50%
Finnmezzanine Fund III <sup>1)</sup>	2000	135.5	130.9	4.6	75.3	87.1	3.4	88.0		7%	20%	100%
CapMan Mezzanine IV <sup>4)</sup>	2004	240.0	49.9	190.1	59.7	66.5	-17.0	3.4		7%	20%	75%
CapMan RE II <sup>6)</sup>	2006	276.0	0.1	275.9	0.0	0.0	0.0			10%	20%	60%
		1,160.7	284.9	875.8	217.7	237.1	-8.4	96.0				
<b>Funds with limited carried interest potential to CapMan</b>												
Nordic Private Equity Partners II <sup>3)</sup>	1995	20.6	20.6	0.0	7.1	3.5	0.4	11.4				
Finnventure Fund V ET	1999	34.0	34.0	0.0	14.7	12.0	1.2	3.4				
Swedestart Life Science <sup>3)</sup>	2000	50.9	40.0	10.9	25.3	23.6	0.1	0.2				
Swedestart Tech <sup>1),3)</sup>	2000	84.9	63.5	21.4	35.7	33.4	1.9	21.4				
Finnmezzanine Fund II A,C,D <sup>1)</sup>	1998	71.3	71.3	0.0	8.9	9.8	2.1	72.8				
		261.7	229.4	32.3	91.7	82.3	5.7	109.2				
<b>Private equity funds in total</b>		<b>2,549.6</b>	<b>1,373.9</b>	<b>1,175.7</b>	<b>876.2</b>	<b>1,055.0</b>	<b>19.7</b>	<b>822.0</b>	<b>51.4</b>			

Information on the portfolio companies of each fund is presented on CapMan's website under [www.capman.com/En/InvestorRelations/Funds](http://www.capman.com/En/InvestorRelations/Funds).

## FUNDS GENERATING CARRIED INTEREST AS AT 31 DECEMBER 2006

- the funds that were generating carried interest at the end of 2006 were Finnventure Fund II, Finnventure Fund III, Fenno Program (Fenno Fund, Skandia I and II) and Finnmezzanine Fund II's subfund II B
- the sum of carried interest income received from the funds in 2006 totalled €9.4 million
- the average time taken to begin to generate carried interest has been 6.6 years for current funds and funds that have already been closed down
- since inception, CapMan has received aggregate carried interest totalling €69.1 million from the funds currently generating carried interest and from funds that have already terminated operations

## CARRIED INTEREST POTENTIAL OF THE FUNDS AS AT 31 DECEMBER 2006

- a significant part half of the funds' portfolios at fair value is in funds that are estimated to begin generating carried interest in 2007–2008
- CapMan Real Estate I fund transferred into carry on 31 January 2007
- a substantial amount of capital under management remains uninvested
- there is significant value creation potential in the current portfolio and in the uninvested capital

### Footnotes

\* Total capital committed by investors. In CapMan's statistics the terms 'capital under management' and 'fund size' refer to the gross capital commitment in the fund. Funds managed by associated company Baltcap Management Oy are excluded (CapMan's share of Baltcap Management Oy is 20%, the total size of the funds is approx. €31.2 million). Capital under management by Access Capital Partners is presented separately on page 28.

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

\*\*\* The funds' portfolios are valued at fair value in accordance with the guidelines of the European Private Equity & Venture Capital Association (EVCA). The fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Due to the nature of private equity investment activities, the funds' portfolios contain companies with fair value greater than acquisition cost as well as companies with fair value less than acquisition cost.

\*\*\*\* CapMan Plc Group's share of carried interest income. 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 and distribution of capital. Carried interest % of the remaining cash flows are (for the funds which were generating carried interest as at 31 December 2006): Finnventure Fund II: 35%; Finnventure Fund III: 25%; Fenno Program / Fenno Fund: 20%; Fenno Program / Skandia I: 20%; Fenno Program/Skandia II: 20%; Finnmezzanine Fund II B: 20%. CapMan Real Estate I is in carry since 31 January 2007 and the management company's share of the remaining cash flow is 40%.

CapMan Plc Group's share of the carried interest is less than 100% for the following funds: CapMan Buyout VIII A and B: 70%; CapMan Mezzanine IV: 75%; CapMan Real Estate I: 64%;

CapMan Real Estate II: 60%; Fenno Fund and Fenno Program (Skandia I,II): 50–60%; CapMan Life Science IV: 50%; Swedestart Tech: 12%; Swedestart Life Science: 10%; Access Capital Fund: 47.5%; Access Capital Fund II: 45%; Access Capital Fund III: 25%; Access/Private Equity Mandates: 25%.

- 1) The fund is comprised of two or more legal entities (parallel funds are presented separately only if their investment focuses or portfolios differ significantly).
- 2) Fenno Program is managed jointly with Fenno Management Oy.
- 3) Currency items are valued at the average EUR rate at 31 December 2006.
- 4) CapMan Mezzanine IV: The paid-in commitment includes a €48 million bond issued by Leverator Plc. The fund's liquid assets include a loan facility, with which investments are financed up to the next bond

issue. Distributed cash flow includes payments to both bond subscribers and equity investors.

- 5) CapMan Real Estate I: The paid-in commitment includes a €100 million bond issued by Real Estate Leverator Plc and a €178.5 million senior loan, which is secured by the fund's current portfolio. Distributed cash flow includes payments to both bond subscribers and equity investors. The fund began to generate carried interest with the real estate portfolio sale that was finalised on 31 January 2007. CapMan RE II: The fund's investments are on average 75% financed with debt financing. The paid-in commitment has investment capacity of €276.0 million as at 31 December 2006.

## Returns to Investors from Funds

### FUNDS THAT HAVE TERMINATED OPERATIONS

Fund	Operations started *	Operations ended	Fund size, M€	Net return to investors by 31.12.2006, IRR% p.a. **	Return multiple (net) to investors by 31.12.2006
Finnventure Fund I	1990	2005	11.1	15.4%	3.0
Nordic Private Equity Partners I	1991	2004	13.5	10.3%	2.1
Alliance ScanEast Fund	1994	2006	21.5	9.0%	1.8
Finnmezzanine Fund I	1995	2006	31.4	17.5%	1.7
Swedestart II	1997	2006	26.2	168.5%	6.5
Fenno Program / Other	2001	2004	6.0	73.7%	6.4

PROFESSIONAL

### OPERATIONAL EQUITY FUNDS

Funds that have been established between 1990–2004 (so-called mature funds, which have operated for more than two years).

Fund	Operations started *	Fund size, M€	Net return to investors by 1.12.2006, IRR% p.a.	Return multiple (net) to investors by 31.12.2006
<b>Funds over 5 years old:</b>				
Finnventure Fund II	1994	11.9	55.8%	3.6
Nordic Private Equity Partners II	1995	20.6	-	0.8
Finnventure Fund III	1996	29.7	63.4%	4.0
Fenno Program / Fenno Fund	1997	42.5	15.4%	2.0
Fenno Program / Skandia I	1997	8.4	20.0%	1.6
Finnventure Fund IV	1998	59.5	4.8%	1.3
Finnventure Fund V	1999	169.9	11.5%	1.6
Finnventure Fund V ET	2000	34.0	-	0.5
Swedestart Tech	2001	84.9	-	0.9
Swedestart Life Science	2001	50.9	-	0.6
Fenno Program / Skandia II	2001	8.1	45.5%	3.4
<b>Funds 2–5 years old:</b>				
CapMan Equity VII A	2002	156.7	14.2%	1.4
CapMan Equity VII B	2002	56.5	15.4%	1.5
CapMan Equity VII C	2002	23.1	6.5%	1.1
CapMan Equity VII KB	2002	67.0	13.6%	1.4

\* The year when operations were started differs with the fund's establishment year for the following funds: Finnventure Fund V ET (established in 1999), Swedestart Tech and Swedestart Life Science (established in 2000) and 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 valuation 31 December 2006.

\*\*\* Return multiple (net) to investors = (Cash flow to investors + investors' share of the portfolio, paid-in capital). The investors' share of the funds' portfolios includes possible liquid assets. Portfolios are valued at fair value according to EVCA guidelines published in 2001. The table is presented in a more comprehensive format on CapMan's Internet pages at [www.capman.com](http://www.capman.com).

## FUNDS THAT STARTED OPERATIONS IN 1990–1997

CapMan established its first private equity fund in 1990, and new funds have been established almost yearly thereafter. The investment focus of the first funds included both buyout and technology investments. Of the funds established between 1990 and 1997, only the Danish Nordic Private Equity Partners (NPEP) fund has had pure buyout investment focus and the Swedestart II fund established in 1997 has had focus on technology and life science. These funds transferred under the management of CapMan in connection with NPEP and Swedestart acquisitions in 2001 and 2002.

CapMan has succeeded well in utilising prevailing market conditions for the funds that started operations between 1990 and 1997, and they have mainly yielded good returns to investors when compared to European funds. As a pioneer in the private equity investment industry, CapMan made many investments from Finnventure I, II and III funds as well as Finnmezzanine Fund I in the mid 1990s in which the associated growth potential was realised by the end of the decade. At the same time exit opportunities emerged through the recovery in public markets, which was also exploited by Swedestart II fund. CapMan's successful realisations via public listings included exits from PKC Group, Rocla, Nordic Aluminium, Ramirent, Aldata, Satama, LPG Telecom and Readsoft in 1997–2001. The success of Finnventure II and III funds has also reflected on Finnmezzanine Fund I's return rates.

The majority of funds established in years 1990–1997 have already terminated operations after exiting from all portfolio companies. Of the funds that are still active, Finnventure II and III funds await exit from one portfolio company and NPEP II as well as Fenno Fund and Fenno Skandia I funds from two to three portfolio companies.

The associated return potential for Finnventure II and III as well as NPEP II funds is quite small due to the low number of remaining investments, and forthcoming exits will have minimal impact on the funds' return figures. For the funds in the Fenno Program, remaining investments at acquisition cost form a reasonable proportion of original capital in the funds and forthcoming exits may have greater impact on the funds' final return rates, especially in the event that exits are realised at a higher level than current portfolio valuations.

In exception to the other funds managed by CapMan, the Alliance ScanEast Fund (ASEF) established in 1994 has had investment focus on Eastern Europe. ASEF made a total of seven investments between 1994 and 1998 and exited from them between 1999 and 2006. The fund has achieved good returns when compared with other Eastern European funds that were established at the same time. The funds operations were terminated in 2006.

## FUNDS THAT STARTED OPERATIONS IN 1998–2001

The funds that started operations between 1998 and 2001, with the exception of the Fenno Program's Other subfund, are still operational and in the active exit phase. Of the investments made by Finnventure IV and V funds that were established in 1998 and 1999, 80 per cent have been in buyout transactions and 20 per cent in technology targets. The funds' buyout investments have been made at reasonable prices and for the most part their value has developed in line with expectations. The technology boom in the late 1990s and early 2000 raised the acquisition value of the funds' technology investments, which have been made at quite high valuation levels. Market-based valuations of these investments are still at a lower level than at the time of investment, which is par-

ticularly evident in the technology fund Finnventure V ET's market-based evaluation, IRR and multiples. The portfolios of funds established in 1998–1999 developed well in 2006, and the portfolio of Finnventure Fund V in particular still includes substantial return potential.

The Swedestart Tech and Swedestart Life Science funds that started operations in 2001 have focus on technology or life science investments respectively. The funds have transferred to the active exit phase. In accordance with EVCA guidelines and as is typical for venture funds, the portfolio companies have been quite conservatively valued. As a result of this and early stage operating costs and management fees, the funds' return rates and multiples were at quite a low level at the end of year 2006. However the funds' portfolios are in good condition and they include substantial return potential, which is expected with exits also to reflect on return rates and multiples.

The Fenno Program's Skandia II and Other subfunds, which have had investment focus on buyout transactions, also started operations in 2001. The exit from Eltel Networks in 2004 is visible in the return rates for these funds. Two portfolio companies remain in Skandia II's portfolio while the operations of the Other subfund have terminated.

## FUNDS THAT STARTED OPERATIONS IN 2002

The investment focus of CapMan Equity VII fund's parallel funds A and Sweden is 65 per cent buyout and 35 per cent technology, while parallel funds B and C have pure buyout and technology focus respectively. CapMan Equity VII funds have made investments at valuation levels which are in general lower than the average market valuations at the moment and they have newly transferred to the active exit phase. The funds' return rates are

affected by early stage expenses, as in the case of Swedestart funds, and for this reason the returns are not comparable with those of older funds. The overall portfolios of CapMan Equity VII funds are in good condition and they include substantial return potential. The portfolios developed favourably in 2006, which was also reflected in CapMan's result via the Company's own fund investments.

## OTHER FUNDS OUTSIDE THE RETURN EXAMINATION

CapMan has established three new private equity funds after CapMan Equity VII: CapMan Buyout VIII (established in 2005), CapMan Life Science IV (established in 2006) and CapMan Technology 2007 (established in 2007). These funds make new buyout, technology and life science investments. Due to their short operational histories, these funds are not comparable with older funds and they will be included in the comparative examination once they have operated for more than two years.

In addition, the Finnmezzanine II (established in 1998), Finnmezzanine III (established in 2000) and CapMan Mezzanine IV (established in 2004) funds are excluded from the examination because the special nature of their investment activities is not directly comparable with equity funds. The CapMan Real Estate I (established in 2005) and CapMan RE II (established in 2006) real estate funds, which utilise debt gearing, are also external to the examination. The returns from these funds are not directly comparable with equity funds, and the funds are also still in the early stages of their operations. The returns from mezzanine and real estate funds will be more closely examined once the funds' operations have terminated.

## Fundraising

Successful fundraising of new funds is a prerequisite for the continuation of CapMan's operations. In 2006 commitments totalling almost €450 million were raised into CapMan Buyout VIII, CapMan Life Science IV and CapMan Real Estate II funds. Additionally we commenced fundraising for the new CapMan Technology 2007 fund.

### NEW FUNDS IN 2006

CapMan established two new funds, CapMan Life Science IV and CapMan Real Estate II, in 2006. Commitments totalling €46 million had been raised into the Life Science fund by the end of the year and its fundraising will continue in the first quarter of 2007. CapMan RE II fund had an investment capacity of approximately €276 million at the end of the year, and the fund's capacity grew to approximately €550 million at the second closing held on 1 February 2007.

The final close of the CapMan Buyout VIII fund that was established in 2005 was held during the year at €440 million, which was in excess of the original target size. All of the new funds have commenced investment operations actively.

CapMan's Fundraising team is responsible for fundraising of the funds managed by the Group in all investment areas. The Group's objective is to further internationalise the existing investor base. The Fundraising team continued to meet new international potential investors in 2006, thus laying a solid foundation for the raising of future funds.

Fund investors are also served by the Fund Administration team, which monitors compliance with contract terms, handles daily monetary transactions related to investment operations and prepares fund reports for the investor base. A person in charge has been appointed for each fund.

### NEW FUND PRODUCTS

CapMan's objective is to develop for its investor base new types of fund products that meet the needs of clientele. For example in 2004 and 2005 CapMan launched CapMan Mezzanine IV and CapMan Real Estate I funds, which offer institutional investors an opportunity to participate by subscribing secured bonds listed on the Helsinki Stock Exchange.

The developed fund structures have introduced a new type of flexibility for investors, as the investment can be made in listed bonds, in limited partnership interests or in a combination of these. This has enabled new institutional investors, who due to their own investment criteria may have been unable to invest in private equity funds in general, to invest in CapMan funds.

### GROWTH IN ALLOCATIONS BY INSTITUTIONS

In recent years private equity investment has established its position as a part of institutional investors' investment strategy. Private equity investments in Europe typically represent about 3–5 per cent of the size of institutions' investment portfolios, and their allocations are estimated to grow in the future. The growth forecast is support-

ed by an increasing amount of interest towards investment opportunities offered by the alternative asset class, as institutions seek investments that offer higher returns to supplement traditional investments in shares and loans.

The increasing interest towards private equity investment has been evident globally as strong growth in commitments raised into new private equity funds. In 2005 a record €72 billion was raised into new private equity funds in Europe, of which a considerable amount was committed by pension funds and banks. Public administrations, funds of funds and insurance companies are also substantial investors in private equity funds. The preliminary statistics for 2006 support continuation of the growth trend. The greatest interest is still targeted to buyout funds.

LP FRIENDLY

# Fund Investors – Our Clients

CapMan's clientele comprises the institutions investing in the funds. The number of fund investors has grown and internationalised with new funds and there are already more than 110 investors in CapMan funds in all. A loyal fund investor base is one of CapMan's strengths.

## OUR INVESTOR BASE IS INTERNATIONALISING

CapMan's fund investor base has internationalised significantly in recent years. Although a substantial share of commitments raised into new funds continues to come from Nordic investors, several investors from other European countries and the US have also invested in the funds. The largest investors in the funds are pension institutions, life assurance and non-life insurance companies – as is typical in the private equity industry – but banks, foundations and funds of funds are also investors in the funds, among others. The majority of investors have invested in several CapMan funds and many have invested in both equity and mezzanine funds.

With the growth in funds also the size of commitments has risen over the years. At the end of 2006, capital invested by the five largest investors was approximately €620 million of total capital and the aggregate capital invested by one single institution was approximately €170 million at most in 2006.

## CAPMAN AS A FUND INVESTOR

Since 2002, CapMan has been a substantial investor in the private equity funds investing directly in portfolio companies. As at 31 December 2006 the fair value of CapMan's own investments totalled €33.1 million and remaining commitments totalled €50.5 million. The majority of CapMan's commitments and investments

target CapMan Buyout VIII and CapMan Equity VII funds.

## PRIVATE AND MANEQ FUNDS

CapMan manages four Private funds for investments by private persons via their investment companies. Private funds in turn are investors in the funds managed by CapMan and Access Capital Partners. CapMan employees have the opportunity to invest in portfolio companies alongside the funds, in accordance with certain principles, via the Maneq funds established for this purpose. At the end of 2006 the Private funds had €66.2 million in capital and Maneq funds had €17.3 million in capital.

## CONTACT INFORMATION

### Fundraising

Jerome Bouix, Partner,  
Head of Fundraising, IR & Communications  
tel. +358 9 6155 8358  
jerome.bouix@capman.com  
<http://www.capman.com/En/Contacts/FundraisingIRandCommunications/>

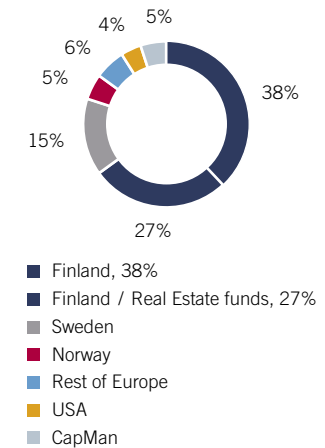
### Fund Administration

Martti Timgren, Head of Fund Administration  
tel. +358 9 6155 8382  
martti.timgren@capman.com  
<http://www.capman.com/En/Contacts/FundAdministration/>

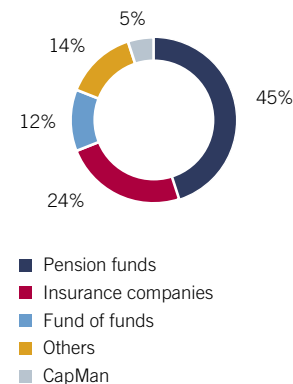
## Capital in CapMan funds established in 2004 and thereafter

Includes commitments from investors in CapMan Mezzanine IV, CapMan Buyout VIII, CapMan Life Science IV, CapMan Real Estate I and CapMan RE II funds. The funds have total investment capacity of €1,501.0 million.

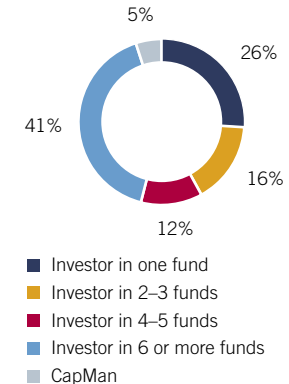
## Geographical distribution of committed capital



## Committed capital by investor type



## Committed capital and investor loyalty





## Access Capital Partners

CapMan Plc's associated company Access Capital Partners is a leading manager and advisor of European private equity funds of funds. At the end of 2006, Access Capital Partners had assets totalling €1.65 billion under management in three funds and in private equity investment mandates. CapMan owns 35 per cent of the funds' management/ advisory company and the operative management owns the remainder.

### ASSETS UNDER MANAGEMENT

Access Capital Partners (Access) was founded in 1999. The funds managed by Access invest in European buyout and technology private equity funds.

The first fund Access Capital Fund I (ACF I) was established in 1999 at €250.3 million. The second generation of Access funds (ACF II) were established in 2001, and they consist of two subfunds ACF II Mid-market Buy-out and ACF II Technology with respective sizes of €153 million and €124 million. The third generation fund Access Capital Fund III (ACF III) had its first closing in Q4 2005 and final closing in December 2006. The final close of the subfund ACF III Mid-market Buy-out Europe was held at €307 million, exceeding the original target size of €250 million, and the final close of the subfund ACF III Technology Europe was held at €84 million.

Access expanded its operations into private equity investment mandates in 2003. The private equity mandates managed by Access totalled €720 million at the end of 2006.

### A COMPREHENSIVELY DIVERSIFIED PORTFOLIO

Access offers its investors the opportunity to diversify their investments across Europe in a variety of small to mid-sized buyout funds, sector focused funds and technology funds. Access is also active in secondary investments in both markets.

The investors in Access funds are mainly pension funds, insurance companies and other insti-

tutional investors, but include also family-owned companies and private individuals.

### INVESTMENT FOCUS AND CRITERIA

Access constitutes carefully balanced portfolios of high-performance European private equity funds. The funds on their part target companies at diverse stages of the value creation stream: high-potential technology ventures, mature companies seeking market expansion and buyout opportunities. For each Access fund of funds, the investors can make their own allocation decision between European mid-market buyout funds and technology funds.

When making investments, Access is looking for investment teams that have been working together successfully for several years and have a proven track record for superior returns. They must also demonstrate a strong pricing discipline together with a high level of value added to investee companies.

### ACCESS OPENS A GERMAN OFFICE

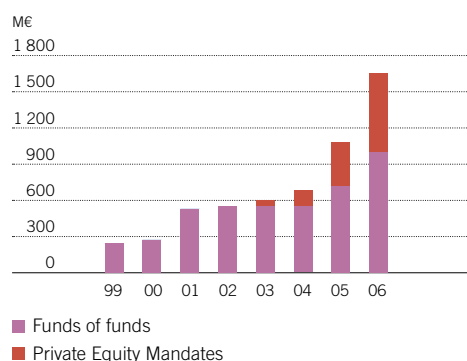
Access established a new office in Munich and appointed two new partners with responsibility for operations in Germany in December 2006. The expansion of operations into Germany enables Access to further strengthen its position in Central Europe's growing private equity investment markets.

The Access team now based in Paris and Munich comprises 25 professionals. The three managing partners Dominique Peninon, Agnès

Nahum and Philippe Poggioli have gained a combined experience of 55 years from the European private equity industry, covering both funds of funds operations as well as direct investments.



### Capital under management in 1999–2006



More information about Access can be found on the company's website at [www.access-capital-partners.com](http://www.access-capital-partners.com).

### CAPITAL UNDER MANAGEMENT 1999–2006, M€

	Established	Fund size	CapMan's share of carried interest
Access Capital Fund I	1999	250.3	47.5%
Access Capital Fund II Mid-market Buy-out*	2001	153.4	45%
Access Capital Fund II Technology*	2001	123.5	45%
Access Capital Fund III Mid-market Buy-out Europe	2005	307.4	25%
Access Capital Fund III Technology Europe	2005	83.5	25%
Private Equity Mandates	2003	719.4	25%
<b>Total funds of funds</b>		<b>1,637.5</b>	

\* The fund comprises two or more legal entities.

# Corporate social responsibility

Private equity investment has a prominent role in society as both an asset manager for fund investors and an enabler of portfolio company development. CapMan strives to be a responsible and ethical corporate citizen in its relations with all stakeholders. The Group's redefined values support a socially responsible course of action.

TRUST WORTHY

## CAPMAN AS AN ASSET MANAGER

CapMan has an important role in society as the manager of capital invested by institutional investors in its funds. A considerable amount of the capital in the funds is invested by pension insurance funds, whose commitments represent about 45 per cent of the total capital in current CapMan funds. The success of investment operations has a direct effect on the results of fund investors and their stakeholders, such as pensioners.

## CONTRIBUTION TO GROWTH AND EMPLOYMENT

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 overall economy and employment. According to an EVCA survey<sup>2)</sup> that was published in November 2005, private equity and venture capital investment created around one million new jobs in Europe and contributed an average 5.4 per cent annual growth rate in the number of personnel employed in European private equity portfolio companies between 2000 and 2004. At the end of 2004 European portfolio companies employed a total of six million people, of whom 83 per cent worked for buyout portfolio companies and 17 per cent for venture companies. A Swedish survey<sup>3)</sup> published in autumn 2005 also corroborates the significant contribution of private equity and venture capital to employment and growth. The survey of 560 Swedish portfolio companies re-

ported an increase in the number of personnel employed in portfolio companies from 101,000 to 134,000 and an average 21 per cent annual increase in the companies' turnover between 2003 and 2005.

CapMan's Nordic portfolio companies employ an estimated 17,000 people, and their estimated turnover is about €2.7 billion. CapMan holds an investment capacity\* of some €700 million, which enables the development of the companies and the transfer of capital to support their growth, competitiveness and innovations. Adding together the investments and exits made annually by CapMan, our solutions impact the future of a group of Nordic companies with a net worth of some €1.2 billion\*\*.

In 2006 CapMan invested in eight Nordic companies and four Finnish real estate assets, as well as several substantial and smaller addition investments in existing investee companies and properties, investing €237.5 million in all. CapMan's value creation work in the portfolio companies is described on pages 34–37.

The point of departure for CapMan's investment professionals in making investment decisions and in developing portfolio companies is that the company complies with prevailing laws and guidelines, as well as generally approved, socially and environmentally sustainable business and corporate governance principles.

## COMMUNITY INVOLVEMENT AND INDUSTRY RECOGNITION

CapMan has supported education of the private equity industry and was one of the donors for a five-year private equity professorship to the Department of Industrial Engineering and Management at Helsinki University of Technology. The Company's personnel works or has worked actively in the Nordic private equity and venture capital associations and the European Private Equity and Venture Capital Association (EVCA) promoting the further development of the private equity industry and international cooperation, in the area of legal regulations among others.

Nordic private equity and venture capital associations awarded the Nordic Private Equity Achievement Award to CapMan in September 2006. The criteria for the award was that CapMan, with offices and investment teams in Finland, Sweden, Norway and Denmark, is a pioneer in the implementation of a truly Nordic investment strategy. In November CapMan's Senior Partner and Chairman of the Board Ari

Tolppanen won a Hall of Fame award at the inaugural Nordic unquote" Private Equity Awards 2006 in acknowledgement of his outstanding contribution to the Nordic private equity investment industry over the past years.

CapMan has a partnership with the Family Business Network of Finland and is a supporter of Finnish family-owned companies. The effects of family entrepreneurship and private equity investment especially in management succession situations has been studied on a European level. The study shows that in years 1994–2003 those family-owned companies in which a private equity investor was involved the number of personnel grew by average from 263 to 440 employees and the turnover grew by an average of 13 per cent compared to a control group<sup>4)</sup>. In addition to financial support, the role of the private equity investor proved to be a significant one as a supporter of management, a producer of expertise and networks and a recruiter and developer of management.

\* Based on the remaining investment capacity of CapMan funds making direct investments in portfolio companies as at 31 December 2006.

\*\* The value of transactions in which the funds managed by CapMan participated as buyers or sellers in 2006.

1) 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 EVCA at [www.evca.com](http://www.evca.com).

2) See "Employment Contribution of Private Equity and Venture Capital in Europe" by EVCA / CMBOR at [www.evca.com](http://www.evca.com).

3) See "Utvecklingen för Riskkapitalbolagens portföljbolag 1999-2004" by SVCA and Nutek at [www.svca.se](http://www.svca.se) or [www.nutek.se](http://www.nutek.se).

4) See "Private Equity and Generational Change. The Contribution of Private Equity to the Succession of Family Businesses in Europe" by EVCA at [www.evca.com](http://www.evca.com).



ACTIVE OWNER  
VERSATILE INNOVATIVE  
LP FRIENDLY  
PROFESSORIOUS INS  
Ambition  
AMBI  
gh  
dr  
ou  
E  
R  
LE  
Fun  
Mar  
TABLE  
N  
PIONEER  
VERSATILE  
ACTIVE  
DRIVE  
NORDIC  
MONEY TRUST WORTHY  
DEDICATION PROFESSIONAL  
FRIENDLY  
FUN  
AMBITION





## Personnel

CapMan employs some 100 people in Helsinki, Stockholm, Copenhagen and Oslo. The personnel is divided into four investment teams – CapMan Buyout, CapMan Technology, CapMan Life Science and CapMan Real Estate – as well as three Group level teams – Finances and Administration, Business Development and Fundraising, IR and Communications.

### PERSONNEL IN 2006

At the end of 2006 CapMan had 98 (87) employees, of whom 96 per cent worked full-time for CapMan. In addition there were five Senior Advisors and two other experts acting as consultants for CapMan. The growth in personnel was based in particular on the development of real estate operations. During the year a total of 23 new employees commenced work for CapMan and 12 persons resigned or retired from the Company.

### COMMON VALUES STEER ACTIONS

The entire personnel of CapMan were activated in 2006 with several internal forums to consider the question what steers CapMan employees in their daily work. Common goals and courses of action were clarified in discussions held during the year and they are crystallised in a booklet on CapMan's values. The booklet includes definitions of CapMan's vision, mission and values, as well as practical examples of how the Company's values are visible in the everyday decisions made by CapMan employees. Internal discussion of how the Company's values are concretely visible in its actions will continue and be led by the heads of teams.

### CAPMAN IS AMBITIOUS AND FUN

In September 2006 CapMan employees wrote down from three to five descriptions that best represented CapMan in their opinions. In addition each employee drew a self-portrait and these pictures have been used to illustrate the Annu-

al Report. According to CapMan's personnel, the ten most common characterisations that represented CapMan were:

1. Ambitious
2. Fun
3. Money
4. Innovative
5. Active/Active owner
6. Nordic
7. Professional
8. Dedicated
9. Friendly
10. Drive and hard-working

More characterisations of the Company that have been written by CapMan employees can be read elsewhere in this Annual Report.

### PERSONNEL DEVELOPMENT

CapMan's success depends on the Group's ability to recruit, develop, motivate and retain the top professionals in the private equity investment industry in all of its teams. CapMan's objective is to support the wellbeing of its employees, develop competitive compensation systems and carefully plan job rotations and successions within the Group.

CapMan's performance as an employer is monitored through various personnel surveys. In 2006 we participated in the study titled Finland's Best Workplaces in 2007, of which an important part was employee feedback and judgements about CapMan. Our final placing was among the top third. The feedback and benchmark informa-

tion gained from the survey will be utilised in personnel development work.

The individual work performance of all CapMan employees is evaluated at regular employee developmental discussions where, in addition to feedback, new objectives and individual developmental and training needs are defined. In 2006 CapMan's total expenditure on personnel development was approximately €340,000 or an average of €3,450 per employee. The sum includes expenditure on Group Nordic days attended by the entire personnel.

### PERSONNEL INCENTIVE SCHEMES

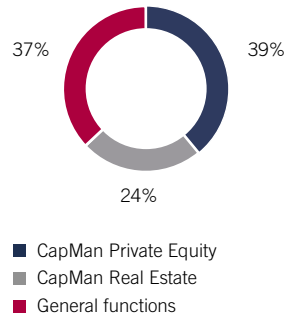
To motivate and reward employee commitment, CapMan has a bonus scheme as well as two stock options programs. The bonus scheme is income-related and it covers the entire personnel. The stock option programs cover the majority of the Company's personnel and the members of the Board, excluding the largest shareholders in the Company. Detailed information about the stock option programs and employee shareholdings can be found on pages 14–17.

In addition, a share of the carried interest of CapMan funds is distributed to CapMan's investment professionals in accordance with common practice in the private equity investment industry. The personnel also have the opportunity to participate in portfolio company investments alongside CapMan funds in accordance with certain principles, via the Maneq funds established for this purpose.

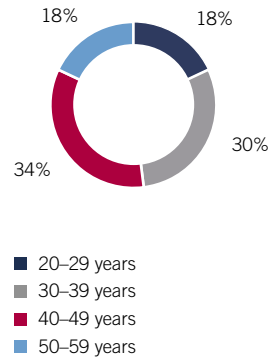
YOUTHFUL  
INSPIRING  
PIONEER  
PRINCIPAL  
RELIABLE  
TRUST  
INNOVATIVE  
FRIENDLY  
hard work  
LOYAL  
COMFORTABLE  
PROFIT

OUR PERSONNEL

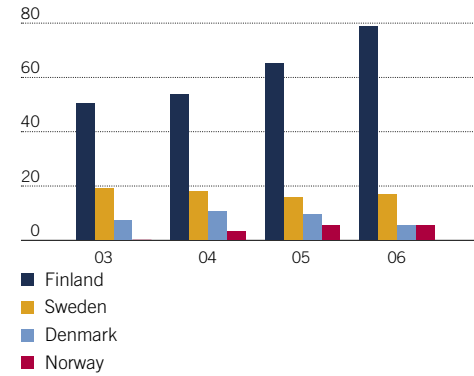
Personnel by business area



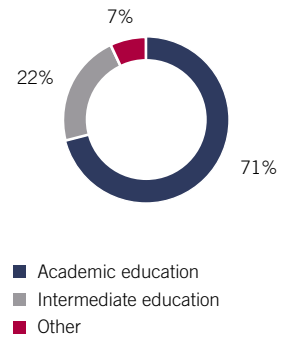
Personnel age profile



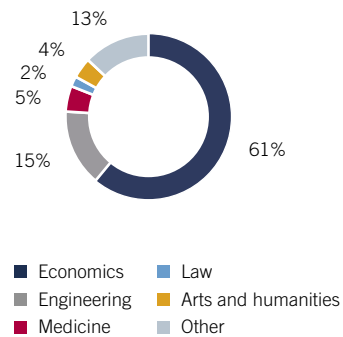
Personnel by country



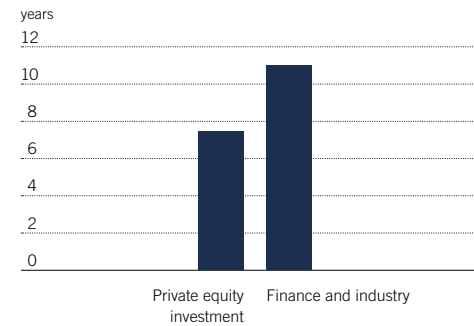
Educational levels\*



Educational background\*



Average experience of investment professionals



\* There are 10 CapMan employees who have academic qualifications in two fields. Qualifications are listed under the level or field of education that they represent. The figures include CapMan's Senior Advisors.

# “Four investment areas in four countries”

## Investment Activities

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UNOVIATIVE AMBITION SUCCESS  
Personal TRUST WORTHY POWER  
DOWN-TO-EARTH Constructive AMBITION  
FLEXIBLE Interesting personalities SO  
NO NONSENSE VERSATILE CHALLENGE  
BEST HIGH COMPETENCE FRESH PROGRESS  
HIGH ETHICS EARLY-BIRD SELF CONFIDENT  
OPEN-MINDED HONEST EYES ON THE FUTURE  
POSITIVE PROFESSIONAL Development NOR  
Healthy good atmosphere PIONEER INTERNATIONAL

## Value Creation in CapMan's Investments

The principal aim of CapMan's investment activities is value creation in the investment targets. The objective is to create permanent and long-term added value through growth, change and professional governance. CapMan's value creation work is founded on active ownership as well as a Nordic business approach and, as far as both current portfolio companies and exited investments are concerned, development has been strong.

### NORDIC COURSE OF ACTION

CapMan is the only private equity investor with Nordic investment teams and offices in Helsinki, Stockholm, Copenhagen and Oslo. CapMan's strong presence in local markets and local contact network is a competitive advantage that enables almost all investment opportunities to come to the teams' knowledge and facilitates the value creation potential of promising investment targets to be benchmarked on a Nordic level already prior to the investment decision.

During the investment period valuable perspective and recommendations on operational, strategic and financial decision-making processes are brought to the portfolio companies by the responsible case professionals, who have a depth and breadth of expertise from their work in business management, industry or finance.

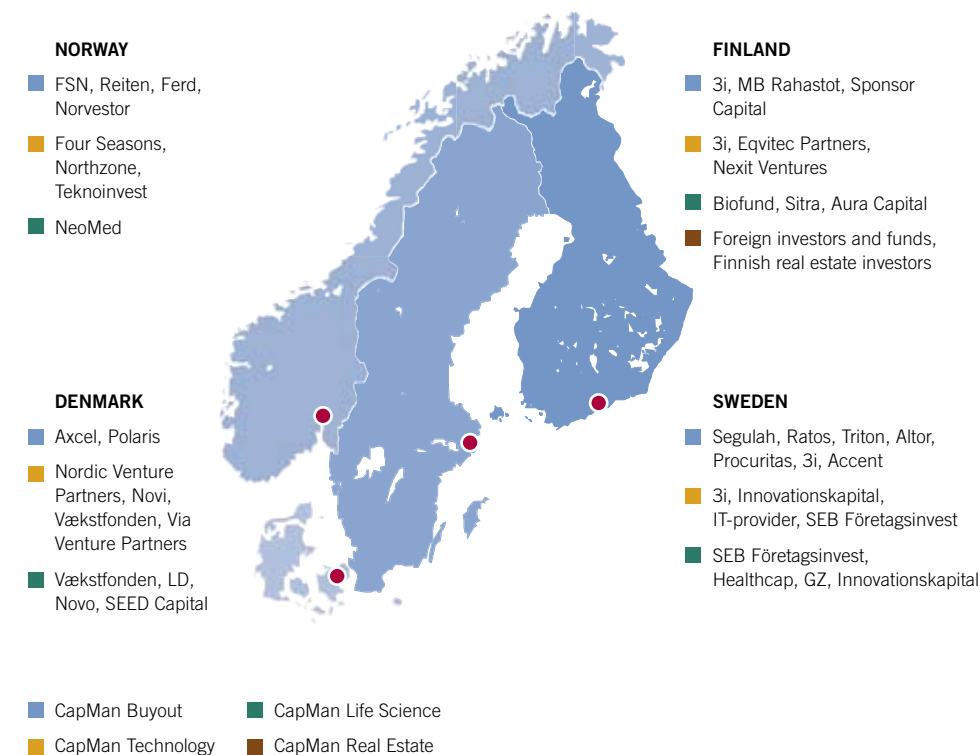
CapMan's investment teams have a wide Nordic contact network comprising representatives,

entrepreneurs and other business partners across different industry sectors. This unique network is also an important source of expertise for the operative management and Board work of portfolio companies.

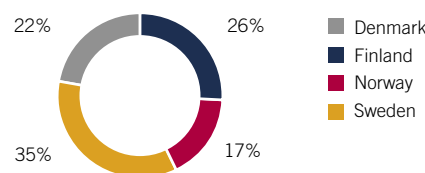
### NEARLY 550 INVESTMENT OPPORTUNITIES IN 2006

In 2006 CapMan's Buyout, Technology and Life Science teams went through nearly 550 potential investment opportunities in total, of which 36 were the subject of more detailed analysis. In the end we invested in eight new companies and also made substantial add-on investments in nine portfolio companies. CapMan's Real Estate team analysed 66 potential investment opportunities during the year and invested in four new real estate assets.

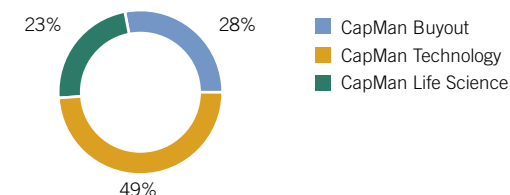
### LOCAL PEERS AND COMPETITORS OF CAPMAN'S INVESTMENT TEAMS



Deal flow by country 2006\*



Deal flow by team 2006\*



\* Based on the total number of investment opportunities analysed (546) in the Buyout, Technology and Life Science teams.



## VALUE CREATION DRIVERS AT DIFFERENT INVESTMENT STAGES



### BOARD WORK IN PORTFOLIO COMPANIES

The cornerstone of CapMan's portfolio company development is work on the companies' Boards of Directors.

The composition of the Board and focus of Board work in portfolio companies are dependent on a company's development stage and needs. In buyout targets and later stage technology companies, CapMan's investment professionals focus in particular on developing the company's strategy to grow from mid-sized or local companies into bigger and more international players through organic growth and mergers and acquisitions. When the initial investment is done CapMan prepares a so-called 100 day program for the company, which contains a framework of actions and decisions for the implementation of the agreed strategy. At this stage both the company management and the Board are often strengthened with new managers and industry experts.

The emphasis of Board work in early stage technology and life science companies is closer to operative management, although the responsibility for operational issues remains with the company management. When required the case professionals have influence on the company's product range, product placement, management, marketing, sales, distribution and intellectual property rights. Especially in life science investments, product testing and market regulations have a substantial impact on the company's success.

CapMan places emphasis on the composition, way of working and governance of the Board; good cooperation with the company's operational management; and active monitoring of the company's financial situation, risk management and business environment as well as response to changes. We adopt a long and exacting approach to the development of Board work, for example

through annual surveys of Board work, thus enabling experience and best practice to be shared between portfolio companies.

In spite of CapMan's resources and expertise, the most critical driver behind value creation is the ability of the working management to outperform its competitors on the markets.

### PORTFOLIO COMPANIES HAVE GROWN STRONGLY DURING CAPMAN'S INVESTMENT PERIOD

CapMan has invested in more than 160 companies since the Company's inception. In the companies from which CapMan has already exited, there has been a 3.1-times growth in value during the period of CapMan's investment. The rise in value has been based first and foremost on growth of the portfolio company and the creation of a strategic market position.

## CAPMAN'S ROLE IN PORTFOLIO COMPANIES

### Ownership

- Active ownership through professional Board work
- Respects the management's operational leadership
- Always represented on the Board of Directors (appoints the Chairman of the Board)
- Adjusts the Board composition in line with the development stage
- Holds the majority ownership or a controlling minority interest

### Development

- Focus on long-term development and carefully crafted value drivers
- Develops the company's strategic goals (e.g. buy-and-build strategy) via Board work and supports the management in implementation
- Actively involved in recruiting, internationalisation, consolidation, M&A and exit processes

### Networks

- Assists in arranging external financing
- Designs and implements management incentive schemes
- Opens up a wide international business network to the portfolio company
- Provides an established brand and partner to enhance value creation in portfolio companies

## VALUE CREATION IN BUYOUT PORTFOLIO COMPANIES

### Current portfolio

Portfolio at fair value 31.12.2006 (23 companies)	€539.5 million
Growth in portfolio company turnover in 2006*	29.0%
Growth in portfolio company profit (EBITA) in 2006*	86.4%
M&A by portfolio companies in 2006	23 M&A
Growth in portfolio company personnel*	2,916 persons

### Cumulative exits as at 31 December 2006

(47 companies, equity investments)

– increase in investment value to the funds	3.1x
– IRR% p.a.	36.1%
– average holding period	5.1 years
– growth in aggregate turnover	70%
– growth in aggregate profit	41%

## VALUE CREATION IN LIFE SCIENCE PORTFOLIO COMPANIES

### Current portfolio

Portfolio at fair value 31.12.2006 (10 companies)	€34.0 million
Growth in portfolio company turnover in 2006*	39.1%
Growth in portfolio company personnel*	14 persons

### Cumulative exits as at 31 December 2006

(8 companies, equity investments)

– increase in investment value to the funds	2.6x
– IRR% p.a.	129.9%
– average holding period	4.3 years

## VALUE CREATION IN TECHNOLOGY PORTFOLIO COMPANIES

### Current portfolio

Portfolio at fair value 31.12.2006 (25 companies)	€105.7 million
Growth in portfolio company turnover in 2006*	21.4%
Growth in portfolio company personnel*	330 persons

### Cumulative exits as at 31 December 2006

(34 companies, equity investments)

– increase in investment value to the funds	3.9x
– IRR% p.a.	131%
– average holding period	3.9 years

## VALUE CREATION IN REAL ESTATE ASSETS

### Development of portfolio as at 31 December 2006

Portfolio at fair value 31.12.2006 (22 properties)	€377.5 million
Growth in lettable area in 2006	approx. 32,000 m <sup>2</sup>
Growth in number of leases in 2006	from approx. 200 to 260
Change in vacancy rate	from approx. 5% to 3.2%

\* For the portfolio companies in CapMan's current portfolio, the 2006 figures for growth in turnover, profit and number of personnel are based on figures for 2005 and forecasts for 2006. The figures include the companies that have been in the portfolio for the period 1 January – 31 December 2006.

## NORDIC ADVISOR NETWORK

CapMan has a Nordic Advisor Network to complement the expertise of its investment professionals. Advisors are business leaders with long careers, and they bring new connections and in-depth sector knowledge to CapMan's investment operations.

Senior Advisors work full-time for CapMan and its portfolio companies. They have played a key role in the investments in Maintpartner, Moventas, Solagem/Sentera and Nordkalk among others. Industrial Advisors work part-time for CapMan, for example through their memberships on the Boards of portfolio companies.

The main responsibilities of advisors are to facilitate identification of promising investments across different industries and countries, to assist in the analysis of changing, growing or consolidating industries and to support the value creation of portfolio companies, for example through professional Board work. In addition they help in the identification of suitable acquisitions, business partners and new market opportunities for the portfolio companies, as well as suitable new owners in the exit stage.

CapMan adopted the advisor concept in the late 1990s when the first Senior Advisors were appointed. The concept was expanded in 2004 and Industrial Advisors were invited to the network. In 2006 the network grew by seven advisors in all, and the first Industrial Advisors from the technology sector as well as the first Norwegian advisors joined the network. CapMan's Nordic Advisor Network comprises five Senior Advisors and 14 Industrial Advisors, and the objective is to further expand the network in future.

### NORWAY

- Erik Prydz Mathisen, Industrial Advisor
- Terje Thon, Industrial Advisor
- Barbara Thoralfsson, Industrial Advisor
- Rune Thoralfsson, Industrial Advisor

### DENMARK

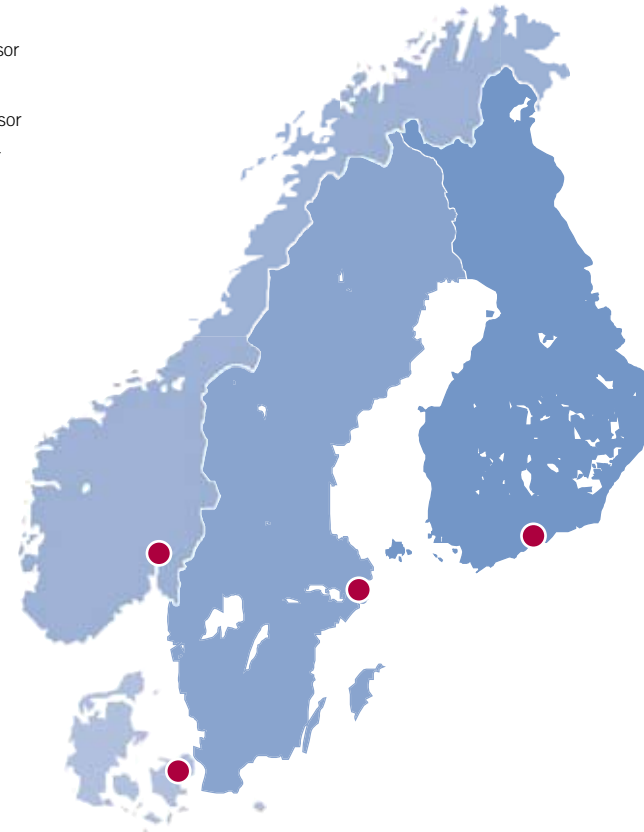
- Jesper Jarlbæk, Industrial Advisor
- Peter Langkjær, Senior Advisor
- Jørgen Ajslev, Industrial Advisor

### FINLAND

- J.T. Bergqvist, Industrial Advisor
- Jukka Iivari, Industrial Advisor
- Esko Mäkeläinen, Industrial Advisor
- Jari Pasanen, Industrial Advisor
- Orvo Siimestö, Senior Advisor
- Timo Tiihonen, Senior Advisor
- Jarkko Virtanen, Senior Advisor
- Kari Österlund, Senior Advisor

### SWEDEN

- Joachim Berner, Industrial Advisor
- Dag Detter, Industrial Advisor
- Mikael Jonson, Industrial Advisor
- Conny Karlsson, Industrial Advisor



- CapMan Buyout
- CapMan Technology
- CapMan Real Estate



## CapMan Buyout

A handwritten signature in black ink, which reads "Tuomo Raasio".

**Tuomo Raasio**  
Head of CapMan Buyout,  
Senior Partner

### WHERE DO WE INVEST?

- almost all industries in the Nordic countries
- middle market cash flow positive companies
- net sales typically between €50–500 million and enterprise values between €50–250 million
- investment size typically €10–50 million equity and/or €5–50 million mezzanine per transaction
- control investments

### WHAT DO WE LOOK FOR?

- a competitive and sustainable market position
- unique franchises, distinctive products and/or services
- significant growth potential either organically or through add-on acquisitions
- industries that are consolidating or changing
- an experienced, entrepreneurial management team

# “Our new fund is an excellent match to the prevailing market”

“In 2006 we participated in 12 Nordic buyout transactions, which had an aggregate value of approximately €1.2 billion and a sphere of over 7,600 employees.”

CapMan Buyout continued its active operations in 2006 with new investments and several successful realisations as well as value creation in portfolio companies. One of the key events of the year was the closing of the €440 million CapMan Buyout VIII fund.

## A NEW FUND THAT MATCHES THE MARKET

Buyout transactions by private equity investors form a significant share of company acquisitions executed in the Nordic countries. In the last few years buyouts have increased as companies seek synergies and growth opportunities on a Nordic level. New investment opportunities are also brought by structural changes in industries.

The competition for investment targets is fierce. Price expectations were kept at a high level in 2006 due to the low interest level, good economic forecast and availability of bank financing.

CapMan Buyout's Nordic approach and team as well as the new CapMan Buyout VIII fund investing in mid-sized buyouts all match the prevailing market very well. The successful fundraising of the new fund tells of investor confidence both in the growth opportunities of Nordic companies and in our team's know-how.

## PREREQUISITES FOR VALUE CREATION

We aim to be an active value adding owner for our portfolio companies. The main objectives and requirements that we set for companies are growth, improved profitability and creation of a good strategic position, as it is only via these drivers that real success can be achieved.

The current portfolio comprises a good 20 companies, ensuring sufficient resources for the development of each target. We are in close dialogue with the management of our portfolio companies and carry the responsibility over strategy development in Board work. The key personnel of companies have the pivotal role in the achieve-

ment of success and they are always also owners in the company. The biggest thank you for the successes of our team and portfolio companies is well deserved by these top professionals.

## ANOTHER RECORD YEAR IN EXITS

Exits continued at an intensive pace in 2006 and nine companies found new owners. The majority of exits were successful and the best of these, such as the exits from Mehiläinen and Nordkalk, gave a manifold return on invested capital to investors. The exits also included the realisation of the failed investment in RGS 90.

The operations of our buyout targets developed well in 2006. The companies made 23 acquisitions and their aggregate turnover is estimated to grow some 30%. Significant internal operational efficiency processes or production-related investments are underway in many companies.

## NEW INVESTMENTS FROM THE WORLD OF FASHION TO INDUSTRIAL SERVICES

In 2006 CapMan's portfolio grew with trendy fashion chain MQ, provider of industrial maintenance services Maintpartner and healthcare equipment and supplies group OneMed formed by Tamro MedLab, SelefaTrade and Förbandsmaterial. Additionally at year-end we announced an investment in Komax Oy, which supplies mechanical subassembly systems for the engineering industry. The value creation plans for these companies are based in part on different factors, but they are all Nordic companies with an attractive market position in a growing industry.

The growth strategy for existing portfolio companies or a changing situation often requires add-on investments. In 2006 substantial follow-on investments were made in Tokmanni Oy and Info-Care Holding AS.

When exits and investments are taken into consideration, in 2006 our team participated in a total of 12 transactions with an approximate aggregate value of €1.2 billion and with a sphere of influence totalling over 7,600 employees. The figure would be even larger if the reorganisations of our portfolio companies were included.

## COMPETITIVE EDGE FOR THE FUTURE

CapMan's strong position in the Nordic countries continually brings new investment opportunities within our reach. The team's local presence guarantees market knowledge and creates better opportunities to find complementary investment targets. We have analysed almost all of the deals made in the markets. The challenges also in future will be especially associated with price levels, more competition, internationalisation of companies, available resources and the real expertise of the private equity investor. In exit markets there are challenges in the performance of capital markets in particular.

Our team's 15 years' experience as well as the tools and processes developed over this time and an extensive expert network all create good pre-conditions to meet the challenges of the future. The cornerstones of our operations also in future are a strict approach to investment analysis, due diligence processes, recruitment of key personnel for portfolio companies and the quality of reporting, as well as consideration of our own and portfolio companies' stakeholders and interest groups in all of our actions.

## Cardinal Foods –

# From a family-owned company into a leading group in the poultry and egg industry

**Cardinal Foods has grown into Norway's second largest producer and distributor of eggs and poultry products** during CapMan's investment period. The Norwegian egg and poultry industry has long been under the control of farmers' cooperative associations, and consequently the entry of a private equity investor to the industry in 2005 took many by surprise. During the past two years CapMan's investment team and the management of Cardinal Foods have not only expanded the company but also changed the structures of Norway's egg and poultry industry.



Pictured are CapMan's Senior Partner Kai Jordahl (left) and CEO of Cardinal Foods Torfinn Higdem. Mr Higdem previously worked in the management of marketer and distributor Den Stolte Hane, which was merged with Cardinal Foods in summer 2006. The merger has markedly improved Cardinal Foods' production reliability and efficiency.





## GROWTH DURING CAPMAN'S INVESTMENT PERIOD

119%  
21%  
3

TURNOVER

OPERATING PROFIT

ACQUISITIONS

## CAPMAN'S ROLE IN CARDINAL FOODS

- Create a growth strategy for the company
- Develop management processes and financial reporting
- Add-on acquisitions and integration of acquired entities into Cardinal Foods
- Establish good corporate governance principles, including Board work
- Improve market coverage and distribution channels
- Continuing cost efficiency
- Improve the company's capital structure
- Develop a competent and strong management team, with attractive and motivating incentive structures

Key Figures	2004	2005	2006
Turnover, M€	54.7	57.3	119.8
Operating profit, M€	6.1	6.0	7.4
Executed M&A	0	1	2

## Key Information on Investment

CapMan's initial investment	March 2005
CapMan funds' ownership	48.4%
Other owners	Staur Holding AS, Synnøve Finden ASA, Budor Eiendom AS, management and key personnel
Board seats	2 seats (incl. Chairman)
Company development stage	Growth financing
Responsible investment professionals	Kai Jordahl, Hans G. Tindlund

## STRONG GROWTH POTENTIAL

Cardinal Foods was founded in March 2005 when CapMan invested in Norsk Kylling A/S, a family-owned Norwegian producer and distributor of poultry products. At the time of investment another family-owned company, Aarne Magnussen A/S, was also merged with Cardinal Foods. Both Cardinal entities were profitable growth companies. Per capita consumption of poultry products is significantly lower in Norway than elsewhere in Europe, and expectations in regard to organic growth are consequently high.

It was the owners of Norsk Kylling who made the first move for the investment, as the family saw that a change in ownership structure would be required to take the company to a new level. In addition they also wanted the opportunity to gradually reduce their leadership responsibilities in the company. CapMan won the sole right to the investment as a result of a bidding round, after which CapMan's investment team and the management of Norsk Kylling held successful merger negotiations with Aarne Magnussen. Through the fusion Cardinal Foods became the second largest group in the egg and poultry industry.

## REDISTRIBUTION OF THE EGG AND POULTRY INDUSTRY

CapMan with the co-owners and management specified a growth strategy for Cardinal Foods based on both organic growth and add-on acquisitions. The strategy is supported by underlying market growth as well as strong profitability, which results from low cost operations and high quality products. Fragmentation of the Norwegian poultry products market had created clear consolidation opportunities in the industry. In years 2005–2006 Cardinal Foods has made three acquisitions in total. These acquisitions have significantly improved Cardinal Foods' coverage of distribution channels and market position. They have also expanded the product range with well-known consumer brands and added two new production units, which have in turn improved the efficiency of production. The synergies of the buyout transactions are visible in the improved key figures of all acquired entities.

## AN EXPANSIVE FUTURE

At the end of 2006 Cardinal Foods' products were sold in all four major retail chains in Norway and Cardinal Foods was the primary supplier in two of these chains. Further consolidation of the industry is predicted, as competitors have not sat and watched the redistribution of markets and distribution channels from the sidelines.

The development of Cardinal Foods' turnover exceeded the market growth in 2006. At the end of the year Cardinal Foods had a market share of 38% in poultry products and 18% in eggs. Going forward the company will aim for continued growth above the market, primarily driven by improved distribution and investment in product innovation. In addition selective consolidation opportunities are constantly evaluated.

## Buyout Investments

CapMan's Buyout team had made a total of 80 investments as at the end of 2006. In addition, a new investment in Komax Oy was announced in December 2006. At year-end the buyout portfolio comprised 23 companies, which in 2005 had an aggregate turnover of approximately €2.7 billion and a total personnel of 15,000.

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

### MEZZANINE INVESTMENTS

CapMan is a leading mezzanine provider in the Nordic countries. The risk/return profile associated with mezzanine investments is between equity and senior debt. Mezzanine loans are typically used for financing rapid growth, MBOs/MBIs, acquisitions, exceptional investments and delistings. Mezzanine has also proved a flexible alternative for financing of successions in family-owned companies and other company ownership reorganisations.

CapMan's typical buyout investment has a financing structure that is 30% equity and 15% mezzanine while the remainder of the transaction price is financed by a bank loan. With the exception of Maintpartner, mezzanine financing was used in all of CapMan Buyout's new investments in 2006.

### New Investments in 2006

#### MAINT PARTNER

##### Maintpartner Oy

✚ Maintpartner is the leading Nordic provider of industrial maintenance and operation services.

#### MQ

##### MQ Sweden AB

🇸🇪 MQ is a Swedish specialty fashion retail chain.

#### ONEMED

##### OneMed Group

(formerly Tamro MedLab Oy)  
✚ Healthcare and laboratory product sales, marketing and imports. The OneMed Group comprises Finnish Tamro MedLab and Swedish SelefaTrade and Förbandsmaterial.

### Other Portfolio Companies

2005



##### Cardinal Foods AS

🇳🇴 Producer and distributor of poultry products and eggs

##### INFLIGHTSERVICE

##### Inflight Service AB

🇸🇪 Wholesale to tax free shops



##### InfoCare ASA

🇳🇴 Provider of field service, installation and repair of IT hardware

#### moventas

##### Moventas Oy

(formerly Metso Drives Oy)  
✚ Mechanical power transmission

2004



##### Anhydro Group

🇩🇰 Provider of evaporation and drying technologies

#### LUMENE<sup>®</sup>

*The Secret of Nordic Beauty*

##### Lumene Oy

(formerly Noiro Oy)  
✚ Cosmetics and institutional cleaning products



##### Tokmanni Oy

✚ Non-food discount store chain

2003



##### Metallfabriken Ljunghäll AB

🇸🇪 Aluminium die-cast products

#### SYNERCO

##### Synerco AB

(formerly Serco Sverige AB)  
🇸🇪 Integrated facility management services

## Buyout Team

CapMan's Nordic Buyout team comprises 25 people in Helsinki, Stockholm, Copenhagen and Oslo. The Senior Partners of the team have worked an average of 13 years in private equity and the Partners an average of seven years. The Buyout team's expertise is complemented by three Senior Advisors and nine Industrial Advisors from CapMan's Nordic Advisor Network. The Advisor Network for all investment teams is presented on page 37.



**Tuomo Raasio**  
Senior Partner  
Head of CapMan Buyout



**Kai Jordahl**  
Senior Partner  
Deputy Head of CapMan Buyout



2002



**Savcor Group Ltd Oy**  
 Industrial high technology conglomerate



**Staffpoint Oy**  
 (formerly Extra Personnel Services)  
 Staffing services

2001



**SMEF Group A/S**  
 Machinery and equipment supplier to woodworking industry

2000



**Copterline Oy**  
 Helicopter flights and maintenance operations



**Pretax-yhtiöt**  
 Accounting company chain



**Å&R Carton AB**  
 Folding cartons

1999



**AffectoGenimap Plc\***  
 Business Intelligence solutions and consulting



**Finlayson & Co Oy**  
 (formerly Espe Group Oy)  
 Foam and non-woven products for bedding and upholstery industries

1997



**RTO Holding Oy**  
 (formerly Reima-Tutta Oy)  
 Children's and adults' clothing



**Turo Tailor Oy**  
 Men's suits and jackets

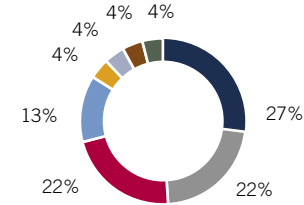
1996



**LindPlast A/S**  
 Mono-layer packing material of polyethylene film

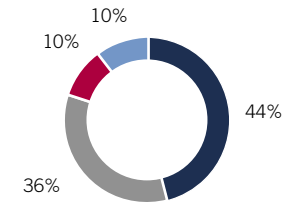
\* The funds have mostly exited from the company, and still hold remaining company shares.

**Investments by sector**



- Services (other)
- Consumer
- Industrial products and services
- Manufacturing (other)
- Agriculture
- Chemicals and materials
- Computer software
- Medical

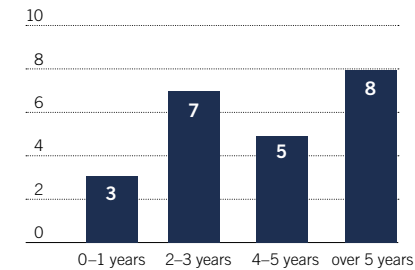
**Distribution of €431.0 million portfolio by country**



- Finland
- Sweden
- Denmark
- Norway

**Age of portfolio**

Based on the number of portfolio companies in the current portfolio.



**Göran Barsby**  
 Partner



**Anders Björkell**  
 Partner



**Jerome Bouix**  
 Partner, Head of Fundraising, IR and Communications



**Mats Gullbrandsson**  
 Partner



**Lars Hagelstam**  
 Investment Director



**Mari Huuhka**  
 Investment Manager



**Jukka Järvelä**  
 Partner



**Tuula Kamppari**  
 Executive Assistant


# Buyout Exits

As at the end of 2006, the Buyout team had exited from 55 Nordic companies in total. In addition Scan East Alliance Fund L.P.\* had exited from seven companies in total, most recently from CTC Media Inc. in December 2006. The average period of investment was 5.1 years.

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

## Exits in 2006


### Drobe VAB

 Woollen fabrics for the clothing industry

### Kultajousi Oy

 Retail jewellery chain


### Matkatoimisto Oy

**Matka-Vekka**  
 Travel agency chain

### Mehiläinen Oyj

 Healthcare services


### Nordkalk Corporation

 Limestone-based industry consumables


### PPTH-Norden Ltd

 Structural steel frames


### Woodheat Finland Oy

 Wood-heated products and fireplaces

### RGS 90 A/S

 Recycling services for building and construction industries


### Tiimari Plc

 Retail sale of gift and stationery items


## Previous Exits

### 2005


#### AudioNord International A/S

 Retailer of hi-fi and video equipment


#### Aurajoki Oy

 Surface coating services


#### Europrocessing International ASA

 Payment transaction services


#### Finndomo Oy

 Prefabricated houses


#### Holiday Club Finland Oy

 Leisure travel

#### Junttan Oy

 Piling equipment


#### Kuusamon Tropiikki Oy\*\*

 Health spa


#### Normet Corporation

 Mechanical engineering

#### Tamore Group Oy


 Sale of office supplies

#### Vogue Group Oy


 Hosiery and underwear production

### 2004


#### Eitel Networks Corporation

 Construction and maintenance of energy and telecom networks


#### Finnhepo Oy

 Horseshoe nails


#### Karelia Corporation

 Multilayer parquets and vinyl floor coverings

#### Kotipizza Oyj


 Pizzeria chain, franchising

#### Lohja Caravans Oy

 Caravans and motor homes

#### SWECO PIC


(formerly PIC Engineering Oyj)

 Technical planning and consulting services

### 2002


#### Arcorus Plc

(formerly GHS-International Oyj)


 Hydraulic systems

#### Euracon Oy

(formerly Eura Consumer Products Ltd)


 Supplier of non-food products

#### Oy Mytek Ltd


 Shiitake mushrooms production

### Royal Ravintolat Oy

(formerly Royal-Rest Oy)


 Restaurant corporation

### Teknikum Group Ltd

 Technical rubber and polymer products

### 2001


#### Hope Smoke Oy

 Cooking and smoking products

#### Oy Marli Group AB


 Alcoholic beverages and juices

#### Toftejorg A/S


 Spray nozzles and services for tank cleaning

### 2000


#### Elcoteq Network Corporation

 Production services for the electronics industry


#### Elite Shipping A/S

 Shipping and ship owner business

#### High Speed Tech Oy Ltd

 High-speed electrical machines

#### Microtronic A/S

 Components to hearing aids



Olli Liitola  
Senior Partner  
CFO, CapMan Plc



Jan Mattlin  
Investment Director



Gitte Reitz  
Investment Manager



Sebastian Schaumann  
Investment Analyst



Markus Sjöholm  
Senior Partner




Espen Stenumgård  
Investment Manager





Malin Säferäng  
Investment Analyst





Henrik Tholander  
Investment Analyst


**Powerpipe AB**  
 Pre-insulated pipe systems


**Vital Petfood Group**  
 (formerly Kerox Oy)  
 Pet supplies trading


1999  
**Aldata Solution Oyj**  
 Software for retail market


**Kosan Teknova A/S**  
 LPG valves and regulators


**Mercuri International Oy**  
 Marketing and sales training


**Scanwoven Oy**  
 Non-woven products


1998  
**Chymos Juomat Oy\*\***  
 Juices and beverages


**E. Ahlström Oy**  
 Kitchen utensils and tableware


**Hotelman Oy**  
 Hotel brand chain


**Ramirent Plc**  
 (formerly A-Rakennusmies Oy)  
 Construction equipment


**Serena**  
 In-house water park


1997  
**Nordic Aluminium Plc**  
 Aluminium profiles and related products


**PKC Group Oyj**  
 (formerly PK Cables Oy)  
 Cable harnesses


**Rocla Oyj**  
 Forklift trucks


1996  
**Diamond Cruise Oy**  
 Cruise line

1995  
**Nordinvest Rt.**  
 Finance consultancy

**Schat Watercraft Oy**  
 Sea rescue products

1994  
**Lappset Group Oy**  
 Environmental products

1993  
**Broen Armatur A/S**  
 Ball valves

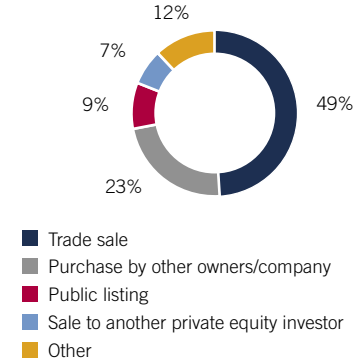
**Provivo Oy**  
 Biotechnology

\* CapMan manages the fund in cooperation with Alliance Capital Management Corp. The fund's activities were terminated with the last exit in December 2006.

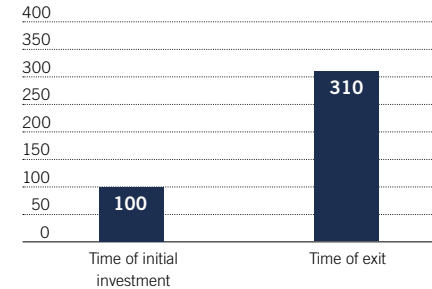
\*\* The exit is not included in the total number of exits (55) because the exit method was a merger with another CapMan portfolio company.

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

**Exit methods**



**Investment value at exit**



Indexed at acquisition cost (time of investment = 100). Exits comprise dividends, interest earnings and sales revenues. Exits by Alliance ScanEast Fund and Nordic Private Equity Partners (14 exits in total) are not included in the figures.



**Hans G. Tindlund**  
 Investment Director



**Ari Tolppanen**  
 Senior Partner, Chairman of CapMan Plc Board



**Heikki Westerlund**  
 Senior Partner CEO, CapMan Plc



**Riikka Wärn**  
 Executive Assistant



**Peter Langkjær**  
 Senior Advisor Denmark



**Orvo Siimestö**  
 Senior Advisor Finland



**Kari Österlund**  
 Senior Advisor Finland

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



## CapMan Technology

Petri Niemi  
Head of CapMan Technology,  
Senior Partner

### WHERE DO WE INVEST?

- expansion and later stage technology companies in the Nordic countries
- wide technology focus that utilises Nordic technology clusters
- companies that deliver industrial (OEM) and B-to-B infrastructure, applications or services to customers
- portfolio company sales in the range of €2 million or more depending on the company's development stage
- investment size typically €3–15 million equity

### WHAT DO WE LOOK FOR?

- significant domestic or international growth potential, organically or via add-on acquisitions
- ready and approved products/services
- strong local customer base, prominent market position
- an experienced, entrepreneurial management team

# “Focus on expansion and later stage technology companies”

In 2006 we made fundraising preparations for a new fund, executed several exits and actively developed our portfolio. In addition, we completed two new investments.

## ESTABLISHED INVESTMENT FOCUS

In 2006 we started fundraising preparations for CapMan Technology 2007 fund. As a part of the fundraising process we analysed Nordic technology markets, the suitability of our investment focus for the market and our ability to create added value in portfolio companies. Our analysis has strengthened our belief in the competitiveness of our investment focus in Nordic technology markets. There is still a largely untapped opportunity in investing in European expansion and later stage technology companies and our team, having long operated according to this focus, is one of the industry's most experienced technology investors in the Nordic countries.

Our portfolio companies are primarily companies that deliver industrial and business-to-business technology products and solutions or technology-based services and they have a proof of concept with existing customers. Our broad technology focus exploits the existence of Nordic technology clusters in our home market.

## STRATEGIC POSITION ATTRACTS BUYERS

The recovery of exit markets in Europe, which began in 2005 and continued in 2006, is indicated by the growing number of IPOs and above all acquisitions. During the year our team exited from five companies in total and made a partial exit from one company. Two of the most significant exits were the sales of Distocraft to Ericsson and Sentera to SysOpenDigia. The sale of a portfolio company to a larger industrial player is a sign that – together with the company management – we

“Our analysis has strengthened our belief in the competitiveness of our investment focus in Nordic technology markets.”

have successfully created a position for the company that attracts other companies in the industry.

## THE PORTFOLIO IS IN GOOD CONDITION

CapMan Technology's current portfolio comprised around 20 companies at year-end. Value creation in the companies is based first and foremost on growth in sales, improved operational efficiency and the building of a strategic position. For many of the current portfolio companies, the execution of acquisitions and recruitment of senior management have been concrete drivers for value creation. There has been positive development in sales and profitability as well as substantial growth in the companies' aggregate number of personnel.

It is the key personnel of portfolio companies who play the central role in the implementation of changes and successful value creation. Our investment professionals contribute to the value creation process mainly via Board work, to support the company management in strategy work and the implementation of functional reforms among others.

We are in a good position to support the growth of Nordic technology companies on their growth-path into international success stories in their fields.

## NEW INVESTMENTS WITH DELIBERATION

We aim to find investment targets ourselves or by utilising our contact networks. We go thru numerous investment possibilities yearly and invest in only 1–2 per cent of them. In addition to value creation potential, the qualities that we look for in the expansion stage companies include a solid proof of concept, an attractive growth scenario, a strong management team and some revenue from existing customers. In later stage companies we expect solid technology or products, a good customer base or a few larger customers, a well functioning revenue model and a strong ambition to accelerate the company's growth. In 2006 we invested in Swedish Spintop Netsolution and 42Networks, and made substantial add-on investments in Animex, Ascade, InfoCare Holding, Silex Microsystems and Solid Information Technology.

## MARKET AND OUTLOOK FOR 2007

Nordic technology markets have finally recovered from the depression after the turn of the millennium. The markets offer plenty of good investment opportunities and highly experienced and professional executives can be recruited for portfolio company management. Exciting structural changes are happening in the technology sector, such as the emergence of high growth service companies, spin offs and corporate restructurings, and creating new investment and value creation opportunities. The entire European technology investment market continued to develop favourably in 2006 and the pricing levels were still clearly more moderate than in the US.

The investment market is also on a sustainable base structurally, as those experienced, long-term venture investors that existed prior to the technology bubble are still on the market. The amount of committed capital for investment is at a quite healthy level but there is still an extra need for early stage technology financing. The current exit market remains favourable for trade sales and also increasingly for public listing.



# Leading market position and major orders **drive** **ScanJour's growth**

**ScanJour**, the Danish provider of electronic document handling solutions, **is one of CapMan Technology's newest portfolio companies.** CapMan invested in ScanJour in September 2005 and eighteen months later the company, with new customers and strong order intake, is in a better position than ever to achieve growth.



ScanJour has strong development unit, whose professionals create new systems solutions and upgrade existing products.



ScanJour's CEO Bo Schor (left), Sales Executive Claus Nørgaard and founder Finn Madsen, who is actively involved in the business, are pictured together with CapMan's Partner Director Tommy Valther Hansen. ScanJour has operations in Frederiksberg, Copenhagen.



## GROWTH DURING CAPMAN'S INVESTMENT PERIOD

44%  
67%  
19%

TURNOVER

OPERATING PROFIT

PERSONNEL

## CAPMAN'S ROLE IN SCANJOUR

- Provide growth financing in order to maintain the leading market position in Denmark
- Define a growth strategy for the company together with management including implementation of a strategy for the municipality market
- Develop the Board's composition and strengthen the Board with the know-how of the Nordic Advisor Network
- Take steps to strengthen the focus on profitability including a new CFO position

Key Figures	2004	2005	2006
Turnover, M€	9.6	12.1	13.8
Operating profit, M€	0.3	0.1	0.5
Personnel	113	124	134

## Key Information on Investment

CapMan's initial investment	September 2005
CapMan funds' ownership	32.8%
Other major owners	Founder Finn Madsen, management and employees
Board seats	2 seats (incl. Chairman)
Company development stage	Growth financing
Responsible investment professional	Tommy Valther Hansen

## GROWTH IN THE PUBLIC SECTOR

ScanJour specialises in Integrated Document and Records Management Systems (IDRMS) mainly for the public sector. Integrated document management enables the public sector to handle documents efficiently and in compliance with public administration regulations.

ScanJour has a very strong market position in Denmark, as its document management solutions are used by more than half of the entities within Danish public administration. There has been rapid digitalisation of the public sector in Denmark and the other Nordic countries in the last few years due to growing demand for online services provided by public administration, among others. An electronic document and records management system is frequently a basic requirement for the performance of online services.

Value creation in ScanJour is based firstly on growth and secondly on improvement of profitability. Growth has mainly been achieved organically, but opportunities for domestic acquisitions are actively being investigated. CapMan's Nordic Advisor Network and the comprehensive sector

knowledge of its members has been utilised in the composition of the Board of Directors.

## MAJOR NEW CUSTOMERS

ScanJour gained two very significant orders in years 2005–2006. The largest implementation of a document handling system ever seen in the Danish market was won by ScanJour in partnership with global IT company CSC in April 2006, when the Danish Defence ordered its digital document management system from the two companies. The total order potential for ScanJour is expected to reach €8 million in addition to annual maintenance fees. The successful tender was in part influenced by a similar order to the Danish Tax Authorities that was won in 2005.

## FUTURE EXPANSION

ScanJour's primary objectives in the next few years are to take advantage of continuous market growth and to maintain market leadership in Denmark in the central administration. Further, ScanJour aims to gain market shares in the municipality segment as a part of the growth strategy. The company is exploring opportunities for internationalisation, most likely through a partnership. No immediate actions are expected in 2007, but in accordance with CapMan's Nordic investment strategy there is preparedness for expansion outside of Denmark when the time is right.

# Technology Investments

As at the end of 2006 the Technology team had made 62 investments. At year-end the portfolio comprised 25 companies with an aggregate turnover of approx. €0.3 billion and a total personnel of 2,000.

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

New Investments in 2006



**PacketFront Sweden AB**  
(formerly 42Networks AB)  
 Products and system solutions for broadband telephony



**Spintop Netsolution AB**  
 Software development and services

Other Portfolio Companies

2005



**Flander Ltd**  
 Software testing and development



**InfoCare Holding AS**  
 Provider of field service, installation and repair of IT hardware



**ScanJour A/S**  
 Electronic document management systems

2004



**Animex AB**  
 Industrial IT for plastics industry



**Gammadata Holding AB**  
 Research, development and application of applied nuclear, atomic and surface physics



**Locus AS**  
 Fleet management systems



**Solid Information Technology Corp.**  
 Autonomic Data Management Platform



**TriTech Technology AB**  
 Industrial hardware and software solutions

2003



**Xlent AB**  
(formerly DataVis AB)  
 Management and IT consulting and business solutions

## Technology Team

CapMan's Technology team comprises 12 members. The team's investment professionals have solid and complementary expertise, with on average nine years' experience in the private equity industry and 15 years' experience in technology and finance. The team's know-how is reinforced by the Nordic Advisor Network, which includes one Senior Advisor and three Industrial Advisors. The activities of CapMan's Nordic Advisor Network are described in more detail on page 37.



**Petri Niemi**  
Senior Partner  
Head of CapMan Technology



**Lars Hagdahl**  
Senior Partner  
Deputy Head of CapMan Technology



2002



**Ascade AB**  
 🇸🇪 Software solutions for telephone carriers



**Avitec AB**  
 🇸🇪 Radio coverage solutions



**Hantro Products Ltd**  
 🇫🇮 Multimedia technology for mobile devices



**Tieturi Oy**  
 🇫🇮 IT training

2001



**EM4 Inc.**  
 🇺🇸 Optoelectronic device manufacturing services



**Exidia Ltd**  
 🇫🇮 Treasury operation system



**Fastrax Ltd**  
 🇫🇮 GPS technology



**Siennax International B.V.**  
 🇳🇱 Application service provider (ASP)

1999



**Silex Microsystems AB**  
 🇸🇪 Components based on MEMS technology

**AffectoGenimap**

**AffectoGenimap Plc\***  
 🇫🇮 Business Intelligence solutions and consulting



**Medianorth Group Corporation**  
 🇫🇮 Local city media concept

2000



**Foreca Ltd**  
 🇫🇮 Weather services to media and weather sensitive industries



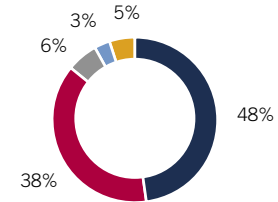
**SecGo Software Oy**  
 🇫🇮 Information security and mobility solutions



**SysOpen Digia Oy**  
 (formerly Sentera Oyj/ Solagem Oy)\*  
 🇫🇮 ERP and integration solutions

\* The funds have mostly exited from the company, and still hold remaining company shares.

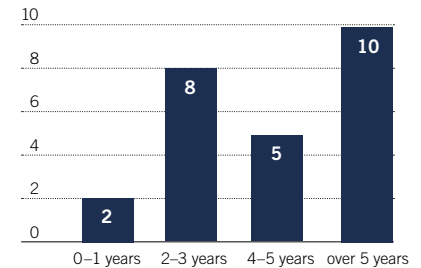
**Distribution of €106.8 million portfolio by country**



- Finland
- Sweden
- Norway
- Denmark
- Others

**Age of portfolio**

Based on the number of portfolio companies in the current portfolio.



**K. Erik Berger**  
 Investment Director



**Tommy Valther Hansen**  
 Partner



**Lennart Jacobsson**  
 Senior Partner



**Julia Lundquist**  
 Investment Director



**Janne Martola**  
 Investment Manager

# Technology Exits

As at the end of 2006 the Technology team had exited from 35 companies in total. The average holding period in technology portfolio companies was 3.9 years.

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

## Exits in 2006

### AtBusiness Communications Corporation

🇫🇮 CRM software & solutions

### Distocraft Oy\*

🇫🇮 Telecommunications software for network operators

### Eco-Dan A/S\*

🇩🇰 High-tech guidance system for agricultural industry

### Modultek Oy

🇫🇮 Product information software

### Quartal Oy

🇫🇮 Content management software

## Previous Exits

### 2005

#### NetSeal Oy

🇫🇮 Data security software

#### Northlight Optronics AB

🇸🇪 Supplier of optoelectronic components

#### Runaware AB

🇸🇪 Evaluation Service Provider (ESP)

#### Setec Oy

🇫🇮 High security ID products and smart cards

### 2004

#### Digiscope AB\*\*

🇸🇪 Management consulting

#### Displayit AB

(formerly Cetevo AB)

🇸🇪 Solutions for heterogeneous network environments and broadcasting

#### Handwise Oy

🇫🇮 Design and implementation of mobile applications

#### QlikTech International AB

🇸🇪 Business Intelligence software

#### Takamaki Oy

🇫🇮 Developing and licensing the coating technology

### 2003

#### XFG Holding Oy

(Formerly LPG Innovations Oy)

🇫🇮 Systems software for operators and service providers

#### Multichannel Instruments AB

🇸🇪 Spectroscopic instruments

#### Republica Oy

🇫🇮 XML-based software and related services

#### Tieturi Vision Oy

(formerly Talent Code Oy)

🇫🇮 Internet-based solutions for eLearning and eManagement

#### Tritech Teknik AB

🇸🇪 Solution provider of modern complex product development

#### Utfors AB

🇸🇪 Broadband communication services



Satu Pihlajamaa  
Executive Assistant



Caroline Strand  
Investment Analyst



Timo Tiihonen  
Senior Advisor  
Finland



Jarkko Virtanen  
Senior Advisor  
Finland



Vesa Walldén  
Senior Partner

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

2001

**AltOptronic AB**

🇸🇪 Laser measurement systems

**DB2B Oy**

(Digital-Business-to-Business)  
🇫🇮 Internet portal and e-commerce

**Equa AB**

🇸🇪 Simulation software

**LGP Telecom AB**

🇸🇪 Mobile telecommunications products

**MatchOn Sports Oy**

🇫🇮 Real-time sports entertainment content and gaming technology

**ReadSoft AB\*\*\***

🇸🇪 Automatic document capture

2000

**Adrasoft AB**

🇸🇪 Software for the utilities sector

**Altitun/ADC AB**

🇸🇪 Tuneable lasers

**Autograf AB\*\*\***

🇸🇪 Imaging products

**lobox Oy\*\*\*\***

🇫🇮 Internet services

**Netwise AB**

🇸🇪 Computer telephony systems

**Satama Interactive Plc**

🇫🇮 Internet consultancy

**UniAccess AB\*\*\***

🇸🇪 Communication products

1999

**Aldata Solution Oyj**

🇫🇮 Software for retail market

**Nexor System Service Oy**

🇫🇮 IT services

1998

**Flexim Security Oy\*\***

🇫🇮 Software for access control

1997

**CeCap AB\*\*\***

🇸🇪 Measurement sensors

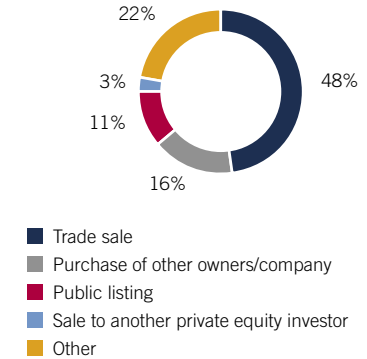
\* The exit was announced in 2006 and it is expected that the final exit will be closed in 2007. The Eco-Dan exit is not included in the exit value graph or in the total number of exits (35).

\*\* The exit is not included in the total number of exits (35) because the exit method was a merger with another CapMan portfolio company.

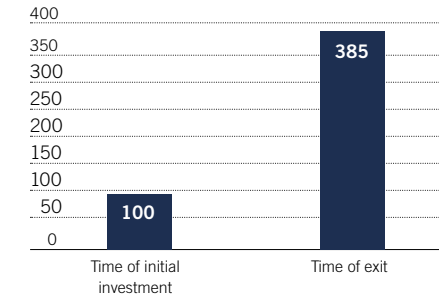
\*\*\* Swedestart Management AB's fund Swedestart AB, which did not transfer under the management of CapMan in connection with the Swedestart acquisition in 2002, has invested in the company.

\*\*\*\* Alta-Berkeley Nordic Partners Ky, a subfund of Finnventure Fund III, has exited nine companies, of which lobox Oy is one. The fund's operations were terminated at the end of 2006.

**Exit methods**



**Investment value at exit**



Indexed at acquisition cost (time of investment = 100). Exits comprise dividends, interest earnings and sales revenues. The figures include exits by Swedestart AB.



# CapMan Life Science



Jan Lundahl  
Head of CapMan Life Science,  
Senior Partner

## WHERE DO WE INVEST?

- medtech, particularly products for diagnosis and treatment of diseases
- primarily Nordic companies and selectively the rest of Europe
- enterprise values between €2–20 million
- investment size typically €2–7 million equity

## WHAT DO WE LOOK FOR?

### Products:

- regulated and medical procedure-driven
- enable an improved clinical outcome and superior health-economic trade-off
- low to moderate scientific and technological risk
- strong intellectual property rights
- address a large and growing market, volume products
- attractive reimbursement

### Company:

- experienced and motivated management

# “Neoventa’s, ProstaLund’s and QuickCool’s products target markets of several billion euros”

“The successful global commercialisation of the products would mean substantial savings to society and would improve the quality of life directly or indirectly for many people.”

In 2006 our team established a new fund that has already invested in three new portfolio companies. Our focus remains on medtech investments, in which our team has outstanding experience also on a European scale.

## PRODUCTS THAT MEET DEMAND

Within life science, our team has a particular interest in medical technologies used for the diagnosis and treatment of diseases. The products of our portfolio companies are typically devices and/or consumables developed using innovative technologies with limited remaining development risks. The products should satisfy direct and long-term customer demands, as well as enable better treatment outcomes at a lower cost.

## PEOPLE

### – THE PREREQUISITE FOR SUCCESS

The medical environment, with the requirements for regulatory approval, third party payment and reimbursement systems, sets standards for the value creation strategies of our portfolio companies. However, developing a medtech company resembles developing a normal technology company more than a typical life science project of developing a new drug, where scientific risks and the lengthy clinical trials play a dominating role.

Our most important tools for developing the portfolio companies are ability to find the right management, proactive involvement in the companies through the Board and continuous dialogue with key personnel. The members of our team strengthen Boards with industry knowledge and know-how in strategic issues and commercialisation of medtech products. In the end it is the knowledge of management and key personnel – in treatment methods, medical technologies and markets – that plays the greatest role in value creation. But having an owner with a strong

commitment to development provides them with the best possible environment in which to succeed.

A key focus area for our team is to ensure that portfolio companies develop a good level of sales and profitability. We believe that good financial development, in addition to unique products with global potential, is one of the main prerequisites for successful exits.

## THREE INVESTMENTS FROM THE NEW FUND

CapMan Life Science IV held its first closing in March 2006. The fund is focused on medtech investments in the Nordic countries and selectively in the rest of Europe. Investment activities have commenced actively and the fund’s portfolio at the end of 2006 consisted of Neoventa Medical, ProstaLund and QuickCool.

Neoventa is specialised in fetal monitoring in perinatal healthcare. The company’s core product STAN has been shown to significantly reduce the risk that a fetus will suffer oxygen deficiency during childbirth. QuickCool, a slightly earlier stage company, is the developer of a new method for quick cooling of the brain to prevent brain damage in patients who suffer from cardiac arrest or stroke. ProstaLund manufactures devices for microwave treatment of benign prostatic hyperplasia: a condition that more than 50% of all men above 50 years suffer from.

All of these products have considerable global potential and together they target a market of several billion euros. Global commercialisation of

the products would mean substantial savings to society and would improve the quality of life directly or indirectly for many people.

## DEMOGRAPHIC FACTORS SUPPORT MARKET GROWTH

The size of the global medtech market is estimated at €184 billion and expected to grow by 9 to 11% annually in the coming years. Growth of healthcare expenditure, the ageing population and lifestyle changes are apt to accelerate the fundamental use of technology-based products and devices in healthcare. At the same time cost pressures will force the healthcare system to search for products and services, which deliver better treatment outcomes at a lower cost.

Market growth is also evident as an increase of deal flow. In 2006 we analysed more than a hundred investment opportunities. Our team sees practically all medtech investments made in the Nordic countries in advance.

A characteristic of our team is that we network extensively with companies at different developmental stages as well as researchers and other players in the Nordic life science sector. The majority of investment opportunities come to our knowledge through personal contact by entrepreneurs, and from industry investors who approach us as a knowledgeable syndication partner. The confidence shown in us by our peers is a fact that we are proud of and we will continue to strengthen our co-operation with them.

In 2007 CapMan Life Science will continue to invest in new companies and to develop the current portfolio. In addition the fundraising for the CapMan Life Science IV fund continues in the first quarter.



# Success in Silex Microsystems is built on partnership with customers

CapMan Life Science invested in Swedish Silex Microsystems in 2003. **At the time of the initial investment Silex was one of the fastest growing and internationalising companies in its segment**, and three years later the company has achieved market leadership. Silex Microsystems has solid know-how of MEMS technology, a proven product concept and an international customer base.



Silex state-of-the-art production facilities are located in Järfälla, Sweden. Strong investments have been made in production capacity during CapMan's investment period in response to growing demand and volume.



Silex currently produces over 70 tailored products for more than 70 customers, which have operations in 14 countries.



## GROWTH DURING CAPMAN'S INVESTMENT PERIOD

264%  
157%  
108%

TURNOVER

CUSTOMERS

PERSONNEL

## CAPMAN'S ROLE IN SILEX MICROSYSTEMS

- Assist in the recruitment of senior management
- Draw up a new strategy with management and support its implementation
- Investments in production facilities and equipment
- Strengthen life science know-how
- Shift from production and process development to successful product sales and marketing

Key Figures	2003	2004	2005	2006
Turnover, M€	2.8	4.2	5.5	10.2
Investments, M€	6.4	1.4	0.4	1.1
Personnel	26	33	39	54
Number of customers	28	50	64	72

## Key Information

CapMan's initial investment	June 2003
CapMan funds' shareholding	48.8%*
Other major owners	Startup Factory, management and key personnel
Board seats	2 seats
Stage of company development	Growth financing
Responsible investment professionals	Johan Bennarsten, Lars Haghdahl, Caroline Strand

\* Fully diluted investment. The investment in Silex Microsystems AB is syndicated with CapMan Technology. The technology funds hold a 35.1% share of the investment and the life science funds' share is 13.7%.

## CUSTOMISED SOLUTIONS FOR HIGH TECH INDUSTRIES

Silex Microsystems was founded in 2000 and manufactures components based on micro-electromechanical systems (MEMS) for use by biotech, medical and telecom companies. Life science business represented approximately 40% of the company's total net sales in 2006, growing by about 70% compared to the previous year.

Components such as sensors, actuators and precision guidance tools are customised for each customer with the aim to improve the customers' end product performance and to lower overall costs. At the moment Silex manufactures more than 70 tailored components for over 70 companies in 14 countries. The company's operations typically have an intensive R&D phase that is implemented in cooperation with the customer, and consequently the cornerstone of Silex' success has proven to be the close co-operation with its customers.

The competition in the MEMS market is global, as there are only a handful of actors worldwide with the necessary know-how in micro-electromechanics. Silex's leading markets are

Europe and North America. The company has, in addition to its Järfälla based manufacturing facility, a subsidiary in Boston, USA.

## FROM R&amp;D TO PROFITABLE CUSTOMER RELATIONSHIPS

The role of CapMan's Life Science team in the company's value creation has been related to commercialisation of MEMS-based solutions, improvement of existing customer relationship profitability, acquisition of customers, expansion of production capacity and strengthening of the company's strategic market position, in particular at the life science customer interface. During CapMan's investment period the number of life science customers has more than doubled.

The focus of Silex Microsystems's operations has been shifted from building up production capacity and process development to successful marketing and sales. The number of customers at the volume production stage has grown considerably compared to the number at the R&D stage since the time of initial investment. There have been strong investments in production facilities and equipment in 2004–2006 to secure the delivery of larger customer orders in the future.

Sales by Silex has taken off during CapMan's investment period and the annual growth in sales has averaged about 50% in 2003–2006, which is more than double compared the MEMS market average. The increase in sales is mainly due to higher volumes per customer but also an increasing number of customers. It is expected that sales will have climbed in 2006 over 80% compared to the previous year.

In the future, the company will aim for continuous growth by scaling up operations and further developing the product concept in close cooperation with existing and new customers.

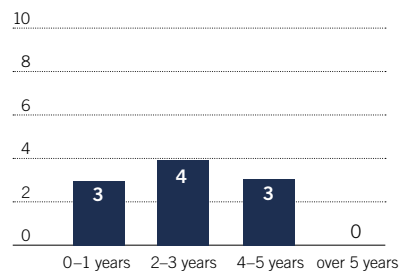
# Life Science Investments

As at the end of 2006 the Life Science team had made a total of 18 investments. The life science portfolio comprised ten companies at year-end.

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

## Age of portfolio

Based on the number of portfolio companies in the current portfolio.



New Life Science investments in 2006



**Neoventa Medical AB**  
 Monitoring and management tools for improved perinatal care



**ProstaLund AB**  
 Manufacturing of equipment for microwave treatment of benign prostatic hyperplasia



**QuickCool AB**  
 Brain cooling methods to prevent brain damage e.g. in case of cardiac arrest or stroke

Other portfolio companies

2005



**Aerocrine AB**  
 Products based on measurement of nitric monoxide (NO) as a marker for inflammation for monitoring and diagnosing asthma



**SciBase AB**  
 Development of instrumentation for non-invasive diagnostics and monitoring of skin cancer and other tissue alterations

2004



**InDex Pharmaceuticals AB**  
 Diagnostics and treatment of intestinal bowel diseases



**Millicore AB**  
 Products for use in thoracic surgery

2003



**Jolife AB**  
 Automated heart compression systems for treatment of sudden cardiac arrest



**Silix Microsystems AB**  
 Manufacturing of Micro-Electro-Mechanical-System (MEMS) components

2002



**Inion Ltd**  
 Biomaterials with surgical applications

## Life Science Team

CapMan's Life Science team of six members is one of the most experienced investment teams making medtech investments in Europe. The team's investment professionals have more than 75 years' accumulated experience within life sciences as well as comprehensive contact networks in Europe, particularly in the Nordic countries.



**Jan Lundahl**  
 Senior Partner  
 Head of CapMan Life Science




**Johan Bennarsten**  
 Partner  
 Deputy Head of CapMan Life Science




# Life Science Exits


As at the end of 2006, the Life Science team has exited from eight companies in total. The average holding period in life science companies was 4.3 years. More detailed information on exited portfolio companies can be found at [www.capman.com/En/LifeScience](http://www.capman.com/En/LifeScience).


Life Science exits in 2006


**ProstaLund AB**  
 Manufacturing of equipment for microwave treatment of benign prostatic hyperplasia


Previous exits


2005  
**Entific Medical Systems AB**  
 Development and marketing of hearing aids


**Eutech Medical AB**  
 Treatment procedures for incontinence

**NeoPharma Production AB**  
 Pharmaceutical preparations and drug delivery systems for the treatment of Parkinson's disease

**Otre AB**  
 Surgical instrument sterilisation

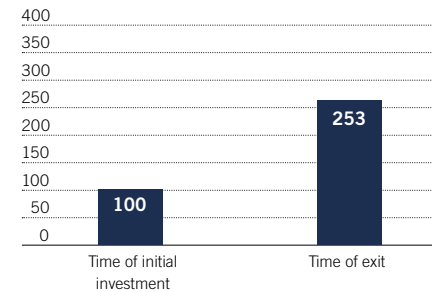
2003  
**Hemapure AB**  
 Solutions and development within hemodialysis and related areas

**Vicore Pharma AB**  
 Development of drugs for treatment of gastrointestinal and cardiovascular diseases

1997  
**Biora AB**  
 Biology-based dental products

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

Investment value at exit



Indexed at acquisition cost (time of investment = 100).



**Morten Bro Nielsen**  
Investment Director



**Maria Gottberg**  
Assistant



**Björn Nordvall**  
Partner



**Yrjö E. K. Wichmann**  
Investment Director

Background information on team members can be found at [www.capman.com/En/CapManLifeScience/Professionals](http://www.capman.com/En/CapManLifeScience/Professionals). The email address of the team is [lifescience@capman.com](mailto:lifescience@capman.com).



## CapMan Real Estate

**Markku Hietala**  
Head of CapMan Real Estate,  
Managing Director of Realprojekti Oy,  
Senior Partner

### WHERE DO WE INVEST?

- commercial properties in the Helsinki metropolitan area (I fund)
- property development targets in Finland (II fund)
- investment size typically €5–50 million, bigger investments are also possible
- diversification by size, geographical focus and the tenants' line of business

### CAPMAN REAL ESTATE I:

- commercial properties in the Helsinki metropolitan area
- medium risk/return profile, focus on value added properties
- investments in selected core and opportunistic properties are also possible

### CAPMAN REAL ESTATE II:

- property development targets in Finland
- focus on commercial properties and logistics projects in particular
- also office premises, industrial properties, hotels, residential projects and public administrative premises
- selectively investments in finished properties

# “The vacancy rate of our properties at year-end clearly outperformed the market average”

“Active ownership in our team means maximising benefits for the users and owners of properties through first-class real estate development work and customer service.”

CapMan Real Estate’s operations in 2006 included four new investments, the establishment of a new fund with expanded focus and the sale of CapMan Real Estate I fund’s portfolio at the end of the year. In addition, ten new real estate professionals were recruited to our team.

## POSITIVE MARKET DEVELOPMENT

The continuous flow of capital into Finland’s real estate markets and Finland’s robust national economy sustained active real estate markets in 2006. There was a record-breaking rise in the total volume of executed real estate transactions to more than €5 billion, with increasing volumes boosted by large portfolio transactions in particular.

The proportion of foreign investors in the executed deals was high. The increasing number of foreign investors and the increasing demand have further raised property prices, but also improved the liquidity of investments in real estate assets. Top premiums were paid in 2006, especially for large property portfolios.

## FOUR NEW INVESTMENTS IN 2006

In May we acquired an office building located on Erottajankatu in central Helsinki, as well as the Malmin Nova Shopping Centre located in northern Helsinki, a warehouse and office building near Helsinki-Vantaa International Airport and an office space and warehouse building located in Helsinki’s Hernesaari port district in June. The acquired properties complemented our portfolio exceptionally well in terms of their differing locations, purpose of use and return potential.

## THE YEAR CLIMAXED IN A MAJOR DEAL

In December CapMan Real Estate I fund sold its then portfolio comprising 22 properties to an international consortium of investors for €377.5 million. The transaction is exceptional not only for its size, but also for our short period of ownership in the sold properties. The successful sale was the result

of a well-developed portfolio in which the returns, location, risk profile, leasing contracts and vacancy rate levels were attractive. The timing of the transaction was well founded, in consideration of the state of the market and the excellent condition of the portfolio, and the transaction was excellent for both the fund investors and for CapMan.

CapMan Real Estate I Fund continues active investment operations, and at the start of January the fund acquired an office building in the centre of Helsinki.

## ACTIVE DEVELOPMENT WORK SUPPORTS VALUE CREATION

Fund-based real estate investments are structurally very similar to traditional private equity investment. However real estate fund management – and especially the leasing and development of properties – requires greater than average resources and permanent contact with the real estate business itself. CapMan Real Estate is highly regarded as an employer, and we succeeded to recruit several new professionals during the past year to meet the demands of our growing operations.

Active ownership in our team means maximising the benefits for the users and owners of properties through first-class real estate development work and customer service. During our ownership period we developed CapMan Real Estate I’s portfolio through new acquisitions, by developing individual properties and by attracting new tenants. The vacancy rate of the properties that were sold in December fell from about five per cent to just 3.2 per cent during our ownership period, in comparison to the market average of about 7–8 per cent. At the same time the number

of leases grew from about 200 to more than 260, which further diversified the risks associated with leasing operations.

## CAPMAN RE II EXPANDS THE INVESTMENT FOCUS

One of our most important achievements in 2006 was the establishment of CapMan’s second private equity real estate fund CapMan RE II in September. The fund reached an investment capacity of approximately €550 million in February 2007. CapMan RE II has investment focus on property development targets in Finland, thus expanding our operations outside of the greater Helsinki area.

Property development comprises the development of property zoning, construction of new projects and functional development of properties. The fund’s objective is to develop portfolio assets for a period of some 3–7 years.

## GOOD RESOURCES FOR NEW INVESTMENTS

Economic growth in Finland is expected to remain positive in 2007, which in turn positively impacts on employment and in this way on demand for rental properties and on vacancy rates. Tenants are now interested in prime locations and high-class premises that support the users’ line of business. The growing demand for quality creates attractive opportunities for our real estate consulting operations.

CapMan Real Estate has good resources and adequate capital for making new investments and developing portfolio assets. The funds have a focus that covers the majority of Finland’s real estate markets. We believe that also in future, in spite of the tight competition, it will still be possible to find properties that fit the investment focus of our funds and which we can acquire for further development on competitive terms in the market.



Managing Director of TietoEnator Esy Aaro Mutikainen, Leasing Manager of Realprojekti Jari Kuronen and Project Manager of CapMan's Real Estate team Juhani Erke survey the property's renovation work. TietoEnator Esy is one of the first new tenants to move in to the newly renovated premises in early 2007.

## Transformation of Porkkalankatu 3 from a Head Office to a Profitable Business Park

In terms of lettable space, the property located at Porkkalankatu 3 in the Helsinki suburb of Ruoholahti is CapMan's **largest real estate investment to date**. The property, which was constructed in 1986 as Kemira's headquarters, had vast unrealised value creation potential at the time of investment – and CapMan's Real Estate team grabbed active hold of the development opportunity.





**”The objective was to achieve efficient and productive use of the premises during the two-year period post-investment.”**

#### STRONG VALUE CREATION POTENTIAL

The property located at Porkkalankatu 3 in Helsinki was constructed in 1986 for use as the headquarters of the Finnish chemicals group Kemira. CapMan invested in the property in November 2005, and Kemira remained as a long-term tenant with occupancy of approximately half of the property. At the time of the investment decision only a part of the premises were covered by existing leases, and compared to the lettable office space the building contained large common spaces from which no significant rental returns were expected. The property was in good condition but the office solutions that had been made twenty years earlier did not fulfil the requirements for commercial premises set by companies today. CapMan’s Real Estate team saw in the property strong value creation potential, which would be realised through active development work.

#### FROM A HEAD OFFICE TO A BUSINESS PARK

During the investment period CapMan Real Estate has created a new so-called business park service structure for Porkkalankatu 3. The concept comprises a restaurant, negotiation rooms, representation suites and sporting facilities as well as

offices, security and reception services. The transformation of the property has made it suitable for many tenants and businesses, and the previously under-utilised spaces have been leased to new tenants. The service structure is designed for use by all of the property’s tenants and some facilities are also open for external use. The offices used by the head tenant and the premises that were vacant at the time of investment have been modernised according to the needs of the tenants. The previously under-utilised common areas have been renovated in part for use as offices and negotiation rooms.

The renovation work that was commenced soon after the investment will be completed at the end of March 2007, and new tenants moved into the previously vacant premises during the first quarter of the year.

#### LIFE CYCLE THINKING SUPPORTS VALUE CREATION

CapMan’s strength in the development of Porkkalankatu 3 has been the Real Estate team’s leading experience in real estate investment, property management, planning, contracting, producing service concepts and leasing. The complementary expertise of the investment team and Realprojekti’s consulting business has created synergy benefits in Porkkalankatu 3, where the challenges of the property at initial investment have been transformed into value creation drivers.

The objective that was set at the time of investment was to achieve efficient and productive use of the premises during the two-year period post-investment. Eighteen months later the property is fully leased and profitable and its tenants enjoy the benefits of the state-of-the-art customised premises and business park service structure.

CapMan exited the property in January 2007 as a part of the real estate transaction whereby CapMan Real Estate I Fund sold its portfolio comprising 22 office properties to an international syndicate of investors.

#### CAPMAN’S ROLE IN PORKKALANKATU 3

- Create a strategy for the property
- Secure the property’s financial profitability
- Modernise the property, plan and contract redevelopment work
- Design and implement a business park service concept
- Lease vacant premises

# Real Estate Investments

By the end of 2006 CapMan's Real Estate team had invested in 22 commercial properties in the greater Helsinki area, of which four were in 2006. The properties had an aggregate lettable space of 154,203 m<sup>2</sup>, a vacancy rate of 3.2% and an average lease term of 4.4 years at the year-end. The portfolio was comprehensively diversified in terms of property size, geographical location, risk/return profile and tenants' line of business.

CapMan Real Estate I fund's portfolio of 22 properties was sold at the end of 2006 to an international investor consortium. The transaction was finalised at the end of January 2007.

## realprojekti

CapMan Plc's 80% owned subsidiary Realprojekti Oy acts as advisor for the private equity real estate funds managed by CapMan and practises real estate consulting.

Realprojekti specialises in real estate investments, development services, marketing services, project management, construction contracting services and property asset management. In addition to CapMan funds Realprojekti's customers include large property owners, municipalities and state institutions. The company has particularly strong experience in shopping centre projects and commercial leasing. In recent years Realprojekti's most visible projects in the Helsinki metropolitan area have been Iso Omena and Sello shopping centres in Espoo as well as the Fennia block in central Helsinki.

Realprojekti's leading market position, professional team and comprehensive contact network provide an important competitive advantage for CapMan's real estate operations. Its expertise will also be strongly utilised in the activities of the property development fund CapMan RE II.

### New Investments in 2006



**Property:** Erottajankatu 15-17  
Kiinteistö Oy  
**Address:** Erottajankatu 15-17, Helsinki  
**Built:** 1886  
**Risk/return profile:** Core



**Property:** Kiinteistö Oy Tikkurilantie 136  
**Address:** Tikkurilantie 136, Vantaa  
**Built:** 2004  
**Risk/return profile:** Value added



**Property:** Kiinteistöosakeyhtiö  
Malmin Nova  
**Address:** Malminkaari 13-19  
**Built:** 1987  
**Risk/return profile:** Value added



**Property:** Henry Fordinkatu 6  
**Address:** Henry Fordinkatu 6, Helsinki  
**Built:** 1946  
**Risk/return profile:** Opportunistic

### Investments in 2005

#### Core



**Property:** Brondankulma Kiinteistö Oy  
**Address:** Etelä-Esplanadi 20, Helsinki  
**Built:** 1974



**Property:** Bulevardin Keittohuone  
Kiinteistö Oy  
**Address:** Bulevardi 56, Helsinki  
**Built:** 1999



**Property:** Bulevardin Wiinanpolttimo  
Kiinteistö Oy  
**Address:** Hietalahdenranta 9, Helsinki  
**Built:** 1999



**Property:** Korkeavuorenkatu 32  
Kiinteistö Oy  
**Address:** Korkeavuorenkatu 32, Helsinki  
**Built:** 1956

#### Value added



**Property:** Korkeavuorenkatu 34  
Kiinteistö Oy  
**Address:** Korkeavuorenkatu 34, Helsinki  
**Built:** 1960



**Property:** Eliel Saarisen tie 2  
Kiinteistö Oy  
**Address:** Eliel Saarisen tie 2, Helsinki  
**Built:** 2000



**Property:** Espoon Keilaranta 5  
Kiinteistö Oy  
**Address:** Keilaranta 5, Espoo  
**Built:** 2001



**Property:** Espoon Keilaranta 7  
Kiinteistö Oy  
**Address:** Keilaranta 7, Espoo  
**Built:** 2001





**Property:** Espoon Tietäjantie 2 Kiinteistö Oy  
**Address:** Tietäjantie 2, Espoo  
**Built:** 2000



**Property:** Helsingin Paciuksenkatu 27 Kiinteistö Oy  
**Address:** Paciuksenkatu 27, Helsinki  
**Built:** 1998



**Property:** Helsingin Strömbergintie 1 Kiinteistö Oy  
**Address:** Strömbergintie 1, Helsinki  
**Built:** 2001



**Property:** Stella Luna Kiinteistö Oy  
**Address:** Lars Sonckin kaari 14, Espoo  
**Built:** 2000



**Property:** Vantaan Autoairport Kiinteistö Oy  
**Address:** Ohtolankatu 2-6, Vantaa  
**Built:** 1999



**Property:** Porkkalankatu 3  
**Address:** Porkkalankatu 3, Helsinki  
**Built:** 1984

Opportunistic



**Property:** Luonteisirinne 4  
**Address:** Luonteisirinne 4, Espoo  
**Built:** 1972



**Property:** Niittykumpu 4 Kiinteistö Oy  
**Address:** Niittykumpu 4, Espoo  
**Built:** 1992



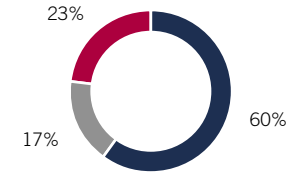
**Property:** Pakkalanrinne Kiinteistö Oy  
**Address:** Antaksentie 4, Vantaa  
**Built:** 2002



**Property:** Vantaan Sampotala Kiinteistö Oy  
**Address:** Peltolantie 1, Vantaa  
**Built:** 1987

Invested capital by risk/return profile

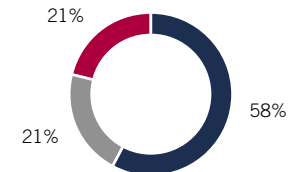
Total €304.4 million at acquisition cost



- Value added
- Opportunistic
- Core

Invested capital by geographical location

Total €304.4 million at acquisition cost



- Helsinki
- Espoo
- Vantaa

**Markku Hietala**

Head of CapMan Real Estate, Managing Director of Realprojekti Oy, Senior Partner

**Jukka Iivari**

Chairman of the Board CapMan Real Estate Oy

**Juhani Erke**

Project Manager

**Terhi Heinilä**

Commercial Consultant

**Norma Holmberg**

Marketing Manager

**Lea Jokinen**

Director, Real Estates

**Jorma Kajander**

Project Manager

**Marjo Kankaanranta**

Marketing Manager

**Matti Karlsson**

Shopping Centre Director

**Kirsi Keskitalo**

Shopping Centre Consultant

**Sanna Kinnunen**

Marketing Planner

**Jorma Konsti**

Chief of Project Management

**Jari Kuronen**

Leasing Manager

**Heidi Lepäntalo**

Controller

**Heikki Liukkonen**

Project Manager

**Ann-Lis Lubitz**

Administrative Assistant

**Mika Matikainen**

Manager, Real Estate Investments

**Jukka Mertanen**

Project Manager

**Kalle Myllymäki**

Manager, Real Estate Investments

**Pertti Myllymäki**

Senior Consultant

**Liisa Nikkanen**

Shopping Centre Consultant

**Riitta Parviainen**

Financial Manager, Real Estates

**Joona Reunanen**

Deal Flow Specialist Consultant

**Pekka Salakka**

Director, Real Estate Investments

**Tommi Seppänen**

Leasing Consultant

**Pirjo Vesinen**

Shopping Centre Consultant

**Noora Viranko**

Project Engineer

**Henrik Winberg**

Commercial Director, Real Estates

## Real Estate Team

CapMan's Real Estate team encompasses 28 persons in total. The team has responsibility for investment activities of CapMan's real estate funds and also practises real estate consulting under the Realprojekti brand. The team's investment professionals are specialists in real estate portfolio development and property asset management. The consulting team has responsibility for various real estate projects from land use planning and commercial survey to the implementation of construction contracting, leasing and property maintenance.

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

“In 2006 CapMan’s  
**result improved** for the  
**fourth consecutive year.**”

## Corporate Governance and Financial Statements

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## Board of Directors

The members of the Board of Directors of CapMan Plc are elected by the Annual General Meeting (AGM) for a one-year term, which commences at the closing of the Meeting and continues until the closing of the following AGM. According to the Articles of Association the Board of Directors comprises between three and nine members, who do not have deputy members.

CapMan's AGM held in March 2006 decided that the Board consists of five members: Mr Ari Tolppanen (Chairman), Mr Teuvo Salminen (Vice Chairman), Mr Tapio Hintikka, Mr Lennart Jacobsson and Mr Urban Jansson. The AGM resolved to pay monthly compensation of €3,000 to the Chairman and Vice Chairman and €2,500 to the other members of the Board. Compensation is not paid to those Board members who are employed by CapMan Group. In 2006 the total remuneration paid to the members of the Board was €84,000. Members of the Board may also be remunerated for Board work with stock options in accordance with the decision of the AGM.

The Board met 10 times in 2006 and the average participation rate of its members was 98%.

The Board of CapMan Plc has decided, with respect to the size of the Company and its Board of Directors, not to establish any committees.

The majority of Board members (Mr Hintikka, Mr Jansson and Mr Salminen) are independent of CapMan Plc. Mr Jacobsson and Mr Tolppanen are not independent of the Company, as they are employed by CapMan Group as well as major shareholders in the Company.

**Ari Tolppanen** (b. 1953), M.Sc. (Eng.).

Member of the Board since 1993, Chairman of the Board as of 31 March 2005. CapMan Senior Partner, CEO of CapMan Plc from 1989 to 31 March 2005. Joined CapMan in 1989.

**Key Board memberships:**

Access Capital Partners S.A. (Chairman of the Supervisory Board), OneMed Group Oy (Chairman), Å&R Carton AB.

**CapMan Plc shares and options:**

2,447,032 A shares,  
7,608,920 B shares.

**Teuvo Salminen** (b. 1954), M.Sc. (Econ.). Authorised Public Accountant. Member of the Board since 2001, Vice Chairman of the Board as of 31 March 2005. Executive Vice President of Jaakko Pöyry Group Oyj.

**Key Board memberships:**

YIT Corporation.

**CapMan Plc shares and options:**

20,000 B shares.



**Lennart Jacobsson** (b. 1955), BBA.  
Member of the Board since 2002.  
Senior Partner. Joined CapMan in 1995.

**Key Board memberships:**

Gammadata Holding AB.

**CapMan Plc shares and options:**

1,129,217 B shares.

**Tapio Hintikka** (b. 1942), M.Sc. (Eng.).  
Member of the Board since 2004.

**Key Board memberships:**

Aina Group Oyj, Evli Bank Plc,  
Teleste Corporation (Chairman).

**CapMan Plc shares and options:**

None.

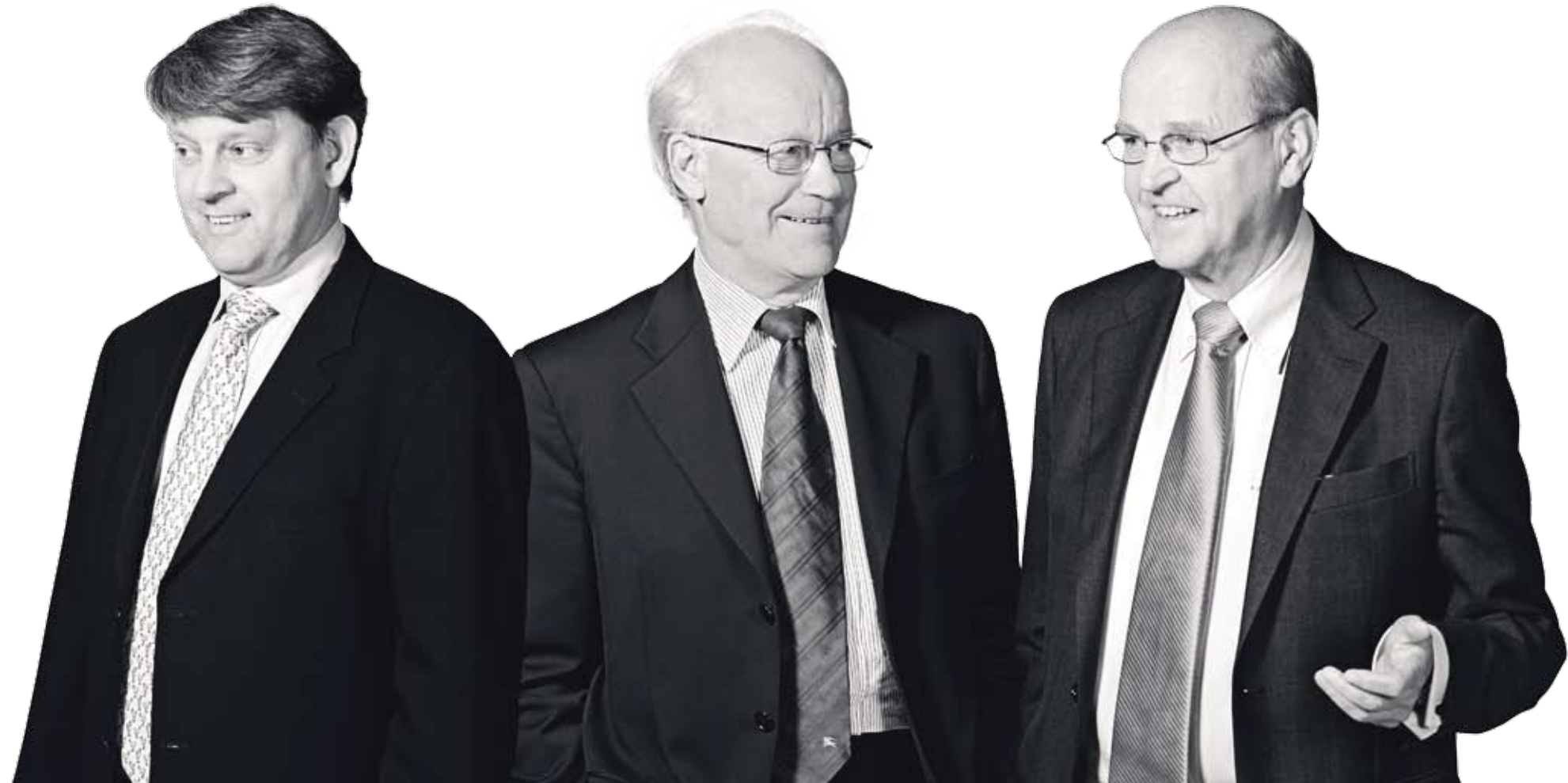
**Urban Jansson** (b. 1945), Higher bank degree.  
Member of the Board since 2006.

**Key Board memberships:**

Siemens AB (Chairman), Tylö® (Chairman),  
Ahlström Corporation, Plantasjen A/S, SEB AB.

**CapMan Plc shares and options:**

20,000 B shares.





## Management Group

The Management Group of CapMan Plc, which comprises the CEO and heads of teams, is responsible for the preparation and coordination of matters relating to CapMan Group's business.

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. In 2006 the CEO of CapMan Plc was Mr Heikki Westerlund and the Deputy CEO was Mr Olli Liitola.

The salaries and remuneration paid to the Management Group in 2006 totalled €2,311,289. CEO Heikki Westerlund received salary and other remuneration totalling €405,507 and Deputy CEO Olli Liitola received €262,539.

**Heikki Westerlund** (b. 1966), M.Sc. (Econ.). CEO of CapMan Plc, Senior Partner. Joined CapMan in 1994.

**Key Board memberships:**  
LUMENE Group.

**CapMan Plc shares and options:**  
741,448 A shares,  
3,221,057 B shares.

**Jerome Bouix** (b. 1971), M.Sc. (Econ.). Head of Fundraising, IR & Communications, Partner. Joined CapMan in 2000.

**Key Board memberships:**  
The European Private Equity and Venture Capital Association.  
**CapMan Plc shares and options:**  
149,726 2000A/B options,  
50,000 2003B options.

**Markku Hietala** (b. 1957), LL.M. Head of CapMan Real Estate, Managing Director of Realprojekti Oy, Senior Partner. Joined CapMan in 2005.

**Key Board memberships:**  
–  
**CapMan Plc shares and options:**  
181,818 B shares.

**Olli Liitola** (b. 1957), M.Sc. (Eng.). CFO and Deputy CEO of CapMan Plc, Senior Partner. Joined CapMan in 1991.

**Key Board memberships:**  
Pretax Oy.  
**CapMan Plc shares and options:**  
1,291,638 A shares,  
4,016,327 B shares.





**Petri Niemi** (b. 1961),  
M.Sc. (Eng.). Head of CapMan  
Technology, Senior Partner.  
Joined CapMan in 1999.

**Key Board memberships:**

–

**CapMan Plc shares and options:**  
267,920 B shares.

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

**Key Board memberships:**

ProstaLund AB.

**CapMan Plc shares and options:**  
859,217 B shares.

**Tuomo Raasio** (b. 1958), LL.M.  
Head of CapMan Buyout, Senior  
Partner. Joined CapMan in 1988.

**Key Board memberships:**

–

**CapMan Plc shares and options:**  
1,291,638 A shares,  
4,016,327 B shares.

**Petri Saavalainen** (b. 1965),  
M.Sc. (Eng.). Development  
Director, Senior Partner.  
Joined CapMan in 1995.

**Key Board memberships:**

BaltiCap Management Oy,  
Foreca Oy, Medianorth Group Oy,  
Tieturi Oy.

**CapMan Plc shares and options:**  
195,158 A shares,  
1,039,302 B shares.



## Corporate Governance in brief

CapMan Plc complies with the recommendation for Corporate Governance of Listed Companies issued by Helsinki Exchanges, the Finnish Central Chamber of Commerce and the Confederation of Finnish Industry and Employers on 2 December 2003. The main principles of CapMan Plc's corporate governance are described below in brief and in full on the Company's Internet pages under [www.capman.com/En/InvestorRelations/CorporateGovernance](http://www.capman.com/En/InvestorRelations/CorporateGovernance).

### GROUP STRUCTURE AND OPERATIVE ORGANISATION

The CapMan Group is comprised of CapMan Plc and its subsidiaries and associated companies. The most significant subsidiaries are CapMan Capital Management Ltd, CapMan Real Estate Ltd, CapMan AB, CapMan Invest A/S, CapMan Norway AS, CapMan (Guernsey) Ltd, CapMan Mezzanine (Guernsey) Ltd, CapMan (Guernsey) Buyout VIII Ltd, CapMan (Guernsey) Life Science IV GP Ltd and Realprojekti Oy. The subsidiaries act as fund management and/or advisory companies for Group funds making direct investments in portfolio companies or in real estate assets. All subsidiaries are 100% owned by CapMan Plc with the exception of CapMan Real Estate Ltd and Realprojekti Oy, of which CapMan Plc owns 80%. The most significant associated company is Access Capital Partners S.A., which is 35% owned by CapMan Plc.

CapMan provides management and advisory services in two main business areas: CapMan Private Equity and CapMan Real Estate. The Group has nominated dedicated teams for each of its investment areas (Buyout, Technology, Life Science and Real Estate) as well as three general Group functions (Finances and Administration, Business Development and Fundraising, IR and Communications).

### ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) of CapMan Plc is convened and held in accordance with the Articles of Association and the Finnish Companies Act.

The Company's objective is that, in the absence of exceptional reasons for non-attendance, all of the members of the Board, candidates for election to the Board and the CEO shall be present at the AGM.

### BOARD OF DIRECTORS AND MANAGEMENT GROUP

The composition and term of the Board of Directors of CapMan Plc as well as the members of the Board, their independence of the Company and remuneration are presented on pages 68–69. The composition, duties, responsibilities and remuneration of the Management Group are presented on pages 70–71. Additional information on the duties and responsibilities of the Board of Directors and Board committees is available on the Company's Internet pages.

### CEO, DEPUTY CEO AND OTHER MANAGEMENT

The CEO and Deputy CEO of CapMan Plc as well as their duties, responsibilities and remuneration are presented on pages 70–71.

CapMan has Investment Committees, which are comprised of the Senior Partners and Partners of the Company, for its funds. The Investment Committees are not involved in managing the operative activities of the Group, but they approve the investment and exit proposals that are presented to the funds' decision-making bodies.

### INSIDER ISSUES

CapMan Plc complies with the Guidelines for Insiders by the Helsinki Stock Exchange that entered into force on 1 January 2006. CapMan has supplemented the general guidelines with its own set of internal insider guidelines, which are in part stricter than the general guidelines. Control of insider issues is outlined on the Company's Internet pages.

The insider register for CapMan Plc is held by the Finnish Central Securities Depository Ltd and a list of share and stock option holdings of public insiders, as well as the holdings of their interest parties, is also presented on CapMan's website.

### AUDITOR

In accordance with CapMan Plc's Articles of Association, the Company shall have one auditor (a public accountant company or auditor) approved by the Central Chamber of Commerce. The auditor is elected for a one-year term, which terminates at the closing of the following AGM. CapMan Plc's auditors PricewaterhouseCoopers Oy and auditor in charge Mr Jan Holmberg, Authorised Public Accountant, are responsible for guiding and coordinating the auditing work of the entire Group.

The auditor shall be remunerated as per the amount invoiced, in accordance with the decision

by the AGM. The auditor's remuneration for the 2006 financial year amounted to €120,000.

### RISK MANAGEMENT AND INTERNAL CONTROL

Clear financial and other operative objectives are specified for all CapMan teams. For the achievement of set objectives and minimisation of associated risks, CapMan has an internal code of practice and risk management program. Major risks are published, provided that the information does not contain confidential information pertaining to CapMan's business.

The major risks associated with CapMan's business are the failure of fundraising and the resignation of key personnel from the Company. Successful fundraising depends in the long-term on successful investment and exit activities, which in turn largely depend on the professional expertise of the personnel. 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. Additionally, CapMan participates actively in the business development of its portfolio companies to manage risks and grow returns, for example through work on the companies' Boards of Directors.

### IR AND COMMUNICATIONS

The objective of CapMan's Investor Relations and Communications team is to serve the Company's various stakeholder groups by giving information about CapMan's strategy, operations, objectives and business environment in a way that will give the correct picture of CapMan as an investment and partner.

# Report of the Board of Directors

## BUSINESS

CapMan's core business is private equity fund management and advisory services. The funds under management invest mainly in unlisted Nordic companies or real estate assets. CapMan Plc's income derives from management fees from the funds, carried interest from funds generating carried interest, returns on direct fund investments made from CapMan Plc's own balance sheet and returns on real estate consulting operations.

## CAPMAN PLC'S BUSINESS AREAS

CapMan provides management and advisory services in two main business areas: CapMan Private Equity (funds making investments in portfolio companies) and CapMan Real Estate (private equity real estate funds making investments in real estate assets as well as real estate consulting). Investments by CapMan funds investing in portfolio companies focus mainly on the Nordic countries in three investment areas, which are middle market buyouts (CapMan Buyout), technology investments (CapMan Technology) and life science investments (CapMan Life Science). The investment focus of CapMan's private equity real estate funds is on commercial properties in the Helsinki metropolitan area and property development in Finland.

Information on each business area is reported in its own segment in Interim Reports. Associated company Access Capital Partners has been included in the Group's figures under CapMan Private Equity. As for funds, Access Capital Partners' figures have been presented separately.

## TURNOVER AND PROFIT DEVELOPMENT IN 2006

CapMan's turnover constitutes management fees, carried interest, realised returns on direct fund investments, income from real estate consulting and other returns. There was an increase in turnover for the 2006 financial year to €38.0 million (€28.7 million in 2005).

The sum of management fees paid by the funds increased to €24.9 million (€20.3 million) as a result of management fees received from CapMan Real Estate I, CapMan Buyout VIII and CapMan Life Science IV funds. On the other hand, the sum of management fees received from older funds decreased with exits that were executed during the year.

Carried interest income received by CapMan Plc from funds generating carry totalled €9.4 million (€6.6 million). Of this, approx. €3.4 million was accrued as a result of the Tiimari exit, approx. €2.2 million as a result of the PPTH-Norden exit, approx. €0.9 million as a result of the Puulämpö Yhtiöt exit and approx. €1.7 million as a result of the CTC Media exit. Of the carried interest received from the CTC Media exit, the minority interest was €1.0 million and the share of the parent company's owners was €0.7 million. The remainder of carried interest income, €1.2 million, was accrued from several smaller carried interests received from funds generating carry.

The impact of fund investments made from CapMan's own balance sheet totalled €4.4 million (€2.1 million). Realised returns on fund investments were €0.9 million (€0.5 million) and they are mostly associated with the exits by Finnventure Fund V from Mehiläinen Oyj and Nordkalk Corporation, which were closed during the year. Fair value gains/losses associated with fund investments totalled €3.5 million (€1.6million),

and they were related in particular to value creation in CapMan Equity VII fund. The fair value of all fund investments made from CapMan's own balance sheet totalled €33.1 million at 31 December 2006.

Returns on real estate consulting operations totalled €2.0 million. In 2005 consulting income was accrued for the period July–December and totalled €0.9 million. Other operating income within turnover was €0.8 million (€0.4 million). Operating expenses were €26.6 million (€21.9 million). The rise in expenses was mainly influenced by CapMan Real Estate's operating expenses, fundraising expenses during the period for CapMan Buyout VIII and CapMan Life Science IV funds as well as development and preparation expenses for other investment activities and fundraising. The rise in personnel expenses is also partly accounted for by bonuses, which increased from the previous year in accordance with profit development.

The sale of Access Capital Partners' shares that was executed in June had a positive effect of approx. €0.6 million on CapMan Plc's result for 2006. After the transaction CapMan Plc owns 35% of the advisory/management companies of Access and the management owns 65%. The carried interest rights of CapMan related to Access funds and mandates remain unchanged following the transaction.

Operating profit for the year increased to €15.6 million (€8.4 million). The share from the result of CapMan's associated companies was €1.3 million (€0.3 million). Profit before taxes was €17.3 million (€9.4 million) and profit after taxes totalled €12.4 million (€7.0 million). Earnings per share was €0.15 (€0.09).

## BALANCE SHEET AND FINANCIAL POSITION AT 31 DECEMBER 2006

The sum of non-current assets in the balance sheet grew to €57.1 million in 2006 (€40.4 million). In line with CapMan's strategy, the sum of CapMan's own investments increased and their fair value totalled €33.1 million at the end of the year (€20.3 million). There was also an increase in non-current receivables to €13.8 million (€10.8 million). Of the receivables €10.1 million (€8.2 million) was loan receivables from Maneq funds, which make portfolio company investments along with CapMan funds and whose investors are CapMan employees in accordance with certain principles. Goodwill was €4.8 million (€4.8 million), and is directed mainly at the acquisition of Swedestart Management AB in 2002. The Company had no R&D activities during the financial year. CapMan's net cash assets, including current investments, totalled €16.9 million (€10.3 million). The Company has interest-bearing liabilities of €11.9 million (€0.0 million).

## Key ratios

	31.12.06	31.12.05
Earnings/share, €	<b>0.15</b>	0.09
Diluted, €	<b>0.15</b>	0.09
Shareholders' equity / share, €	<b>0.74</b>	0.64
Share issue adjusted number of shares	<b>76 212 849</b>	75 041 938
Number of shares at year-end	<b>77 158 698</b>	75 923 348
Number of shares outstanding	<b>77 158 698</b>	75 923 348
Return on equity, %	<b>23.4</b>	14.8
Return on investment, %	<b>29.9</b>	20.2
Equity ratio, %	<b>71.6</b>	85.8
Operating profit -%	<b>41.1</b>	29.4

## PROPOSAL OF THE BOARD OF DIRECTORS FOR PROFIT DISTRIBUTION

CapMan Plc's objective is to distribute at least half of the net profit in dividends. The Board of Directors proposes to the Annual General Meeting that a dividend of €0.12 per share (€0.07 per share), which equals to 80% (78%) of the net profit, will be distributed to shareholders for the year 2006.

## FINANCIAL OBJECTIVES

The Board of Directors of CapMan Plc approved redefined financial objectives for the Group in November. At the same time the Board approved the Group's revised vision, mission and values. The redefined financial objectives are:

- Average capital growth of funds under management at least 15% p.a.
- Return on equity over 25% p.a.
- Equity fund performance above 15% net IRR to fund investors p.a.
- Finance about 50% of CapMan Plc's future fund investments with debt financing
- Equity ratio at least 50%
- Dividend payout ratio at least 50% of the net profit

## FUNDRAISING

### Funds investing in portfolio companies

The final close of CapMan Buyout VIII fund was held on 14 June 2006 at €440 million. The fund invests in middle market buyout transactions in the Nordic countries. CapMan's own commitment into the fund is €37.5 million, and the allocation of possible carried interest that will be received from the fund is 70% for CapMan and 30% for the Buyout team.

As of the end of 2006 capital totalling €46.1 million had been committed into the CapMan Life Science IV fund, which was established on 23 March 2006. The fund invests in Nordic medical

technology companies and its fundraising still continues. CapMan's own commitment into the fund is €5 million, and the allocation of possible carried interest that will be received from the fund is 50% for CapMan and 50% for the Life Science team.

Additionally, CapMan commenced fundraising for the CapMan Technology 2007 fund during the second half of 2006.

### Real estate funds

CapMan held the first close of its second private equity real estate fund CapMan RE II Ky on 26 September 2006 with commitments totalling €69 million from eight institutional investors. The aim is that an average 75% of the fund's investments are financed with debt financing, in which case the fund has an investment capacity totalling €276 million. CapMan RE II's investment focus is on property development targets in Finland. The fund's management company, CapMan Plc's subsidiary CapMan RE II GP Oy, has a commitment of €2 million into the fund. CapMan Plc's share of possible carried interest that will be received from CapMan RE II is 60% and the aggregate share of the Real Estate investment team and the management company's other owner Corintium Oy is 40%.

## CAPITAL UNDER MANAGEMENT

As at 31 December 2006 CapMan managed a total of €2,549.6 million in capital (€2,176.1 million at 31 December 2005). Capital under management in funds making direct portfolio company investments totalled €1,773.6 million (€ 1,676.1 million). There was a growth in capital during the year as a result of fundraising for CapMan Buyout VIII and CapMan Life Science IV funds and a fall in capital as a result of the termination of investment operations by Swedestart II fund, Finnmezzanine Fund I and Alliance ScanEast Fund. Capital under management in real estate funds grew

as a result of fundraising for CapMan RE II fund and totalled €776 million (€500 million).

## CAPITAL UNDER MANAGEMENT BY ASSOCIATED COMPANY ACCESS CAPITAL PARTNERS

CapMan Plc's associated company Access Capital Partners managed/advised €1,637.5 million (€1,076.7 million) in total assets as at 31 December 2006. Of this, €918.1 million (€671.7 million) was in funds of funds and €719.4 million (€405.0 million) in private equity investment mandates. Fundraising for Access Capital Fund III continued in 2006. The fund consists of buyout and technology subfunds. Access Capital Fund III Technology Europe held a final close at €83.5 million during the last quarter of 2006. The Access Capital Fund III Mid-market Buyout Europe subfund held a final close at the end of the year at €307.4 million.

## INVESTMENTS AND EXITS BY THE FUNDS IN 2006

### Funds investing in portfolio companies

In 2006 the funds made eight new investments, nine substantial add-on investments and several smaller add-on investments, investing €158.8 million in total. There were new investments in Maintpartner Oy, MQ Sweden AB, Neoventa Medical AB, OneMed Group Oy (formerly Tamro MedLab Oy), 42Networks AB (acquired later by PacketFront Sweden AB), ProstaLund AB, QuickCool AB and Spintop Netsolution AB. Substantial add-on investments were made in Animex AB, Ascade AB, InfoCare Holding AS, OneMed Group Oy, Tokmanni Oy, TriTech Technology AB, SciBase AB, Silex Microsystems AB and Solid Information Technology Ltd. Additionally a new investment in Komax Oy was announced in the last quarter and finalised in early 2007.

The funds exited in total from 14 companies in 2006: AtBusiness Communications Corporation, CTC Media Inc., Drobe VAB, Kultajousi Oy, Matkatoimisto Oy, Matka-Vekka, Mehiläinen Oyj, Modultek Oy, Nordkalk Corporation, PPTH-Norden Oy, ProstaLund AB, Puulämpö Yhtiöt Oy, Quartal Oy, RGS90 A/S and Tiimari Plc. Additionally Finlayson & Co Oy and Staffpoint Oy repaid their mezzanine loans and Lumene Oy made a substantial mezzanine loan repayment. Exits at acquisition cost (including partial exits and mezzanine loan instalments) for the year totalled €173.8 million.

### Real estate funds

CapMan Real Estate I Fund made four new investments in 2006. The new assets are Kiinteistöosaakeyhtiö Erottajankatu 15–17, Kiinteistöosaakeyhtiö Malmin Nova, Kiinteistö Oy Tikkurilantie 136 and the building and leasing rights to the site located at Henry Fordinkatu 6. Additionally, the last of the real estate acquisitions that were agreed in connection with the establishment of CapMan Real Estate I Fund were closed in January. The sum of gross investments for the financial year was €78.7 million.



## Investments and exits at acquisition cost, M€

	1–12/2006	1–12/2005
<b>New and follow-on investments</b>		
Funds investing in portfolio companies	<b>158.8</b>	127.3
Buyout	<b>127.8</b>	96.7
Technology	<b>16.8</b>	25.6
Life Science	<b>14.2</b>	5.0
Real estate funds	<b>78.7</b>	225.7
<b>Total</b>	<b>237.5</b>	353.0
<b>Exits*</b>		
Funds investing in portfolio companies	<b>173.8</b>	118.7
Buyout	<b>144.7</b>	78.0
Technology	<b>24.7</b>	31.8
Life Science	<b>4.4</b>	8.9
Real estate funds	-	-
<b>Total</b>	<b>173.8</b>	118.7

\* incl. partial exits and mezzanine loan instalments

## STATUS OF CAPMAN FUNDS AS AT 31 DECEMBER 2006

### Funds investing in portfolio companies

Investments in portfolio companies at acquisition cost totalled €571.8 million at year-end. The fair value of investments was €677.5 million. The funds' portfolios are valued to fair value in accordance with the guidelines of EVCA (European Private Equity and Venture Capital Association).

Excluding realised and estimated future expenses, CapMan funds had an investment capacity of about €700 million for new and follow-on investments in portfolio companies as at 31 December 2006. Of this, approx. €590 million is reserved for buyout investments (incl. mezzanine), approx. €65 million for technology investments and approx. €45 million for life science investments.

### Real estate funds

At the end of 2006, the funds' investments in real estate assets at acquisition cost totalled €304.4 million and the fair value of investments was €377.5 million. The fair value of assets is based on the transaction that was announced in December and closed at the end of January 2007 whereby CapMan Real Estate I Fund sold its portfolio of 22 properties to an international consortium of investors. The focus of the portfolio at year-end was on properties with a medium level risk/return profile. As at 31 December 2006 the vacancy rate of the properties was 3.2% and average length of lease contracts 4.4 years. After the second closing of CapMan RE II fund at the start of February 2007, the funds have an investment capacity of about €750 million for new investments.

### Funds' gross portfolio\* as at 31 December 2006, M€

	Portfolio at acquisition cost	Portfolio at fair value	Share of portfolio (fair value) %
Funds investing in portfolio companies	571.8	677.5	64.2
Real estate funds	304.4	377.5	35.8
<b>Total</b>	<b>876.2</b>	<b>1,055.0</b>	<b>100.0</b>
Funds investing in portfolio companies			
Buyout	431.0	539.5	79.6
Technology	106.8	105.7	15.6
Life Science	34.0	32.3	4.8
<b>Total</b>	<b>571.8</b>	<b>677.5</b>	<b>100.0</b>

\* Gross portfolio of all portfolio companies and real estate assets managed by CapMan funds.

## FUNDS GENERATING CARRIED INTEREST AS AT 31 DECEMBER 2006

A private equity fund begins to generate carried interest after the investors have regained their investment in addition to a preferred annual return, usually 7–8%. At the end of 2006 the CapMan funds already generating carried interest were Finnventure Fund II (since 1997); Finnventure Fund III (since 2000); the Fenno/Skandia II (since 2004), Fenno/Skandia I (since 2005) and Fenno (since 2005) funds co-managed by CapMan and Fenno Management Oy; and Finnmezzanine Fund II B (since 2006). Finnmezzanine II B began to generate carried interest following Finlayson & Co Oy's repayment of its mezzanine loan to the fund during the year, and the exits from Mehiläinen Oyj and Nordkalk Corporation moved Finnventure Fund V close to carry.

At 31 December 2006 the fair value of the current portfolios of funds generating carried interest totalled €22.2 million, which represents 3.3% of fair value of portfolios of all funds investing directly in portfolio companies (€677.5 million) and 2.1% of fair value of portfolios of all funds at 31 December 2006 (€1,055.0 million). Information on each fund's investment targets is presented on CapMan's website at [www.capman.com/En/InvestorRelations/Funds](http://www.capman.com/En/InvestorRelations/Funds).

CapMan's share of carried interest received from funds generating carry is 20–25% of a fund's cash flow in the case of CapMan funds that were established before 2004, and 10–15% for newer funds. The lower carried interest percentage for newer funds results from the distribution of a share of carried interest to the members of the investment team responsible for the funds' investment activities during its life cycle (typically 10 years), in accordance with common practice in the private equity investment industry.

## CAPMAN'S OWN INVESTMENTS IN THE FUNDS

Since 2002, CapMan Plc has been a substantial investor in the funds managed by the Group. The Company's objective is to invest about 5–10% of the total capital in future equity funds from its own balance sheet. The investment strategy, which applies to investments by equity funds investing in portfolio companies, aims to improve the Company's return on equity and to even out fluctuations in income in coming years with returns from these investments. The investments made have been valued at fair value in accordance with EVCA guidelines. There may be quarterly changes in fair value gains and/or losses and, in addition to the value creation of portfolio companies, these are affected by executed realisations.

CapMan, like other investors in the funds, gives commitments to the funds when they are established. As at 31 December 2006 the total amount of current investments at fair value and remaining commitments was €83.6 million, of which remaining commitments totalled €50.5 million. Of these commitments €30.8 million is targeted for CapMan Buyout VIII, with the remainder targeting mainly CapMan Life Science IV, CapMan Mezzanine IV, CapMan Equity VII and Access Capital Fund II funds. The commitments will be drawn down gradually within the next 3–5 years as new investments are made. Fund investments (the called-in commitments) for the year totalled €13.2 million (€7.7 million). The majority of investments were made in CapMan Buyout VIII, Swedestart Tech and Access Capital Fund II funds. The fair value of cumulative fund investments made from CapMan's own balance sheet was €33.1 million as at 31 December 2006.

### CapMan's investments and commitments in the funds as at 31 December 2006, M€

	Investments at fair value	Remaining commitments	In total
Funds investing in portfolio companies			
Equity funds	24.1	39.2	63.3
Mezzanine funds	1.7	6.0	7.7
Funds of funds*	6.7	2.5	9.2
	32.5	47.7	80.2
Real estate funds	0.6	2.8	3.4
<b>Total</b>	<b>33.1</b>	<b>50.5</b>	<b>83.6</b>

\* Managed/advised by CapMan's associated company Access Capital Partners.

### CapMan's investments in the funds for the period 1 January - 31 December 2006, M€

	1-12/2006	1-12/2005
Funds investing in portfolio companies		
Equity funds	<b>9.8</b>	5.0
Mezzanine funds	<b>0.7</b>	0.3
Funds of funds*	<b>2.6</b>	2.2
	<b>13.1</b>	7.5
Real estate funds	<b>0.1</b>	0.2
<b>Total</b>	<b>13.2</b>	7.7

\* Managed/advised by CapMan's associated company Access Capital Partners.

### PERSONNEL

	31.12.2006	31.12.2005
CapMan Private Equity	<b>38</b>	39
CapMan Real Estate	<b>24</b>	15
General functions	<b>36</b>	33
<b>Total</b>	<b>98</b>	87

As at 31 December 2006 the Group had 98 (87) employees, of whom 72 (59) were located in Finland and the remainder in other Nordic countries. In addition there were five Senior Advisors and two other advisors acting as consultants for CapMan. Four of the Senior Advisors were located in Finland and one in Denmark.

### CHANGES IN MANAGEMENT

On 15 May 2006 Senior Partner Petri Saavalainen was appointed as a member of the Management Group of CapMan Plc, effective 1 August 2006, with responsibility for Group Business Development.

Senior Partner Vesa Vanha-Honko resigned his post as a member of the Management Group as of 1 August 2006 and he transferred from operational duties in CapMan as of 1 September 2006. As of 1 August 2006 the reporting of the real estate business has transferred under Senior Partner Olli Liitola, CFO.

### SHARES AND SHAREHOLDERS

#### Share series

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 2006 the total number of A shares was 8,000,000 and the total number of listed B shares was 69,158,698. A shares represent 10.3% of all shares and entitle to 53.6% of all votes. B shares represent 89.6% of all shares and entitle to 46.4% of all votes. The nominal share value is €0.01.

CapMan Plc's B share is quoted 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. Companies owned by CapMan's Senior Partners at the time of the Company's listing own all 8,000,000 A shares.

#### Redemption obligation clause

A shareholder whose share of the entire share capital of the Company or votes produced by the shares reaches or exceeds 33.3% or 50% has, at the request of other shareholders, the obligation to redeem his or her shares and related securities

in accordance with the Articles of Association of CapMan Plc.

In addition there is a redemption clause pertaining to the transfer of CapMan Plc A shares. If an A share is transferred to a new shareholder who does not already own A shares in the Company, the other shareholders of A shares have the right to redeem the shares under transfer in accordance with the conditions outlined in the Company's Articles of Association.

#### Increase in the share capital in 2006

The share capital of CapMan Plc was increased by €12,353.50 during the year when CapMan B shares were subscribed with 2000A/B options. At 31 December 2006 the Company's share capital totalled €771,586.98.

#### Trading and price development of shares and options

	B shares		2000A/B stock options		2003A stock options
	1-12/2006	1-12/2005	1-12/2006	1-12/2005	10-12/2006
Trading turnover, number	<b>21 162 823</b>	19 141 024	<b>1 574 249</b>	1 868 300	<b>92 450</b>
Trading value, M€	<b>58.3</b>	49.9	<b>3.3</b>	3.4	<b>0.1</b>
Trading price, €					
Highest	<b>3.15</b>	3.23	<b>2.28</b>	2.45	<b>1.53</b>
Lowest	<b>2.33</b>	2.24	<b>1.62</b>	1.35	<b>1.19</b>
Volume weighted average price	<b>2.74</b>	2.61	<b>2.11</b>	1.82	<b>1.40</b>
Closing price 31.12	<b>3.02</b>	2.84	<b>2.20</b>	1.98	<b>1.49</b>

There was an increase in trading turnover and value of B shares traded in 2006 compared to the previous year. At year-end the market value of CapMan B shares was €208.9 million (€192.9 million) and the Company's total market capitalisation, including CapMan A shares, was €233.0 million (€215.6 million).

There was a slight fall in the trading turnover of 2000A/B stock options compared to 2005, but the value of options traded remained at the level

of the previous year. The subscription period for 2000A/B options expires on 31 October 2007. The listing of 2003A options commenced in October 2006. No shares had been subscribed with 2003A options as at 31 December 2006.

CapMan Plc had 5,103 (5,683) shareholders at the end of 2006. There were no significant changes in ownership structure or notices of flagging during the year.

#### The company's management and authorisations of the Board of Directors

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 Meeting and continues until the closing of the following AGM. In 2006, the Annual General Meeting elected the following persons to the Board: Tapio Hintikka, Lennart Jacobsson, Urban Jansson, Teuvo Salminen and Ari Tolppanen.

The Board of Directors elects the CEO and Deputy CEO of CapMan Plc. 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. In 2006, Heikki Westerlund acted as CEO and Olli Liitola as his Deputy.



The Annual General Meeting of CapMan Plc held on 22 March 2006 decided to authorise the Board of Directors to resolve to increase the Company's share capital by a maximum of €150,000.00 and to repurchase or dispose of a maximum of 7,500,000 of the Company's own B shares. The authorisations are valid for one year from the decision of the AGM. The authorisations had not been used as of 31 December 2006.

## OTHER EVENTS IN 2006

### Sale of CapMan Real Estate I fund's portfolio

In December CapMan Real Estate I Fund sold the then investment portfolio comprising 22 commercial properties to Samson Properties Ltd, The Royal Bank of Scotland plc (RBS) and Ajanta Oy for €377.5 million. The transaction was closed on 31 January 2007. The sale of the real estate portfolio transferred CapMan Real Estate I Fund to carry and it has an impact of approx. €13.5 million on CapMan's result for 2007, taking minority interest into consideration, as a result of carried interest received from the fund. CapMan Real Estate I and II funds will continue their active investment operations after the transaction.

## EVENTS AFTER THE REVIEW PERIOD

The investment capacity of CapMan's second private equity real estate fund CapMan RE II Ky rose to approximately €550 million with the fund's second closing which was held on 1 February 2007. CapMan RE II invests mainly in property development in Finland. The fundraising for CapMan RE II continues in 2007 and its investment capacity can rise at maximum to €600 million.

CapMan funds' partial exit from Moventas Oy was published at the end of January. CapMan Plc is a substantial investor in the CapMan Equity VII

fund that will partially exit from Moventas and the impact of the transaction on CapMan's result for 2007 is €1.5 million as a result of fair value gains of the fund investment.

## FUTURE OUTLOOK

### CapMan Private Equity

Private equity investment in Europe is estimated to show growth in the mid and long term. The foundation for growth is the increasing inclusion of private equity investment as a part of investment allocations by institutional investors and other substantial investor groups. Private equity investment has also claimed some of the role that has traditionally been played by public markets in the financing of M&A and growth. The growth of traditional private equity investment in unlisted companies in the Nordic countries continues to be accelerated by consolidation in various sectors, family successions, privatisation of public services and functions, strong investment in research and development in technology and life science sectors, and increasing entrepreneurial activity.

The competition for middle market investee companies in buyout markets is fierce because of the number of players and the plentiful availability of loan financing. However the largest and most publicly visible investment volume is still focused in the bigger buyout segment, where deals are larger, whereas CapMan's focus is on middle market buyouts. Competition is also visible in the markets as a rise in investment professionals' compensation levels. CapMan's local presence in different Nordic countries, which enables the active search for investee companies throughout the Nordic region, is important in the prevailing competitive situation. The competition in technology and life science sectors is less fierce and

there are good opportunities for syndicated investments.

CapMan will continue to implement its portfolio company investment strategy on a Nordic level. The number of new potential investee companies remains at a good level, and CapMan has solid resources for value creation in its portfolio companies via active work on the companies' Boards of Directors.

CapMan is in a good position to continue as a proactive player in the private equity market, as its funds making investments in portfolio companies have approximately €700 million in capital for new and follow-on investments. Fundraising for CapMan Life Science IV and CapMan Technology 2007 funds still continues.

### CapMan Real Estate

The popularity of private equity real estate funds, which offer institutional investors the opportunity to make indirect investments in real estate assets, has continued in Europe. The number of funds is growing in Finland also. As a result of globalisation of property markets, the introduction of the euro and the interest rate level, foreign investors have become an important market player also in Finland's relatively small real estate markets. On the one hand the increasing number of foreign investors and the increased demand have further raised property prices, but on the other hand improved the liquidity of investments in real estate assets. In the past two years a substantial proportion of Finnish real estate deals in the Helsinki metropolitan area have been won by international investors. This phenomenon continued also in 2006, for which the total number of transactions is predicted to reach a new record of over €5 billion. The new demand also targets real estate assets outside the Helsinki region.

Economic growth in Finland is expected to remain positive in 2007, which in turn positively

impacts on employment and in this way on demand for rental properties and on vacancy rates. Tenants are now interested in prime locations and high-class premises that support the users' line of business. The growing demand for quality creates attractive opportunities for our real estate consulting operations.

CapMan's Real Estate funds have strong personnel resources and an investment capacity totalling approx. €750 million for new real estate investments and development of the current portfolio. We believe that also in future, in spite of the tight competition, it will still be possible to find properties that fit the investment focus of our funds and which we can acquire for further development on competitive terms in the market.

### CapMan Plc Group

The profit before taxes for 2007 will improve from 2006. This estimate is based on the closing of the sale of CapMan Real Estate I fund's portfolio and on the funds' announced partial exit from Moventas Oy at the end of January. These transactions have, taking the minority interest into consideration, an impact of approximately €15 million on the 2007 result. The final result for 2007 will depend on how many exits are made from portfolio companies owned by funds already generating carried interest, on the possible transfer of new funds to carry, and on how the value of investments develops in those funds in which CapMan is a substantial investor.

According to our understanding the exit markets will remain favourable. It is estimated that Finnventure Fund V, Finnventure Fund IV and CapMan Equity VII A, B and Sweden funds will begin to generate carried interest during 2007–2008. The transfer of Finnventure Fund V to carry requires approx. €2 million net cash flow to fund investors. The funds investing in portfolio companies have several exit processes underway.

## Consolidated Balance Sheet (IFRS)

€ ('000)	Note	31.12.2006	31.12.2005
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible assets	10	672	980
Goodwill	11	4 845	4 845
Other intangible assets	12	710	767
Investments in associated companies	13	2 860	1 099
Investments at fair value through profit and loss	14		
Investments in funds		33 122	20 288
Other financial assets		848	1 037
Receivables	15	13 835	10 795
Deferred tax assets	16	231	545
		<b>57 123</b>	<b>40 356</b>
<b>Current assets</b>			
Trade and other receivables	17	5 521	6 536
Other financial assets at fair value	18	2 779	3 462
Cash and bank		14 137	6 846
		<b>22 437</b>	<b>16 844</b>
<b>Total assets</b>		<b>79 560</b>	<b>57 200</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital attributable to the Company's equity holders</b>			
Share capital	19	772	759
Share premium account		38 968	38 157
Other reserves		1 218	948
Translation difference		316	-148
Retained earnings		15 074	9 156
		<b>56 348</b>	<b>48 872</b>
<b>Minority interest</b>		<b>599</b>	<b>220</b>
<b>Total equity</b>		<b>56 947</b>	<b>49 092</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	16	2 234	680
Interest-bearing loans and borrowings	20	10 000	0
Other liabilities	21	430	1 299
		<b>12 664</b>	<b>1 979</b>
<b>Current liabilities</b>			
Trade and other payables	22	7 409	5 777
Interest-bearing loans and borrowings	23	1 944	0
Current income tax liabilities		596	352
		<b>9 949</b>	<b>6 129</b>
<b>Total liabilities</b>		<b>22 613</b>	<b>8 108</b>
<b>Total equity and liabilities</b>		<b>79 560</b>	<b>57 200</b>

## Consolidated Income Statement (IFRS)

€ ('000)	Note	1.1.-31.12.2006	1.1.-31.12.2005
<b>Turnover</b>	2	<b>38 032</b>	28 689
Other operating income	3	687	56
Personnel expenses	4	-13 958	-11 137
Depreciation and amortisation	5	-726	-774
Other operating expenses	6	-11 958	-9 998
Fair value gains / losses of investments		3 549	1 583
<b>Operating profit</b>		<b>15 626</b>	8 419
Financial income and expenses	7	420	757
Share of associated companies' result		1 279	250
<b>Profit before taxes</b>		<b>17 325</b>	9 426
Income taxes	8	-4 893	-2 451
<b>Profit for the financial year</b>		<b>12 432</b>	6 975
<b>Attributable to:</b>			
Equity holders of the Company		11 455	6 816
Minority interest		977	159
<b>Earnings per share for profit attributable to the equity holders of the Company:</b>			
Earnings per share, €	9	0.15	0.09
Diluted, €	9	0.15	0.09

## Consolidated Statement of Changes in Equity (IFRS)

Attributable to the equity holders of the Company								
€ ('000)	Share capital	Share premium account	Other reserves	Translation difference	Retained earnings	Total	Minority interest	Total equity
<b>Equity on 31 December 2005</b>	759	38 157	948	-148	9 156	48 872	220	49 092
Share subscriptions with options	13	811						
Translation difference				464			9	
Options			270		-222			
Profit for the financial year					11 455		977	
Dividends paid					-5 315		-607	
<b>Equity on 31 December 2006</b>	772	38 968	1 218	316	15 074	56 348	599	56 947

## Consolidated Cash Flow Statement (IFRS)

€ ('000)	1.1.-31.12.2006	1.1.-31.12.2005
<b>Cash flow from operations</b>		
Operating profit	11 455	6 816
Depreciation, amortisation and other adjustments to operating profit	352	789
Change in working capital	889	1 709
Interest paid	-127	-29
Interest received	901	273
Dividends received	57	380
Taxes paid	-2 379	-3 671
<b>Cash flow from operations</b>	<b>11 148</b>	<b>6 267</b>
<b>Cash flow from investments</b>		
Investments in tangible and intangible assets	-337	-303
Investments in funds and other placements	-9 184	-4 276
Proceeds from sale of tangible assets	55	135
<b>Cash flow from investments</b>	<b>-9 466</b>	<b>-4 444</b>
<b>Financial cash flow</b>		
Share issue	889	817
Short-term loan receivables granted	0	-328
Repayment of short-term receivables	0	142
Long-term loan receivables granted	-7 185	-3 600
Repayment of long-term receivables	5 201	560
Proceeds from borrowings	11 944	0
Dividends paid	-5 923	-4 603
Other financial assets at fair value	683	2 035
<b>Financial cash flow</b>	<b>5 609</b>	<b>-4 977</b>
<b>Change in cash funds</b>	<b>7 291</b>	<b>-3 154</b>
Cash funds at start of the period	6 846	10 000
<b>Cash funds at end of the period</b>	<b>14 137</b>	<b>6 846</b>
<b>Change in working capital:</b>		
Change in current non-interest-bearing receivables	159	-1 451
Change in current trade payables and other non-interest-bearing liabilities	730	3 160
	<b>889</b>	<b>1 709</b>

# Notes to the Consolidated Financial Statements (IFRS)

## 1. ACCOUNTING PRINCIPLES

CapMan Plc ("CapMan") is a public limited company incorporated and domiciled in Helsinki, Finland. CapMan's core business is private equity fund management and advisory services. The funds under management invest mainly in unquoted Nordic companies or real estate assets. A copy of the Consolidated Financial Statements can be obtained from CapMan Plc, Korkeavuorenkatu 32, 00130 Helsinki, Finland.

The Group's financial statements for 2006 have been drafted in accordance with EU-approved International Financial Reporting Standards (IFRS). The information in these financial statements is presented in thousands of euros.

### Basis of preparation

The Consolidated Financial Statements include the accounts of all Group companies and associated companies, excluding inoperative subsidiaries. Subsidiaries are enterprises in which the Group has the control (the Group acquires or has the power over more than one half of the voting rights or it has the power to govern the operating and financial policies of the other enterprise as a result of a statute). Subsidiaries are consolidated from the date on which control of the net assets and operations of the enterprise is effectively transferred to CapMan for acquired subsidiaries, and to the date when CapMan's control has expired for divested subsidiaries. Subsidiaries have been consolidated to the Group Financial Statements in accordance with the purchase method of accounting. For subsidiaries acquired on or subsequent to 1 January 2004, the excess acquisition cost over the Group's interest in the fair value of the net assets acquired at the acquisition date is recognised as goodwill. All intercompany transactions, intercompany receivables and liabilities as well as intra-Group dividends have been eliminated.

Minority interests are presented separately in the income statement and within equity in the consolidated balance sheet. A share of accumulated loss is separated only to the extent the deficit is covered by minority shareholdings.

### Associated companies

The associated companies have been consolidated in accordance with the equity method. An associated com-

pany is an entity in which the Group has significant influence (more than 20% of the voting rights), but does not have the control. Under the equity method, the investment in the associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of the company's net assets less any impairment in value. The Group's share (based on its holding) of the associated companies' net profit for the financial period has been reported under financial items.

### Translation difference

The result and financial position of each of the Group's business units are measured in the currency of the primary economic environment for that unit ("functional currency"). The Consolidated Financial Statements are presented in euros, which is the functional and presentation currency of the Group's parent company.

Transactions in foreign currencies have been recorded in the functional currency at the rates of exchange prevailing at the date of the transactions; in practice a reasonable approximation of the actual rate of exchange on the date of the transaction is often used. Foreign exchange differences for operating business items are recorded in the appropriate income statement account before operating profit and for financial items are recorded in financial income and expenses. The Group's foreign currency items have not been hedged.

The financial statements of foreign subsidiaries have been translated into euros at the average year-end exchange rate. The same exchange rate has been used in translating the income statement and the balance sheet, as the change caused by exchange rate fluctuations has been assumed to be minimal. Translation differences caused by changes in exchange rates for the cumulative shareholders' equity of foreign subsidiaries have been recognised in shareholders' equity.

When a subsidiary is wholly or partially divested, the cumulative amount of the translation differences is recognised in the income statement under profit or loss. Translation differences arising prior to 1 January 2004 have been recorded under the translation differences fund, and the exemption allowed by the IFRS 1 standard has not been used.

As of 1 January 2004, the goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on

the acquisition of that foreign operation have been treated as part of the assets and liabilities of the foreign operation and translated into euros at the year-end exchange rate. For acquisitions before 1 January 2004 the goodwill and fair value adjustments have been recorded in euros.

### Tangible non-current assets

Tangible non-current assets have been reported in the balance sheet at their acquisition value less depreciation according to plan. Assets are amortised on a straight-line basis over their estimated useful lives. The estimated useful lives are:

Machinery and equipment	4–5 years
Other long-term expenditure	5 years

The residual values and useful lives of assets are reviewed at each balance sheet date and adjusted to reflect changes in the expected economic benefits as necessary.

### Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the acquired enterprise (subsidiary or associated company) over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of acquisition. Goodwill arising from acquisitions prior to 1 January 2004 is recognised as the carrying value at cost in accordance with accounting principles applicable at the date of acquisition.

### Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets are recognised in the balance sheet only if the cost of the asset can be measured reliably and it is probable that the future economic benefits that are attributable to the asset will flow to the Group. Intangible assets acquired in business combinations that are classified as acquisitions are recognised in the balance sheet separate to goodwill, provided that they meet the definition of intangible assets and the cost of the assets can be measured reliably. Intangible assets are expensed in the income statement by the straight-line method over their useful lives (maximum ten years). The carrying amount is assessed for impairment whenever there is an indication that the intangible asset may be impaired.

### Impairment of assets

The Group reviews all assets for indications that the value of an asset may be impaired at each balance sheet date. If such indications exist, the recoverable amount of the asset in question is estimated. The recoverable amount is also measured annually independent of indications of impairment for the following assets: goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use.

The need for impairment is assessed on the level of cash-generating units, in other words at the smallest identifiable group of assets that is largely independent of other units and cash inflows from other assets. The recoverable amount is the fair value of an asset less costs to sell or value in use. The value in use refers to the expected future net cash flow projections, which are discounted to the present value, received from the asset in question or the cash-generating unit. The discount rate used in measuring value in use is the rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment is recorded directly in the income statement as an expense. The recoverable amount for financial assets is either the fair value or the present value of expected future cash flows discounted by the initial effective interest rate.

An impairment loss is recognised whenever the recoverable amount of the asset is below the carrying amount, and it is recognised in the income statement immediately. An impairment loss of a cash-generating unit is first allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets of the unit pro rata. An impairment loss is reversed if there is an indication that an impairment loss may have decreased and the carrying amount of the asset has changed from the recognition date of the impairment loss.

The increased carrying amount due to reversal is not more than what the depreciated historical cost would have been if the impairment had not been recognised. Reversal of an impairment loss for goodwill is prohibited. An impairment loss of an equity investment that has been classified as an available-for-sale financial asset is also not reversed through profit and loss. In accordance with IAS 39 the receivables carried at amortised cost accrue interest income at the discount rate used to measure impairment after impairment has been recognised. The carrying

amount of goodwill is reviewed for impairment annually or more frequently if there is an indication that goodwill may be impaired, due to events and circumstances that may increase the probability of impairment.

#### Financial instruments

The Group's financial instruments have been classified according to the IAS 39 standard (amended in 2004) Financial Instruments: Recognition and Measurement into the following categories:

- 1) financial assets at fair value through profit and loss,
- 2) held-to-maturity investments,
- 3) loans and other receivables, and
- 4) available-for-sale financial assets.

Classification is made on the basis of the purpose of the acquisition of financial instruments at the time of initial recognition. Transaction costs have been reported in the initial cost of financial assets, excluding items valued at fair value through profit and loss. All purchases and sales of financial instruments are recognised on the trade date. An asset is eligible for derecognition and removed from the balance sheet when the Group has transferred the contractual rights to receive the cash flows or when it has substantially transferred all of the risks and rewards of ownership of the asset outside of the Group.

The financial assets at fair value through profit and loss group has been divided into two subcategories:

- 1) held for trading, and
- 2) upon initial recognition designated as at fair value through profit and loss.

Financial assets are classified as held for trading if they are acquired principally for the purpose of generating a profit from short-term fluctuations in price and financial assets with a maturity less than 12 months are included in current assets. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. Both unrealised and realised gains and losses caused by changes in fair value are reported in the income statement for the financial period in which they arise.

#### Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value using market values at the balance sheet date. In case there is no market price available at the balance sheet date, the fair value is determined using recent arm's length transactions, reference to the current market value of another instrument that is substantially the same, or discounted cash flow analysis. Most of the available-for-sale financial assets are fund investments, for which fair value is calculated by using the guidelines of the European Private Equity & Venture Capital Association (EVCA) valuation principles and, taking into account the valuation principles in IAS 39 for the fair value of investments that are not quoted in an active market, using multiples based on the current performance level of the portfolio companies. Investments for which fair value cannot be reliably estimated are valued at cost less any permanent impairment losses.

#### Loans and other receivables

Loans and other receivables include the Group's financial assets arising from the transfer of cash or services to a debtor. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are reported in current and non-current financial assets (the latter if their maturity exceeds 12 months) and are measured at amortised cost using the effective interest method in case of significant deviation from the nominal rate. Gains and losses are recognised as income when the investments are derecognised or impaired. Impairment is recognised if there is objective evidence that the value of the item in question has been impaired at the balance sheet date.

#### Trade and other receivables

Trade receivables are carried at original invoice amount less an allowance for any uncollectible amounts. Provision is made when there is objective evidence that the Group will not be able to collect the debts under the original terms and conditions. The Placement Agent Fee relating to fundraising has been amortised over five years.

#### Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash in banks and in hand and liquid short-term deposits. Short-term investments to third party funds have been

categorised as financial assets at fair value through profit and loss and are presented in that category.

Financial liabilities are initially recognised at fair value on the basis of the consideration. Transaction costs are reported in the initial book value of the financial liability. After initial recognition all financial liabilities are subsequently measured at amortised cost using the effective interest method. Financial liabilities are reported in non-current and current liabilities and they may be interest bearing or non-interest bearing.

#### Provisions

Provisions are recognised in case the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow will be required to settle the obligation and a reliable estimate can be made.

#### Pensions

The Group has defined contribution pension plans in accordance with the local regulations and practices of its business domiciles. Payments to defined contribution pension plans are charged to the income statement in the financial period to which they relate. The pensions have been arranged through insurance policies of external pension institutions.

#### Employee benefits

The Group has applied IFRS 2 Share-based Payment standards to all stock option programs in which options have been granted after 7 November 2002, and to which rights have not been vested before 1 January 2005. Expenses on prior stock option programs have not been reported in the income statement. The fair value of stock options is assessed at the grant date and expensed in even instalments in the income statement over the vesting period of the rights. The fair value is determined using the Black & Scholes pricing model.

The Group offers a sabbatical program for key personnel based on the number of years of full-time work for the Company. The liability of the sabbatical has been estimated and recorded on the basis of probability.

#### Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the amount

of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

1. Management fees paid by the funds are accounted for on a straight-line basis over the agreement terms on an ongoing basis.
2. Carried interest received from the funds is accounted for when the portfolio company has been exited and the whole fund has entered into the carried interest phase. An exit has been closed when the approval has been received from the Competition Authority and when all significant risks and benefits related to the portfolio company have been transferred to the buyer. When assessing if the revenue recognition criteria have been fulfilled, potential repayment risk to the funds (claw-back), resulting from the representations and warranties given to the buyer in the sales and purchase agreement, will be considered. This will be done for exits where the fund is towards the end of its life cycle.
3. Realised returns on fund investments are recognised in the income statement within turnover either as returns on fund investments or alternatively they are included in fair value gains/losses of investments. Realised cash flows in those funds in which CapMan is a substantial investor are recognised in the balance sheet under investments, until the total capital is returned. The cash flow generated after the capital has been returned is recognised in the income statement under returns on fund investments.
4. Consulting fees are recognised when the service has been rendered.

#### Income taxes

Tax expenses in the consolidated income statement comprise taxes on taxable income and changes in deferred taxes for the financial period. Taxes on taxable income for the financial period are calculated on the basis of the tax rate in force for the country in question. Taxes are adjusted on the basis of deferred income tax assets and liabilities from previous financial periods, if applicable. The Group's taxes have been recognised during the financial year using the average expected tax rate.

Deferred taxes are calculated on all temporary differences between the carrying amount and the tax base. Deferred taxes have only been recognised to the extent that it is

probable that taxable profit will be available against which the deductible temporary differences can be utilised. The largest temporary differences arise from the valuation of investments at fair value. Deferred taxes are not recognised for non-tax deductible amortisation of goodwill. Deferred taxes have been measured at the statutory tax rates that have been enacted by the balance sheet date.

#### Estimate of the future impact of new standards

The IFRS standards and interpretations or IFRIC guidelines for application listed below have been published during the financial year, some of which will come into effect in 2007 or thereafter. The provisions that came into effect in 2006 have not impacted the Group's accounting or reporting. The Group has elected not to preliminarily apply the IFRS or IAS/IFRS standards and interpretations that will come into effect in 2007 or thereafter. According to the Group's understanding the provisions that will come into effect in 2007 will not have substantial impact on the Group's financial reporting. The impact of provisions that will come into effect thereafter will be analysed closer to their effective date.

- IFRS 8, Operating Segments
- IFRIC 12, Service Concessions Arrangements
- IFRIC 10, Interim Financial Reporting and Impairment
- IFRIC 9, Reassessment of Embedded Derivatives
- IFRIC 8, Scope of IFRS 2
- Amendment to IAS 21: Net Investment in a Foreign Operation
- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies
- IFRIC 6, Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
- IFRS 7, Financial Instruments: Disclosures
- Amendment to IAS 1 - Capital Disclosures

- Amendment to IAS 39 and IFRS 4 - Financial Guarantee Contracts
- Amendment to IFRS 1 and IFRS 6
- Amendment to IAS 39 - The Fair Value Option
- Amendment to IAS 39 Cash Flow Hedge Accounting of Forecast Intragroup Transactions
- Amendments to IAS 19 'Employee Benefits': Actuarial Gains and Losses, Group Plans and Disclosures
- IFRS 6, Exploration for and Evaluation of Mineral Resources
- IFRIC 4, Determining Whether an Arrangement Contains a Lease
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds

#### Use of estimates

The preparation of the financial statements in conformity with IFRS standards requires the management of the Group to make estimates and assumptions in applying the accounting principles. These estimates and assumptions have an impact on the reported amount of assets and liabilities and disclosure of contingent liabilities in the balance sheet of the financial statements and on the reported amounts of income and expenses during the reporting period. Estimates have substantial impact on the Group's operating result. Estimates and assumptions have been used in impairment of goodwill, intangible and tangible assets, in determining the useful economic lives and in reporting of deferred taxes, among others.

#### Leases

All of the Group's leasing arrangements are classified as operating leases, as the risks and benefits of ownership remain with the lessor. Operating lease payments are recognised as an expense in the income statement on a straight-line basis.

## 2. SEGMENT INFORMATION

CapMan provides management and advisory services in two main business areas: funds making investments in portfolio companies (CapMan Private Equity) and private equity real estate funds making investments in real estate assets (CapMan Real Estate). Information on each business area is reported in its own segment below. CapMan has no secondary reporting segments.

#### Business areas

	CapMan Private Equity	CapMan Real Estate	Group total
<b>2006</b>			
Turnover	33 116	4 916	<b>38 032</b>
Operating profit	15 404	222	<b>15 626</b>
Share of associated companies' result	1 279	0	<b>1 279</b>
Profit for the financial year	12 242	190	<b>12 432</b>
Assets	78 584	976	<b>79 560</b>
Investments in associated companies	2 860	0	<b>2 860</b>
Liabilities	20 979	1 634	<b>22 613</b>
Investments	319	18	<b>337</b>
Depreciation	711	15	<b>726</b>
<b>2005</b>			
Turnover	26 334	2 355	28 689
Operating profit	8 065	354	8 419
Share of associated companies' result	250	0	250
Profit for the financial year	6 717	258	6 975
Assets	55 373	1 827	57 200
Investments in associated companies	1 099	0	1 099
Liabilities	7 100	1 008	8 108
Investments	283	20	303
Depreciation	768	6	774



### 3. OTHER OPERATING INCOME

	2006	2005
Gains from sales of tangible assets	18	8
Gain from sale of Access Capital Partners' shares	604	0
Other items	65	48
Total	687	56

### 4. PERSONNEL

	2006	2005
Wages and salaries	10 558	8 285
Pension expenses - defined contribution plans	2 046	1 285
Granted options	238	476
Other personnel expenses	1 116	1 091
Total	13 958	11 137

Average personnel by team for the financial year	2006	2005
CapMan Private Equity	38	39
CapMan Real Estate	24	15
General functions	36	33
Total	98	87

#### Personnel incentive schemes

The terms of the 2000 and 2003 stock option programs are presented in Table 25. Share-based payments.

### 5. DEPRECIATION AND IMPAIRMENT

	2006	2005
Depreciation by asset type		
Intangible assets		
Other intangible assets	305	379
Total	305	379
Tangible assets		
Machinery and equipment	421	395
Total	421	395
Total depreciation and impairment	726	774

### 6. OTHER OPERATING EXPENSES

	2006	2005
Included in other operating expenses:		
Other personnel expenses	890	780
Office expenses	2 303	2 102
Travelling and entertainment	961	812
External services	2 127	3 254
Other operating expenses	5 677	3 050
Total	11 958	9 998

### 7. FINANCIAL INCOME AND EXPENSES

	2006	2005
Interest income, loan receivables	493	464
Interest income, deposits	72	222
Interest and financial income, other	172	67
Exchange gains	8	96
Interest expenses / loans	-105	0
Other interest and financial expenses	-193	-29
Exchange losses	-27	-63
Total	420	757

### 8. INCOME TAXES

	2006	2005
Current income tax	-2 913	-2 077
Taxes for previous years	8	2
Deferred taxes	-1 988	-376
Total	-4 893	-2 451

The difference between income taxes at the statutory tax rate in Finland (26%) and income taxes recognised in the consolidated income statement is reconciled as follows:

Income taxes	2006	2005
Profit before taxes	17 325	9 426
Income taxes at Finnish tax rate on consolidated profit before tax	4 505	2 450
Taxes for previous years	8	-2
Effect on different tax rates outside Finland	245	74
Tax exempt income	-49	-127
Non-deductible expenses	414	99
Effect of consolidation	-230	-43
Income taxes in the consolidated income statement	4 893	2 451

## 9. EARNINGS PER SHARE

Earnings per share is calculated by dividing the distributable retained profit for the financial year by the average share issue adjusted number of shares, excluding shares that have been purchased by the Company and are presented as the Company's own shares.

	2006	2005
Attributable to the equity holders of the Company, € ('000)	11 455	6 816
Weighted average number of shares ('000)	76 213	75 042
Effect of options ('000)	4 085	4 858
Weighted average number of shares adjusted for the effect of dilution ('000)	80 280	78 689
Earnings per share, €	0.15	0.09
Diluted, €	0.15	0.09

### Dividends paid and proposal for profit distribution

A dividend of €0.07 per share, or a total of €5.3 million, was paid for year 2005. The Board of Directors proposes to the Annual General Meeting to be held on 29 March 2007 that a dividend of €0.12 per share, corresponding to total profit distribution of €9.3 million, be paid to shareholders for the year 2006.

## 10. TANGIBLE ASSETS

	2006	2005
Machinery and equipment		
Acquisition cost at 1 January	2 122	1 948
Additions	201	420
Disposals	-196	-246
Acquisition cost at 31 December	2 127	2 122
Accumulated depreciation at 1 January	-1 263	-972
Accumulated depreciation in changes	112	95
Depreciation for the financial year	-421	-386
Accumulated depreciation at 31 December	-1 572	-1 263
Book value on 31 December	555	859
Other tangible assets		
Acquisition cost at 1 January	121	121
Disposals	-4	
Book value on 31 December	117	121
Tangible assets total	672	980

## 11. GOODWILL

	2006	2005
Acquisition cost at 1 January	7 271	6 965
Additions	0	306
Acquisition cost at 31 December	7 271	7 271
Accumulated impairment at 1 January	-2 426	-2 426
Accumulated impairment at 31 December	-2 426	-2 426
Book value on 31 December	4 845	4 845

### Impairment testing of goodwill

The majority of goodwill is targeted to CapMan's 2002 acquisition Swedestart Management AB whose remaining goodwill was €4.5 million as at 31 December 2006. In the transaction CapMan acquired operations related to the management of certain funds as well as a skilled technology and life science investment team. The management of these Swedish funds and the advisory service provided by the technology and life science teams to the rest of the management companies forms a cash-generating unit. Potential impairment has been tested by using estimated future discounted cash flows. Cash flow projections have been prepared for five years, and periods beyond management's review period have been extrapolated taking into consideration the average business cycle. The management fees of the current funds are based on long-term agreements and the income is discounted using an 8.75% (2005: 8.00%) discount rate. Potential carried interest income has not been taken into account. Based on the impairment test there was no need to write down the goodwill. However, the carrying amount of goodwill is sensitive to the success of fundraising. The goodwill may be impaired in future in the event that the funds' size is less than estimated or in case of delays in the fundraising process.

### Acquired and sold businesses

No businesses were acquired or sold during the year.

## 12. OTHER INTANGIBLE ASSETS

	2006	2005
Acquisition cost at 1 January	1 661	1 246
Additions	248	415
Acquisition cost at 31 December	1 909	1 661
Accumulated depreciation at 1 January	-894	-506
Depreciation for the financial year	-305	-388
Accumulated depreciation at 31 December	-1 199	-894
Book value on 31 December	710	767

Other intangible assets include mainly software €0.3 million, trademark rights €0.1 million and competition restriction €0.2 million in connection with the acquisition of Realprojekti companies.

## 13. SHARES IN ASSOCIATED COMPANIES

	2006	2005
Acquisition cost at 1 January	1 099	1 206
Additions / disposals	1 064	-107
Fair value gains / losses on investments	697	0
Acquisition cost at 31 December	2 860	1 099

## 2006

## Associated companies:

	Assets	Liabilities	Turnover	Profit / loss	Ownership
Access Capital Partners S.A., France	3 864	1 713	7 948	1 008	35.00%
Access Capital Partners (Guernsey) Limited, Guernsey	1 241	154	4 943	1 035	35.00%
Baltcap Management Oy, Finland	1 313	116	646	-345	20.00%
BIF Management Ltd, Jersey	70	7	623	4	33.33%
Baltic SME Management B.V., The Netherlands	34	5	210	3	33.33%
Maneq 2002 AB, Sweden	1 024	933	83	73	35.00%
Maneq 2004 AB, Sweden	1 229	643	19	53	41.90%
Maneq 2005 AB, Sweden	4 647	3 977	70	7	35.00%
Maneq 2006 AB, Sweden	5 279	4 887	0	-1	40.00%

## 2005

## Associated companies:

Access Capital Partners S.A., France	2 180	974	5 338	306	47.47%
Access Capital Partners (Guernsey) Limited, Guernsey	207	77	3 751	87	47.50%
Baltcap Management Oy, Finland	1 692	265	1 149	-100	20.00%
BIF Management Ltd, Jersey	64	8	1 146	1	33.33%
Baltic SME Management B.V., The Netherlands	32	9	268	0	33.33%
Maneq 2002 AB, Sweden	1 050	1 035	0	-66	35.00%
Maneq 2004 AB, Sweden	1 302	777	394	356	35.00%
Maneq 2005 AB, Sweden	1 849	1 837	0	0	48.00%

CapMan employees have the opportunity to invest in portfolio companies alongside CapMan funds, in accordance with certain principles, via Maneq funds. CapMan participates in these funds as one of the investors and as finance provider with market based conditions.

Access Capital Partners manages three funds of funds and private equity investment mandates. The funds invest mainly in European based funds.

## 14. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

	2006	2005
Investments in funds		
Investments in funds at 1 January	20 288	14 184
Additions	9 116	4 521
Fair value gains / losses on investments	3 718	1 583
Investments in funds at 31 December	33 122	20 288

## Other financial assets

Other investments at 1 January	1 037	1 193
Disposals	-20	-156
Fair value gains / losses on investments	-169	0
Other investments at 31 December	848	1 037

Investments at fair value through profit and loss include mainly CapMan's own investments in the funds.

## 15. RECEIVABLES - NON-CURRENT

	2006	2005
Loan receivables from associated companies	7 940	3 166
Other loan receivables	3 256	6 006
Other receivables	2 639	1 623
Total	13 835	10 795

Receivables include mainly fixed-interest loan receivables from the funds. Loan receivables from associated companies are presented in Table 26. Related party disclosures. Other loan receivables include receivables from Maneq 2002 Ky €1.3 million and Maneq 2004 Ky €0.9 million. Non-current receivables have a fair value equal to their book value.

## 16. DEFERRED TAX ASSETS AND LIABILITIES

	2006	2005
Deferred tax assets		
Accrued differences	231	230
Fair value gains / losses of investments	0	303
Employee benefits	0	12
Total	231	545
Deferred tax liabilities		
Accrued differences	1 638	680
Fair value gains / losses of investments	708	0
Employee benefits	-112	0
Total	2 234	680

## 17. TRADE AND OTHER RECEIVABLES

	2006	2005
Trade receivables	365	1 377
Receivables from associated companies	127	552
Accrued income	2 596	2 094
Other receivables	2 433	2 513
Total	5 521	6 536

The Group has had no bad debts. Accrued income includes mainly credit items and tax receivables. Other receivables include carried interest receivables from the funds.

## 18. OTHER FINANCIAL ASSETS AT FAIR VALUE

	2006	2005
Other financial assets at fair value	2 779	3 462
Total	2 779	3 462

Other financial assets at fair value includes shares in external investment fund companies.

## 19. SHARE CAPITAL AND SHARE PREMIUM ACCOUNT

	Number of A shares ('000)	Number of B shares, ('000)	Share capital € ('000)	Share premium account € ('000)	Total € ('000)
Share capital at 31 December 2005	8 000	67 923	759	38 157	38 916
Shares subscribed with options		1 236	13	811	
Share capital at 31 December 2006	8 000	69 159	772	38 968	39 740

The share capital is a minimum of €390,000 and a maximum of €1,560,000, within which limits the amount can be increased or decreased without amending the Articles of Association. The nominal share value is €0.01.

## 20. INTEREST-BEARING LOANS AND BORROWINGS - NON-CURRENT

	2006	2005
Other liabilities	10 000	0
Total	10 000	0

## 21. OTHER LIABILITIES - NON-CURRENT

	2006	2005
Other liabilities	430	1 299
Total	430	1 299

Other liabilities include the liability of the sabbatical €0.4 million.

## 22. TRADE AND OTHER PAYABLES - CURRENT

	2006	2005
Trade payables	587	1 533
Accrued expenses	4 900	3 011
Other liabilities	1 922	1 233
Total	7 409	5 777

Accrued expenses include accrued salaries and social benefit expenses.

## 23. INTEREST-BEARING LOANS AND BORROWINGS - CURRENT

	2006	2005
Bank overdraft account	1 944	0
Total	1 944	0

## 24. COMMITMENTS AND CONTINGENT LIABILITIES

	2006	2005
Operating lease commitments		
Within one year	172	168
After one but not more than five years	132	108
Total	304	276
Other hire purchase commitments		
Within one year	1 355	1 476
After one but not more than five years	3 934	4 800
More than five years	5 139	4 800
Total	10 428	11 076

The Group has leased the offices. The rental agreements are for 1-15 years. Index, renewal and other terms of the agreements differ from each other.

Other contingent liabilities		
Pledged deposit for own commitment	63	63
Other contingent liabilities	2 657	0

	2006	2005
Remaining commitments to funds		
Finnventure Fund V Ky	100	100
Finnmezzanine Fund II B Ky	12	12
Finnmezzanine Fund III A Ky	42	70
Finnmezzanine Fund III B Ky	18	55
Access Capital FCPR II A	7	14
Access Capital FCPR II B	7	11
Access Capital LP II A	991	2 261
Access Capital LP II B	1 468	2 759
Access Capital LP II C	5	11
Access Capital LP II D	6	13
Access Capital II Founder Partner LP	23	47
CapMan Equity VII A L.P.	2 428	3 312
CapMan Equity VII B L.P.	226	363
CapMan Equity VII C L.P.	436	556
CapMan Equity Sweden KB	537	725
Swedestart Tech KB	1 114	1 436
Swedestart Tech AB	53	66
Swedestart Life Science AB	21	32
CapMan Mezzanine IV L.P.	3 480	3 589
CapMan Mezzanine IV Classic Ky	2 463	2 963
A.A.Advisors Private Capital Plus	4	6
Neuffize VIE	9	9
CapMan Private Fund III Ky	158	198
CapMan Real Estate I Ky	775	838
CapMan Buyout VIII Fund A L.P.	30 784	30 892
CapMan RE II Ky	3 364	0
CapMan Life Science IV Fund L.P.	1 998	0
Total	50 529	50 338

CapMan, like other investors in the funds, gives commitments to the funds when they are established. The main part of the commitments become due during the first five years of each fund's life time.

## 25. SHARE-BASED PAYMENTS

The Group has two stock option programs for all employees and members of the Board. Stock options granted after 7 November 2002 and not vesting before 1 January 2005 are entered in the financial statements in accordance with IFRS 2 Share-based payments. The fair value of stock options has been assessed at the grant date and expensed straight-line in the income statement over the vesting period. Fair value of options at the grant date is determined in accordance with the Black-Scholes model.

Key information on the stock option programs is presented in the table below.

	Stock option program 2000	Stock option program 2003	
	Stock option 2000A/B	2003A Stock option	Stock option 2003B
Stock options, number	5 270 000	625 000	625 000
Entitlement to subscribe for B shares, number	5 270 000	625 000	625 000
Share subscription period begins	1.10.2003 (A options)	1.10.2006	1.10.2007
	1.10.2005 (B options)		
Share subscription period ends	31.10.2007	31.10.2008	31.10.2009
Share subscription price	€1.26 less dividends from 2001 onwards (€0.72 as of 31.12.2006)	Trade volume weighted average price of the B share on the Helsinki Exchanges 1.12.-31.12.2003 €1.72 less dividends from 2004 onwards (€1.54 as of 31.12.2006)	Trade volume weighted average price of the B share on the Helsinki Exchanges 1.6.-30.6.2004 €1.60 less dividends from 2005 onwards (€1.47 as of 31.12.2006)
Information applied in the Black-Scholes model	Stock option program 2000 Stock option 2000B	Stock option program 2003 Stock option 2003A	Stock option 2003B
Expected volatility	20.00%	20.00%	20.00%
Risk-free interest	2.75%	2.75%	2.75%

The lowest trading price of 2000A/B stock options was €1.62 and the highest was €2.28, with an average price of trades of €2.11. The closing price on 31 December 2006 was €2.20. A total of 1,574,249 2000A/B stock options with a value of €3.3 million were traded in 2006 (2005: 1,868,300 options with a value of €3.4 million). As at 31 December 2006 the options had been subscribed for 2,295,250 CapMan Plc B shares. The lowest trading price of 2003A stock options was €1.19 and the highest was €1.53, with an average price of trades of €1.40. The closing price on 31 December 2006 was €1.49.

## 26. RELATED PARTY DISCLOSURES

Subsidiaries	Parent company		Share capital
	Group ownership of shares, %	ownership of shares, %	
CapMan Capital Management Ltd, Finland	100%	100%	
Finnmezzanine Oy, Finland	100%		
EastMan Advisors Oy, Finland	60%		
ScanEast Managing Partner Ltd., Guernsey	70%		
CapMan Invest A/S, Denmark	100%	100%	
NPE General Partner II Limited, Jersey	100%	100%	
CapMan Sweden AB, Sweden	100%	100%	
CapMan Holding AB, Sweden	100%	100%	
CapMan AB, Sweden	100%		
CapMan Norway AS, Norway	100%	100%	
CapMan (Guernsey) Limited, Guernsey	100%	100%	
CapMan Mezzanine (Guernsey) Limited, Guernsey	100%	100%	
CapMan (Guernsey) Buyout VIII GP Limited, Guernsey	100%	100%	
CapMan (Sweden) Buyout VIII GP AB, Sweden	100%	100%	
CapMan Classic GP Oy, Finland	100%	100%	
CapMan Real Estate Ltd, Finland	80%	80%	
Realprojekti Kiinteistökehitys Oy, Finland	80%	80%	
Realprojekti Oy, Finland	80%	80%	
CapMan RE II GP Oy, Finland	80%	80%	
CapMan (Guernsey) Life Science IV GP Limited, Guernsey	100%	100%	
CapMan (Guernsey) Investment Limited, Guernsey <sup>1)</sup>	100%	100%	EUR 100
Dissimilium Enumeratio Invest AB, Sweden <sup>1)</sup>	100%	100%	SEK 100 000
Praeveniens Praesumitur Invest AB, Sweden <sup>1)</sup>	100%	100%	SEK 100 000
CapMan Germany GmbH, Germany <sup>1)</sup>	100%	100%	EUR 25 000

<sup>1)</sup> Not consolidated, included in the total of other investments.

Associated companies	Parent company	
	Group ownership of shares, %	ownership of shares, %
Access Capital Partners S.A., France	35.00%	35.00%
Access Capital Partners (Guernsey) Limited, Guernsey	35.00%	35.00%
Baltcap Management Oy, Finland	20.00%	20.00%
BIF Management Ltd, Jersey	33.33%	33.33%
Baltic SME Management B.V., The Netherlands	33.33%	33.33%
Maneq 2002 AB, Sweden	35.00%	35.00%
Maneq 2004 AB, Sweden	41.90%	41.90%
Maneq 2005 AB, Sweden	35.00%	35.00%
Maneq 2006 AB, Sweden	40.00%	40.00%

The Group received a return of €0.4 million from the sale of services to Access Capital Partners (Guernsey) Ltd, which is 35% owned by the Group.

Loan receivables from related parties as at 31 December 2006, M€	Non-current loan receivable
Maneq 2002 AB	0.9
Maneq 2004 AB	0.6
Maneq 2005 AB	1.9
Maneq 2006 AB	4.5

### CEO and Deputy CEO remuneration

In 2006, CEO Heikki Westerlund received salary and other remuneration totalling €405,507 and Deputy CEO Olli Liitola received salary and other remuneration totalling €262,539. The total remuneration paid to the members of the Board was €84,000. 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.

### Board members' holding of share-based payments

As of 31 December 2006 the members of the Board of Directors held no stock options (2005: 150,000). The stock options granted to the members of the Board are subject to the same terms as for stock options granted to employees.

## 27. FINANCIAL RISK MANAGEMENT

The main part of the Group's investments comprise of fund investments and loan receivables.

### Interest rate risk

Market risks are due to changes in the rates or prices of currencies, interest, commodities, energy and securities. These changes may have substantial impact on the Group's result, cash flow and balance sheet. The Group is exposed to interest rate risk relating to the fund investments which are valued in accordance with European Private Equity & Venture Capital Association (EVCA) guidelines. The fair value is therefore significantly affected by changes in market interest rates, changes in cash flow generation capacity and changes in the overall market environment of the portfolio companies, which may be reflected in the discount rate used in fair value calculation or in cash flows.

### Foreign currency risk

The Group's revenues are predominately in euros. Most expenses are denominated in euros, but also in Swedish, Norwegian and Danish crowns. The funds under management invest in portfolio companies in Finland, Sweden, Norway and Denmark. According to the management, foreign currency risk has not been considered as material and therefore it has not been hedged.

### Credit risk and counter part risk

The main business of the Company is based on agreements made with the funds, whereby the Group is entitled to receive management fees, advisory fees and carried interest income. The credit risk is significantly affected by the funds ability to generate positive cash flow.

## 28. EVENTS AFTER THE CLOSING DATE

The investment capacity of CapMan's second private equity real estate fund CapMan RE II Ky grew to approx. €550 million at the second closing on 1 February 2007. The fund's investment focus is on property development targets in Finland, and its investment capacity can rise to a maximum €600 million as fundraising continues in 2007.

CapMan funds' partial exit from Moventas Oy was published at the end of January. CapMan Plc is a substantial investor in the CapMan Equity VII fund that will partially exit from Moventas and the impact of the transaction on CapMan's result for 2007 is €1.5 million as a result of fair value gains of the fund investment.



## Parent Company Income Statement (FAS)

€ ('000)	Note	1.1.-31.12.2006	1.1.-31.12.2005
<b>Turnover</b>	1	<b>732</b>	582
Other operating income	2	<b>654</b>	0
Personnel expenses	3	<b>-2 756</b>	-1 498
Depreciation and amortisation	4	<b>-1 480</b>	-78
Other operating expenses		<b>-2 505</b>	-2 340
<b>Operating loss</b>		<b>-5 355</b>	-3 334
Financial income and expenses	5	<b>2 857</b>	3 191
<b>Loss before extraordinary items</b>		<b>-2 498</b>	-143
Extraordinary items	6	<b>9 500</b>	8 000
<b>Profit before taxes</b>		<b>7 002</b>	7 857
Income taxes	7	<b>-1 759</b>	-1 391
<b>Profit for the financial year</b>		<b>5 243</b>	6 466

## Parent Company Balance Sheet (FAS)

€ ('000)	Note	31.12.2006	31.12.2005
<b>ASSETS</b>			
<b>Fixed assets</b>			
Intangible assets	8	<b>156</b>	124
Tangible assets	9	<b>61</b>	33
Investments	10		
Shares in subsidiaries		<b>11 069</b>	12 448
Investments in associated companies		<b>864</b>	274
Other investments		<b>28 118</b>	18 679
Investments total		<b>40 051</b>	31 401
<b>Total fixed assets</b>		<b>40 268</b>	31 558
<b>Current assets</b>			
Long-term receivables	11	<b>12 446</b>	9 172
Deferred tax assets	12	<b>195</b>	194
Short-term receivables	13	<b>4 243</b>	8 536
Marketable securities		<b>0</b>	427
Cash and bank		<b>9 993</b>	2 138
<b>Total current assets</b>		<b>26 877</b>	20 467
<b>Total assets</b>		<b>67 145</b>	52 025
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>	14		
Share capital		<b>772</b>	759
Share premium account		<b>38 968</b>	38 091
Retained earnings		<b>6 921</b>	5 770
Profit for the financial year		<b>5 243</b>	6 466
<b>Total shareholders' equity</b>		<b>51 904</b>	51 086
<b>Liabilities</b>			
Non-current liabilities	15	<b>11 766</b>	0
Current liabilities	16	<b>3 475</b>	939
<b>Total liabilities</b>		<b>15 241</b>	939
<b>Total equity and liabilities</b>		<b>67 145</b>	52 025

## Parent Company Cash Flow Statement (FAS)

€ ('000)	1.1.-31.12.2006	1.1.-31.12.2005
<b>Cash flow from operations</b>		
Operating loss	-2 498	-143
Adjustments to operating loss	-1 377	-3 113
Change in working capital	3 718	7 092
Interest paid	-100	-18
Interest received	985	224
Dividends received	2 449	2 672
Taxes paid	-1 423	-3 591
<b>Cash flow from operations</b>	<b>1 754</b>	<b>3 123</b>
<b>Cash flow from investments</b>		
Investments in tangible and intangible assets	-134	-30
Investments in other placements	-9 460	-4 670
<b>Cash flow from investments</b>	<b>-9 594</b>	<b>-4 700</b>
<b>Financial cash flow</b>		
Share issue	890	817
Short-term loan receivables granted	0	-186
Long-term loan receivables granted	-3 517	-2 868
Proceeds from borrowings	13 710	0
Dividends paid	-5 315	-4 482
Group contributions received	9 500	8 000
<b>Financial cash flow</b>	<b>15 268</b>	<b>1 281</b>
<b>Change in cash funds</b>	<b>7 428</b>	<b>-296</b>
Cash funds at 1 January	2 564	2 860
<b>Cash funds at 31 December</b>	<b>9 992</b>	<b>2 564</b>
<b>Change in working capital:</b>		
Change in current non-interest-bearing receivables	3 146	6 623
Change in current trade payables and other non-interest-bearing liabilities	572	469
	<b>3 718</b>	<b>7 092</b>

## Notes to the Parent Company Financial Statements (FAS)

	2006	2005
<b>1. Turnover by market area</b>		
Finland	371	320
Foreign	361	262
<b>Total</b>	<b>732</b>	<b>582</b>
<b>2. Other operating income</b>	<b>2006</b>	<b>2005</b>
Gain from sale of Access Capital Partners' shares	654	0
<b>Total</b>	<b>654</b>	<b>0</b>
<b>3. Personnel expenses</b>	<b>2006</b>	<b>2005</b>
Wages and salaries	2 273	1 326
Pension expenses	362	172
Other personnel expenses	121	0
<b>Total</b>	<b>2 756</b>	<b>1 498</b>
Salary and other remuneration of the CEO and Board members	486	66
Average number of employees	26	12
<b>4. Depreciations</b>	<b>2006</b>	<b>2005</b>
Depreciation by asset type		
Intangible rights	4	3
Other long-term expenditure	56	60
Machinery and equipment	15	15
<b>Total</b>	<b>75</b>	<b>78</b>
Amortisation / non-current assets	1 405	0
<b>Total</b>	<b>1 480</b>	<b>78</b>
<b>5. Financial income and expenses</b>	<b>2006</b>	<b>2005</b>
Dividend income		
Group companies	2 392	2 292
Others	57	380
<b>Total</b>	<b>2 449</b>	<b>2 672</b>
Other interest and financial income		
Group companies	62	12
Others	617	558
<b>Total</b>	<b>679</b>	<b>570</b>
Interest and other financial expenses		
Group companies	-48	0
Others	-223	-51
<b>Total</b>	<b>-271</b>	<b>-51</b>
<b>Financial income and expenses total</b>	<b>2 857</b>	<b>3 191</b>

<b>6. Extraordinary items</b>	<b>2006</b>	<b>2005</b>
Extraordinary income		
Group contributions received	<b>9 500</b>	8 000
<b>7. Income taxes</b>	<b>2006</b>	<b>2005</b>
Income taxes	<b>-1 760</b>	-1 391
Deferred taxes increase / decrease	<b>1</b>	0
Total	<b>-1 759</b>	-1 391
<b>8. Intangible assets</b>	<b>2006</b>	<b>2005</b>
Intangible rights		
Acquisition cost at 1 January	<b>19</b>	19
Additions	<b>24</b>	0
Acquisition cost at 31 December	<b>43</b>	19
Accumulated depreciation at 1 January	<b>-9</b>	-7
Depreciation for the financial year	<b>-4</b>	-2
Accumulated depreciation at 31 December	<b>-13</b>	-9
Book value on 31 December	<b>30</b>	10
Other long-term expenditure		
Acquisition cost at 1 January	<b>307</b>	307
Additions	<b>68</b>	0
Acquisition cost at 31 December	<b>375</b>	307
Accumulated depreciation at 1 January	<b>-193</b>	-132
Depreciation for the financial year	<b>-56</b>	-61
Accumulated depreciation at 31 December	<b>-249</b>	-193
Book value on 31 December	<b>126</b>	114
Intangible rights total	<b>156</b>	124
<b>9. Tangible assets</b>	<b>2006</b>	<b>2005</b>
Machinery and equipment		
Acquisition cost at 1 January	<b>87</b>	57
Additions	<b>42</b>	30
Acquisition cost at 31 December	<b>129</b>	87
Accumulated depreciation at 1 January	<b>-59</b>	-45
Depreciation for the financial year	<b>-14</b>	-14
Accumulated depreciation at 31 December	<b>-73</b>	-59
Book value on 31 December	<b>56</b>	28
Other tangible assets		
Acquisition cost at 1 January	<b>5</b>	5
Book value on 31 December	<b>5</b>	5
Tangible assets total	<b>61</b>	33

<b>10. Investments</b>	<b>2006</b>	<b>2005</b>
Shares in subsidiaries		
Acquisition cost at 1 January	<b>12 448</b>	11 953
Additions	<b>26</b>	495
Disposals	<b>-1 405</b>	0
Acquisition cost at 31 December	<b>11 069</b>	12 448
Shares in associated companies		
Acquisition cost at 1 January	<b>274</b>	252
Additions	<b>638</b>	22
Disposals	<b>-48</b>	0
Acquisition cost at 31 December	<b>864</b>	274
Shares, other		
Acquisition cost at 1 January	<b>18 678</b>	14 126
Additions	<b>12 258</b>	7 073
Disposals	<b>-2 818</b>	-2 520
Acquisition cost at 31 December	<b>28 118</b>	18 679
Investments total	<b>40 051</b>	31 401
The subsidiaries and the associated companies are presented in the Notes to the consolidated Financial Statements, Table 26. Related party disclosures.		
<b>11. Long-term receivables</b>	<b>2006</b>	<b>2005</b>
Loan receivables from Group companies		
Loan receivables	<b>1 250</b>	0
Loan receivables from associated companies		
Loan receivables	<b>7 940</b>	3 166
Other loan receivables	<b>3 256</b>	6 006
Long-term receivables total	<b>12 446</b>	9 172
<b>12. Deferred tax assets</b>	<b>2006</b>	<b>2005</b>
Accrued differences	<b>195</b>	194
Deferred tax assets total	<b>195</b>	194

<b>13. Short-term receivables</b>	<b>2006</b>	2005
Accounts receivable	6	563
Receivable from Group companies		
Accounts receivable	86	25
Loan receivables	367	440
Other receivables	1 780	4 830
Total	2 233	5 295
Receivables from associated companies		
Accounts receivable	1	0
Loan receivables	126	399
Accrued income	118	153
Total	245	552
Other receivables	962	785
Accrued income	797	1 341
Short-term receivables total	4 243	8 536
<b>14. Shareholders' equity</b>	<b>2006</b>	2005
Share capital at 1 January	759	747
Share issue	13	12
Share capital at 31 December	772	759
Share premium account at 1 January	38 091	36 888
Issue premium	877	1 203
Share premium account at 31 December	38 968	38 091
Retained earnings at 1 January	12 236	10 252
Dividend payment	-5 315	-4 482
Retained earnings at 31 December	6 921	5 770
Profit for the financial year	5 243	6 466
Shareholders' equity, total	51 904	51 086
Calculation of distributable assets		
Retained earnings	6 921	5 770
Profit for the financial year	5 243	6 466
Total	12 164	12 236

CapMan Plc's share capital is divided as follows:

	2006		2005	
	Number of shares ( <sup>'000</sup> )	€ ( <sup>'000</sup> )	Number of shares ( <sup>'000</sup> )	€ ( <sup>'000</sup> )
Series A share (10 votes / share)	8 000	80	8 000	80
Series B share (1 vote / share)	69 159	692	67 923	679

<b>15. Non-current liabilities</b>	<b>2006</b>	2005
Liabilities to Group companies		
Other liabilities	1 766	0
Bank loans	10 000	0
Non-current liabilities total	11 766	0
<b>16. Current liabilities</b>	<b>2006</b>	2005
Accounts payable	156	67
Bank overdraft account	1 944	0
Liabilities to Group companies		
Other liabilities	167	87
Other liabilities	212	55
Accrued expenses	996	730
Current liabilities total	3 475	939
<b>17. Contingent liabilities</b>	<b>2006</b>	2005
Remaining commitments to funds		
Access Capital FCPR II A	7	14
Access Capital FCPR II B	7	11
Access Capital LP II A	991	2 261
Access Capital LP II B	1 468	2 759
Access Capital LP II C	5	11
Access Capital LP II D	7	13
Access Capital II Founder Partner LP	23	47
CapMan Equity VII A L.P.	2 428	3 312
CapMan Equity VII B L.P.	226	363
CapMan Equity VII C L.P.	436	556
CapMan Equity Sweden KB	306	413
Swedestart Tech KB	1 114	1 436
Swedestart Tech AB	53	66
Swedestart Life Science AB	21	32
CapMan Mezzanine IV L.P.	3 480	3 589
CapMan Mezzanine IV Classic Ky	2 462	2 963
A.A.Advisors Private Capital Plus	4	6
Neuflize VIE	8	9
CapMan Private Fund III Ky	158	198
CapMan Buyout VIII Fund A L.P.	27 182	26 892
CapMan Life Science IV Fund L.P.	3 364	0
Total	43 750	44 951

CapMan, like other investors in the funds, gives commitments to the funds when they are established. The main part of the commitments become due during the first five years of each fund's life time.

# Signatures to the Report of the Board of Directors and Financial Statements

Helsinki 2 February 2007

Ari Tolppanen  
Chairman

Tapio Hintikka

Lennart Jacobsson

Urban Jansson

Teuvo Salminen

Heikki Westerlund  
CEO

# Auditors' report

## TO THE SHAREHOLDERS OF CAPMAN PLC

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of CapMan Plc. for the period 1.1. – 31.12.2006. The Board of Directors and the President and CEO have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and the notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report of the Board of Directors and in the financial state-

ments, 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 the administration is to examine that the members of the Board of Directors and the President and CEO of the parent company have complied with the rules of the Companies Act.

### **Consolidated financial statements**

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

### **Parent company's financial statements, the report of the Board of Directors and administration**

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the President and CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distributable funds is in compliance with the Companies Act.

Helsinki, 5 March 2007

PricewaterhouseCoopers Oy  
Authorised Public Accountants

**Jan Holmberg**  
Authorised Public Accountant



## Calculation of Key Ratios

Return on equity % (ROE) =	$\frac{\text{Profit before taxes - taxes}}{\text{Shareholders' equity + minority interest (average)}} \times 100$
Return on investment % (ROI) =	$\frac{\text{Profit before taxes + interest expense and other financial expenses}}{\text{Balance sheet total - non-interest bearing debts (average)}} \times 100$
Equity ratio (%) =	$\frac{\text{Profit for the financial year}}{\text{Share issue adjusted number of shares (average)}} \times 100$
Earnings per share (EPS) =	$\frac{\text{Profit for the financial year}}{\text{Share issue adjusted number of shares (average)}}$
Shareholders' equity per share =	$\frac{\text{Shareholders' equity}}{\text{Share issue adjusted number of shares at the end of the financial year}}$
Dividend per share =	$\frac{\text{Dividend paid in the financial year}}{\text{Share issue adjusted number of shares at the end of the financial year}}$
Dividend per earnings (%) =	$\frac{\text{Dividend / share}}{\text{Earnings / share}} \times 100$
Operating profit-% =	$\frac{\text{Operating profit}}{\text{Turnover}} \times 100$

# List of CapMan's Releases in 2006

## January

## February

- 2 Feb 2006 Kaisa Arovaara appointed as Deputy CFO of CapMan
- 3 Feb 2006 CapMan Plc Group Financial Statements Bulletin 1 January – 31 December 2005
- 3 Feb 2006 Proposals by CapMan Plc Board to the Annual General Meeting
- 7 Feb 2006 CapMan exits from Puulämpö Yhtiöt Oy
- 9 Feb 2006 CapMan comments on market information
- 13 Feb 2006 CapMan invests EUR 1.9 million in Swedish 42Networks
- 16 Feb 2006 Mats Gullbrandsson appointed as Partner
- 16 Feb 2006 Invitation to the Annual General Meeting of CapMan Plc

## March

- 6 Mar 2006 Finlayson & Co repaid mezzanine loan, impact on CapMan's result EUR 0.3 million
- 13 Mar 2006 CapMan's Annual Report 2005 published
- 17 Mar 2006 CapMan exits from Mehiläinen
- 22 Mar 2006 Decisions adopted by CapMan Plc's Annual General Meeting
- 22 Mar 2006 Changes in CapMan Plc's financial reporting schedule in 2006
- 23 Mar 2006 CapMan strengthens its Advisor Network with three new Industrial Advisors
- 24 Mar 2006 CapMan Life Science IV holds first closing at EUR 45 million

## April

- 4 Apr 2006 CapMan invests in Swedish fashion retail chain MQ

## May

- 2 May 2006 Invitation to CapMan Plc's Press Conference
- 3 May 2006 Johan Bennarsten appointed as Deputy Head of CapMan Life Science
- 3 May 2006 CapMan's private equity real estate fund acquires Kiinteistösaakeyhtiö Erottajankatu 15–17
- 5 May 2006 CapMan Plc Group Interim Report 1 January – 31 March 2006
- 15 May 2006 Changes in CapMan Plc's organisation
- 24 May 2006 B-shares subscribed with stock options 2000A/B in CapMan Plc
- 30 May 2006 CapMan invests in Swedish Spintop Netsolution AB
- 31 May 2006 CapMan exits Sentera

## June

- 1 Jun 2006 CapMan acquires Tamro MedLab from Tamro Group
- 14 Jun 2006 CapMan Buyout VIII closes at EUR 440 million
- 19 Jun 2006 CapMan and Investor Growth Capital invest in Neoventa Medical AB
- 27 Jun 2006 CapMan and Helmet exit Kultajousi
- 28 Jun 2006 CapMan reduces its ownership in Access Capital Partners
- 30 Jun 2006 CapMan's real estate fund acquires three new assets
- 30 Jun 2006 CapMan exits Quartal

**July**

3 Jul 2006 CapMan exits Drobe

**August**

1 Aug 2006 CapMan exits from Matka-Vekka  
 3 Aug 2006 Invitation to CapMan Plc's Press Conference  
 10 Aug 2006 CapMan Plc Group Interim Report 1 January – 30 June 2006  
 21 Aug 2006 B-shares subscribed with stock options 2000A/B in CapMan Plc  
 31 Aug 2006 CapMan exits Distocraft

**September**

19 Sep 2006 CapMan sells Tiimari to Leo Longlife  
 20 Sep 2006 CapMan applies for listing of the stock options 2003A on the Main List of the Helsinki Stock Exchange  
 21 Sep 2006 CapMan acquires industrial maintenance from Fortum  
 22 Sep 2006 CapMan builds Nordic healthcare group  
 26 Sep 2006 CapMan establishes a second private equity real estate fund

**October**

3 Oct 2006 Nominations in CapMan Group  
 4 Oct 2006 CapMan exits RGS 90 A/S  
 17 Oct 2006 CapMan funds intend to make a voluntary offer for the shares in Polimoon ASA  
 18 Oct 2006 Invitation to CapMan Plc's Press Conference  
 25 Oct 2006 CapMan Plc Group Interim Report 1 January – 30 September 2006  
 25 Oct 2006 CapMan Plc's financial reporting in 2007  
 26 Oct 2006 CapMan exits from Nordkalk

**November**

7 Nov 2006 B-shares subscribed with stock options 2000A/B in CapMan Plc  
 7 Nov 2006 CapMan redefined its financial objectives  
 21 Nov 2006 CapMan's Nordic Advisor Network grows with new Industrial Advisors  
 29 Nov 2006 CapMan exits from CTC Media Inc.

**December**

8 Dec 2006 CapMan exits ECO-DAN A/S  
 14 Dec 2006 CapMan invests in Swedish medtech company QuickCool AB  
 20 Dec 2006 CapMan Real Estate I fund sells its current portfolio for EUR 377.5 million  
 21 Dec 2006 CapMan to acquire Komax Oy  
 22 Dec 2006 B-shares subscribed with stock options 2000A/B in CapMan Plc  
 29 Dec 2006 The exit from Nordkalk Corporation finalised

**Press release**

Stock exchange release

You can read the releases in their entirety on CapMan's Internet pages at [www.capman.com/En/Media/Releases](http://www.capman.com/En/Media/Releases).

# Glossary

## Alternative asset class

The alternative asset class includes investments in private equity and hedge funds as well as indirect property investments. Listed shares are not classified within the alternative asset class. Institutional investors typically allocate a certain percentage of their investments to the alternative asset class.

## Buy-and-Build

Active, organic growth of portfolio companies through add-on acquisitions.

## Buyout

A transaction in which a business, business unit or company is acquired from the current shareholders by company management or with an external group. Buyout investments are generally divided into pure buyout investments and growth financing. CapMan Buyout's activities focus on buyout transactions in the Nordic countries. See Management buyout (MBO).

## Capital call

When investors commit themselves to back a private equity fund, all the funding may not be needed at once. Some is used as drawn down later when the General Partner asks for capital from investors in its funds. Usually a fund investor (limited partner) commits to provide a certain amount of capital to a private equity fund, and the General Partner draws down commitments in several stages when the funds makes new investments.

## Capital under management

This is the total amount of capital committed in the funds, i.e. the remaining capital available for future investments, the capital already invested (at cost) and not yet divested, and the capital already invested and divested.

## Capital weighted average IRR

The average IRR weighted by gross fund size, with all funds contributing to the average in proportion to their size.

## Carried interest

A bonus entitlement accruing to an investment fund's management company. The management company begins to receive carried interest after the investors (limited partners) have regained their investment in addition to a preferred annual return (hurdle rate). Also known as "carry".

## Commitment

A limited partner's obligation to provide a certain amount of capital to a private equity fund.

## Core

A term that describes the risk/return profile of real estate investment activities. Core properties have a low occupancy rate risk and long-term leases, they are technically modern and their value creation potential is steady. Core properties have a relatively low return and a low risk. Net rental income from core properties is lower than for value added and opportunistic properties.

## Deal flow

The number of investment opportunities available to a private equity house.

## Early stage

Seed and start-up stages of a business.

## Equity fund

A private equity fund making investments.

## EVCA (European Private Equity and Venture Capital Association)

A non-profit trade association of entities acting in the European private equity and venture capital markets. The EVCA represents, promotes and protects the interests of the European private equity industry.

## Exit/Realisation

Liquidation of holdings by a private equity fund. Typical exit methods are sale to an industrial buyer, sale to another private equity investor or sale by public offering (including IPO).

## Expansion stage

A fund investment strategy involving financing for the growth and expansion of an existing company.

## Fair value

The market value for which an investment could be exchanged in an arm's length transaction. CapMan values investments to fair value in accordance with the guidelines of EVCA.

## Follow-on/Add-on investment

An additional investment in a portfolio company which has already received funding from a private equity investor.

## Fund focus

The strategy of specialisation by stage of investment, sector of investment and geographical concentration.

## Fund of funds

A fund that makes equity investments in other funds.

## Fundraising

The process in which private equity houses themselves raise money to create a private equity fund. These funds are raised from private, corporate or institutional investors, who make commitments to the fund which will be invested by the General Partner.

## Fund size

The total amount of capital committed by the limited and general partners of a fund.

## FVCA (Finnish Venture Capital Association)

A cooperative association of communities or private individuals acting in the Finnish private equity and venture capital markets.

## General Partner

A partner in a private equity management company who has unlimited personal liability for the debts and obligations of the limited partnership.

## Hurdle rate

The annual IRR that private equity fund managers must return to their investors before they can receive carried interest.

## Institutional investor

An investor, such as a pension fund, endowment fund, insurance company or bank, which generally has substantial assets and experience in investments and invests capital on behalf of corporations or private individuals.

## Internal rate of return (IRR)

In a private equity fund, the net return earned by investors from the fund's activity from inception to a stated date. The IRR is calculated as an annualised effective compounded rate or return, using monthly cash flows and annual valuations.

## Later stage

A fund investment strategy involving financing for the expansion of a mature company.

## Life science

Includes pharmaceuticals, medtech and biotechnology. CapMan Life Science invests primarily in companies that are specialised in medical technology.

## Liquidity

The convertibility of a share to cash.

## Management buyout (MBO)

A buyout in which the target's management team acquires an existing product line or business from the vendor with the support of private equity investors.

## Management fees

Compensation for the management of a private equity fund's activities. This annual management charge is equal to a certain percentage of investors' initial commitments to the fund. CapMan's management fees are usually 1.5–2.5% of the fund's commitments/remaining portfolio for equity funds and 1.25–1.5% for mezzanine funds.

**Medical technology/MedTech**

A sector of life science that includes product development and distribution, as well as related services, for medical equipment and diagnostic devices.

**Mezzanine finance**

A financing instrument involving subordinated debt (the level of financing senior to equity and below senior debt).

**Mezzanine fund**

A fund focusing on mezzanine financing. See mezzanine finance.

**Opportunistic**

A term that describes the risk/return profile of real estate investment activities. Opportunistic properties have a relatively high risk. They are located in unestablished areas and may require further investments. The purpose of use of opportunistic properties may be specialised, for example warehouses or outlet stores, and they may have a high vacancy rate. Opportunistic properties are associated with development needs or development potential. Net rental income is higher than for core and value added properties.

**Portfolio**

A group of investee companies or assets.

**Portfolio company/Investee company**

The company or entity into which a private equity fund invests directly.

**Private equity**

General term for private equity and venture capital investment activities, including buyouts as well as investments in technology and life science companies (venture capital investments). In the US, private equity refers mainly to buyout transactions.

**Real estate development/Property development**

Active strategies to create value in an individual property or a specific area and its properties.

**Real estate investment**

Commitment of capital into a real estate asset (or part thereof) with the expectation of near-term increases in cash flow and value. Real estate investments may be held directly or indirectly, for example through shares and managed real estate funds.

**Real estate maintenance/management**

Activities that aim to preserve the condition, value and features of a property. Real estate management can be subdivided into property management services and facilities maintenance services.

**Secondary investment**

An investment where a fund buys either a portfolio of direct investments of an existing private equity fund or limited partner's positions in these funds.

**Seed stage**

An investment strategy involving portfolio companies which have not yet fully established commercial operations, and may also involve continued research and product development.

**Syndication**

A group of private equity investors jointly investing in an investee company.

**Technology**

CapMan Technology's investment focus is on rapidly growing technology companies in the Nordic countries.

**Track record**

A private equity management house's experience, history and past performance.

**Vacancy rate**

One of the most important key figures in real estate investment. The vacancy rate describes the total amount of available space compared to the total inventory of space as a percentage for a specific part of the market. To calculate the vacancy rate, the utilised space (occupancy rate) is subtracted from the total inventory of space.

**Value added**

A term that describes the risk/return profile of real estate investment activities. Value added properties are located in established office and industrial estates with opportunities to enhance value creation through active leasing and development operations. Value added properties typically have shorter leases than core properties, and they may have vacancy. Net rental income is between that of core and opportunistic properties.

**Venture Capital**

Venture capital is, strictly speaking, a subset of private equity and refers to equity investments made to fund the launch, early development or expansion of an unquoted, and usually quite young, company. Offsetting the high risk the investor takes is the expectation of higher than average return on the investment. See private equity.

## Information for Shareholders

### ANNUAL GENERAL MEETING

The Annual General Meeting of CapMan Plc for 2007 will be held on Thursday 29 March 2007 at 10.00 a.m. in the Adams Room, Erottajankatu 15–17, Helsinki, Finland.

Attendance at the Annual General Meeting is open to shareholders who, by Monday, 19 March 2007, have been entered in the Company's Shareholder Register held by the Finnish Central Securities Depository Ltd.

The deadline for registration to attend the Meeting is Friday, 23 March 2007 at 4.00 p.m. Finnish time. Shareholders can register either by written notice to CapMan Plc, Korkeavuorenkatu 32, 00130 Helsinki, Finland, on the Internet at [www.capman.com/En/InvestorRelations/Annual-GeneralMeetings/2007](http://www.capman.com/En/InvestorRelations/Annual-GeneralMeetings/2007), by telephone to Tiina Oikarainen to the number +358 9 6155 8319 or to Minna Lyijynen to the number +358 9 6155 8384, by e-mail to [tiina.oikarainen@capman.com](mailto:tiina.oikarainen@capman.com), or by fax to the number +358 9 6155 8330. 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 shall be delivered to CapMan at the aforementioned postal address prior to the expiration of the registration period.

### DIVIDEND

The Board of Directors proposes to the Annual General Meeting that a dividend of €0.12 per share will be paid for the year 2006. The dividend shall be paid to shareholders who are entered in the Shareholder Register held by Finnish Central Securities Depository Ltd on 3 April 2007, which is the record date for the dividend payment. The payment date will be 12 April 2007 in Finland.

### CAPMAN PLC'S FINANCIAL REPORTS IN 2007

In 2007, CapMan Plc will publish its interim reports on the following dates:

Interim Report for 1 January – 31 March 2007 on Thursday, 3 May 2007

Interim Report for 1 January – 30 June 2007 on Friday, 10 August 2007

Interim Report for 1 January – 30 September 2007 on Wednesday, 31 October 2007

CapMan's financial reports are published in Finnish and English. CapMan's Annual Report, interim reports, stock exchange releases and press releases can be viewed on CapMan's Internet pages at [www.capman.com](http://www.capman.com). CapMan's website also contains other information for investors. 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 bulletins can also be ordered from CapMan Plc/Communications, Korkeavuorenkatu 32, 00130 Helsinki, Finland, tel. +358 9 6155 8384 or e-mail to [minna.lyijynen@capman.com](mailto:minna.lyijynen@capman.com).

### CHANGES OF ADDRESS

The Finnish Central Securities Depository Ltd maintains registers of CapMan Plc's shares, shareholders and stock options. Shareholders are requested to make notifications of changes in their personal particulars and address directly to the Finnish Central Securities Depository or to their own account manager. Further information is available from the free customer helpline of the Finnish Central Securities Depository in Finland,

tel. 0800 180 500 (Monday to Friday 9 a.m.–4 p.m., only in Finnish and Swedish). We regret that CapMan is unable to update changes of address.

### ANALYSTS FOLLOWING CAPMAN PLC

#### Cazenove, London

Christopher Brown, tel. +44 20 7155 8145  
[christopher.brown@cazenove.com](mailto:christopher.brown@cazenove.com)

#### FIM Securities Ltd, Finland

Kim Gorscheltnik, tel. +358 9 6134 6234  
[kim.gorscheltnik@fim.com](mailto:kim.gorscheltnik@fim.com)

#### Nordea, Finland

Martti Larjo, tel. +358 9 3694 9429  
[martti.larjo@nordea.com](mailto:martti.larjo@nordea.com)

#### OKO Bank, Finland

Mikael Nummela, tel. +358 10 252 4414  
[mikael.nummela@oko.fi](mailto:mikael.nummela@oko.fi)



**Pictures:**

Heikki Tuuli, Studio Heikki Tuuli, pages 3–7, 30, 38, 40, 46, 48, 54, 56, 60, 62–65, 68–71.



**CapMan Plc**  
**CapMan Capital Management Ltd**  
**CapMan Real Estate Ltd**  
**Realprojekti Oy**

Korkeavuorenkatu 32  
00130 Helsinki  
Finland

Tel +358 9 6155 800  
Fax +358 9 6155 8300

**CapMan AB**

Grev Turegatan 30  
P.O.Box 5745  
114 87 Stockholm, Sweden

Tel +46 8 545 854 70  
Fax +46 8 545 854 89

**CapMan Invest A/S**

Esplanaden 7  
1263 Copenhagen K  
Denmark

Tel +45 35 26 02 12  
Fax +45 35 26 02 14

**CapMan Norway AS**

Haakon VII's gt 1  
P.O.Box 1235  
Vika 0110 Oslo, Norway

Tel +47 23 23 75 75  
Fax +47 23 23 75 79

**CapMan (Guernsey) Ltd**  
**CapMan Mezzanine (Guernsey) Ltd**  
**CapMan (Guernsey) Buyout VIII GP Ltd**  
**CapMan (Guernsey) Life Science IV GP Ltd**

Hambro Hs, St. Julian's Avenue  
P.O.Box 86, St. Peter Port  
Guernsey, GY1 3AE, Channel Islands

Tel +44 1481 726 521  
Fax +44 1481 710 742