

2010

CapMan

# Performance Simplification Strategy

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The cover features a Nordic landscape and CapMan's focal areas in 2010. The Annual Report's other photographs highlight CapMan's portfolio companies and real estate projects. Heikki Tuuli of Studio Heikki Tuuli photographed the people on Pages 2 and 30–31.

The key details of CapMan Plc Group's Financial Statements have been published as a separate attachment of this Annual Report. Complete Financial Statements can be consulted online at [www.capman.com/ir/](http://www.capman.com/ir/).

Number of  
Nordic and  
Russian portfolio  
companies  
and real estate  
investments

**121**

### Growth in the Nordic countries

CapMan invested in Havator – a supplier of crane services, special transports, section assembly, and harbour crane services – in May 2010. Well-managed growth, improved profitability, and a stronger strategic position in the Nordic region and elsewhere in Europe are among the company's key goals. Havator has strengthened its organisation and made a number of acquisitions in Sweden since CapMan invested in the company. Havator had net sales of approx. €70 million in 2010 and employs around 510 people.





**A**t CapMan, we invest in companies and properties with true value creation potential. Our aim is to offer investors worldwide excellent returns and to develop our investment targets with best local know-how into leading businesses. Our investment approach is based on unique market coverage, local presence, and over 20 years of experience. This basis combined with professional fundraising and longstanding investor relations has become increasingly central success factor in the changing market environment.

We invite you to read more about the essentials that make up CapMan and about our operations in 2010.

Capital under management **€3,535.4 million**

Value creation is based on active ownership

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The 2010 financial year was characterised by clear shifts in the market that affected our business. The beginning of the year saw a surge in confidence on market recovery, which was daunted during the late spring when the Eurozone was hit by financial uncertainty, which dragged on through the summer. During the latter part of the year, M&A activity increased especially in Northern Europe. Towards the end of the year, the confidence on the market appeared to return to a more normal level, ameliorated by increased confidence among lenders. The fundraising market, however, remained tough and saw a further 40% drop in the amount of capital raised for the European growth and mid-market buyout funds from the already low level seen in 2009.



# Success calls for agility

When assessing the future in today's globalised world, even very local developments and their effects on different economies can often remain opaque. Change, more than ever, remains the only constant. This continues to pose new challenges, and opportunities, for all the players on the international market. To succeed, smaller players in particular will need to adopt and create agilities of their own.

We launched a strategy review in August 2010, which materialized in early 2011. We focused on assessing our performance from an overall perspective and increasing efficiencies, i.e. simplifying our *modus operandi*. Our performance and simplification assessments led to three major outcomes: the sale of our holding in Access, the decision not to raise new technology funds, and the sale of our real estate consulting business.

We announced the sale of our 30% holding in Access Capital Partners, a leading European fund of funds, to Pohjola in November. The decision not to make any new technology investments or establish new funds in this area was the result of the lacklustre performance in terms of risk-adjusted return expectations; this has been a challenge not only for CapMan, but also for similar technology funds around Europe. Our decision highlights the strengths of the CapMan model, as a similar fund investor-friendly decision would have been close to impossible for an independent fund. The sale of our real estate consulting business, which we expect to close in the third quarter of 2011, is linked to the streamlining of our real estate operations, while ensuring the continued and improved service level from the real estate consulting team.

In addition to addressing performance and simplification issues, we also updated our strategy to be 'We combine the strengths of entrepreneurial partnerships AND all capabilities within CapMan to provide excellent returns to our investors'. By combining these strengths and capabilities, and by pairing them with a clear focus on performance, we will create the agility that we need to succeed in today's ever-changing environment. This will ultimately lead us towards CapMan's new vision – 'To be the best-performing European private equity

firm' – and to the fulfilment of CapMan's mission – 'To build successful businesses contributing to the enrichment of society'.

To support our future performance, we also defined new financial targets for CapMan. We believe that private equity remains a growth industry. CapMan will continue to exploit growth opportunities, particularly in our key investment areas in Buyout, Russia, Public Market, and Real Estate. As we see growth as a natural outcome of performance in a growth industry, we have not set separate growth targets. Thus our key financial target focuses on shareholder return (ROE over 20% p.a.) and is supported by an optimal balance sheet (equity ratio at least 60%) and an excellent dividend pay-out ratio (at least 50% of net profit).

CapMan fared well in 2010's complex market environment. Our funds exited completely from 11 portfolio companies, partially from two, and completely from one real estate investment. We made nine new portfolio company and two real estate investments. Our funds' cash flows were more than €315 million to our investors including exits announced during 2010 and the funds called in some €220 million in 2010. The development of our portfolio companies was good overall. During 2011, we will focus on capturing value through exits from mature funds, as well as continuing active ownership work in investment targets where value creation is still ongoing. Our ambition has been, and continues to be, to invest 1–5% of the original capital in the new funds that we manage. As of the end of 2010, our own fund investments and commitments stood at €102 million, which will give us additional revenue potential once we meet our targeted performance levels.

Our funds' performance is central to our long-term success, and is reflected in our fundraising success. In what proved to be a very tough fundraising market in 2010, we succeeded in closing our ninth buyout fund and held the first closing for our fifth mezzanine fund. We will start fundraising for all our key investment areas during 2011 and 2012. Our internal fundraising remains crucial in coordinating our approach to investors and giving an overall understanding of our strategy to our investors.

There were several changes in the leadership roles during 2010, one of the most important of which was the appointment of a new Management Group. Our ambition was to combine members' individual experience, in-depth knowledge of both private equity and other businesses, and geographical locations to create a functional team. The current strategy is the outcome of the Management Group's combined work, and the team will be responsible for its implementation. The members of the previous Management Group have successfully re-entered their respective businesses.

Our 2010 result was strongly impacted by the Access sale. The resulting strong cash position of €35 million gives us a good platform for operations in 2011. The Board's dividend proposal to the Annual General Meeting assumes continued performance at all levels of the organisation, which is fully in line with our ambitions.

Finally, I would like to thank the personnel at CapMan for their support in driving the changes in the firm. The interest and feedback that I have received from the Board of Directors, shareholders, and investors have been truly encouraging and has provided me with extensive insight in taking the firm forward in these changing times. With our clear direction, our drive for performance, our focus, and ensuring agility, we stand well-prepared to meet the future.



Lennart Simonsen  
CEO, Senior Partner



**CapMan's strategy is to combine the strengths of entrepreneurial partnerships and all capabilities within CapMan to provide excellent returns to its investors.**

## A clearer direction

Following a review of its strategy launched in the third quarter of 2010, CapMan has adopted a new vision and mission and updated its strategy. Improving profitability and simplifying operations are the central and complementary goals for CapMan's future development.

Our mission is to build successful businesses contributing to the enrichment of society. CapMan's values – high ethics, dedication, and active ownership – guide our operations. Our strategy is based on leveraging the strengths of CapMan's en-

## Our goal is to offer excellent returns

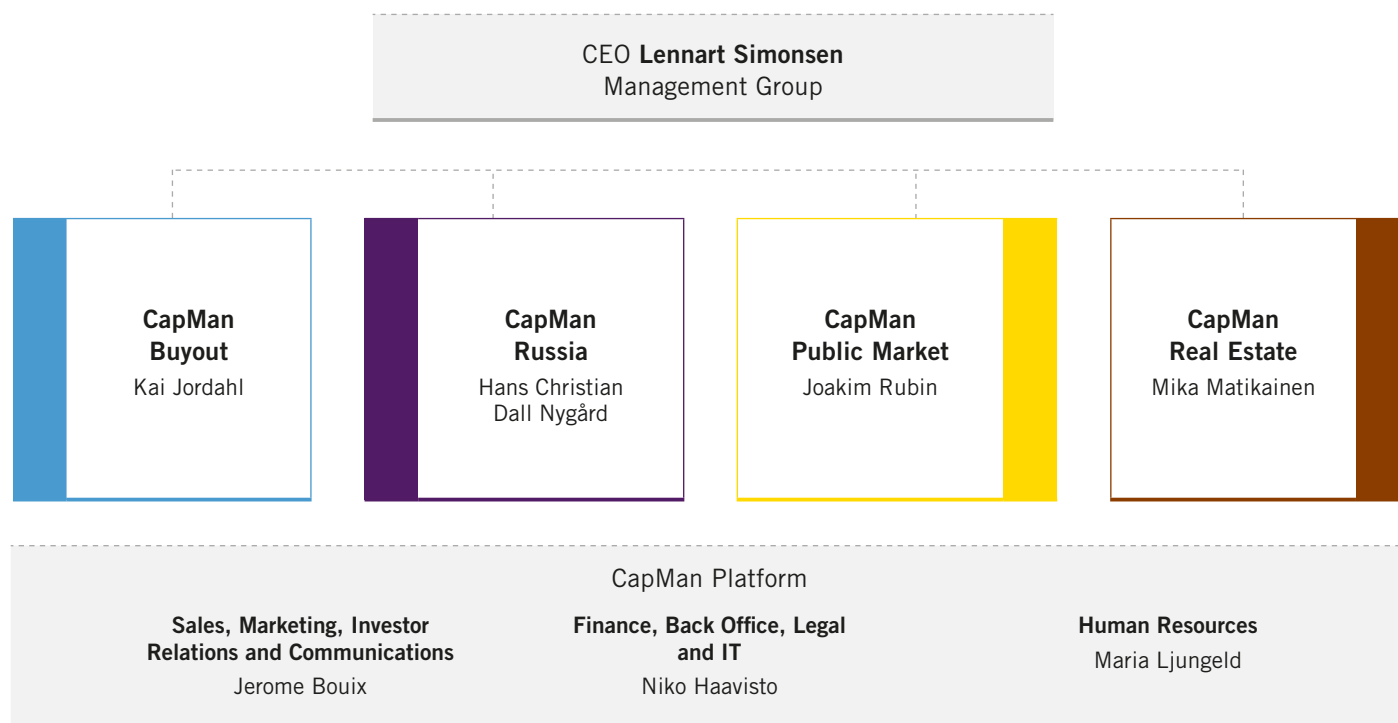
trepreneurially minded, partnership-based investment teams and all its capabilities. The strategy creates a solid foundation for achieving our vision of being the best-performing European private equity firm. We want investors worldwide to see CapMan as the private equity firm that offers the best level of return in Europe.

Concentrating on our key investment areas, developing the CapMan business, and achieving the target returns for our

funds will be the focus of our operations in 2011. We believe that Nordic mid-market buyouts will continue to be one of Europe's most interesting private equity areas. Russia, real estate investment, and leveraging CapMan's value creation model on the listed market offer significant growth potential. The success of fundraising for new funds depends on a successful track record; together, they create growth and the basis for our operations.

By combining the strengths of our entrepreneurial partnerships and all capabilities, we have a unique opportunity to offer investors industry-leading returns. This combination, linked to a focus on performance, will bring CapMan closer to achieving its vision and mission.

## Organisation



CapMan's other investment areas – CapMan Technology and CapMan Life Science – no longer make new investments.

## Strategy, vision, and mission

### Our vision

To be the best-performing  
European private equity firm.

### Strategy

CapMan's strategy is to combine the strengths of entrepreneurial partnerships and all capabilities within CapMan to provide excellent returns to investors.

#### Entrepreneurial partnerships

- Four key investment areas:
  - Buyout
  - Russia
  - Public Market
  - Real Estate
- Strong local presence across all our markets
- Long-term experience and strong track record in the Nordic countries and Russia spanning a range of economic cycles
- Dedicated teams focused on fund performance
- Alignment of interests between Limited Partners and investment teams



#### All capabilities within CapMan

- Broad geographical coverage and market know-how shared between investment teams
- Local presence and expertise giving us an in-depth understanding of our markets
- Professional fundraising and long-term investor relationships
- Fund management services
- High-quality service infrastructure
- CapMan brand
- In-house fund investment capacity
- Listed status

### Mission

We build succesful businesses contributing to the enrichment of society.

Read more online at  
[www.capman.com/about-capman](http://www.capman.com/about-capman)

# CapMan as an investment

**By investing in CapMan shares, investors have the opportunity to benefit from value created across a portfolio of Nordic and Russian companies and real estate.**

## Three main sources of income

CapMan has two operational segments: The Management Company business and The Fund Investment business. The Management Company business covers the management of CapMan's private equity funds, which invest in portfolio companies and real estate, and receives management fees and carried interest income from these funds. Management fees are typically 0.5–2.5% per annum of the capital under management or the portfolio at acquisition cost, and generally cover CapMan's operational costs.

Fund investments comprise CapMan's fund investments from its own balance sheet and its investments in Maneq funds; revenue comes from changes in the fair value of these investments and realised returns. CapMan aims to invest 1–5% in its funds, depending on their size, investor de-

mand, and CapMan's investment capacity.

The revenue generated by both segments comes from value created in listed and unlisted Nordic and Russian companies and real estate.

## Long-term business

CapMan's profits can vary significantly from quarter to quarter, and any analysis of the Group's financial performance should look beyond the next quarter. Management fees are, by definition, generally very predictable, while carried interest varies, depending on the timing of exits and whether a fund that makes an exit has entered carry. We always aim to exit our investment targets at the best possible valuation. Changes in the fair value of fund investments can also vary significantly from year to year and quarter to quarter. Different sources of income and funds in different stages of their life cycles even out fluctuations in CapMan's income.

## Strong financial performance in 2010

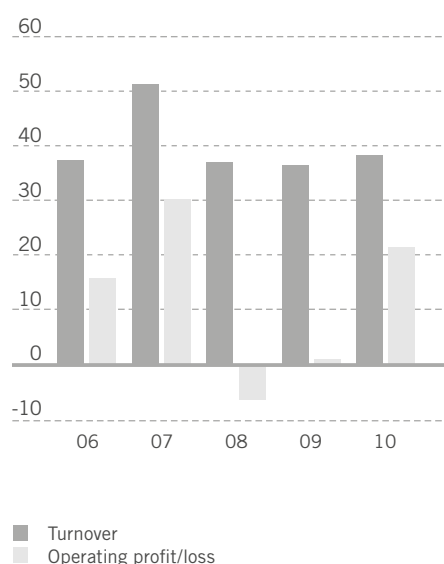
Both turnover and result in 2010 rose compared to 2009. The partial sale of

CapMan's holding in its associated company, Access Capital Partners, had an impact of €22.7 million on CapMan's 2010 result. The Group recorded a turnover of €38.2 million (2009: 36.3 million) and an operating profit of €21.0 million (0.1 million). Changes in the fair value of fund investments totalled €2.7 million (-3.3 million), equivalent to a 4.2% increase in value in 2010 (a 5.4% decrease in value in 2009). Operating expenses rose to €42.8 million (33.0 million); one-off expenses during the last quarter of the year had a particular impact. The Group's profit for the year was €17.6 million (0.1 million) and profit attributable to the owners of the parent company was €17.3 million (-0.2 million). The Group's equity ratio as of the end of the year was 58.5% (55.1%) and net gearing 7.3% (34.8%).

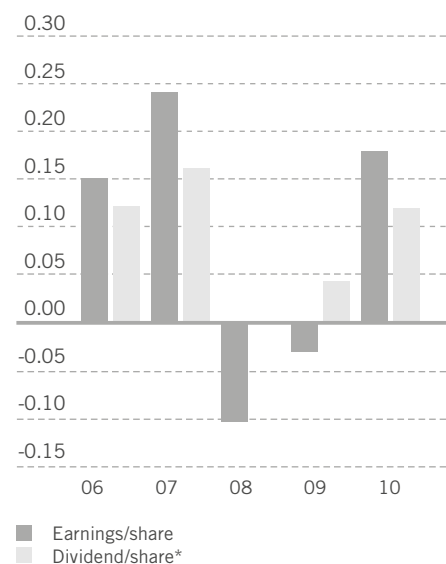
Detailed information on CapMan as an investment opportunity, its main sources of income, profit performance, and share performance can be found in the Financial Statements for 2010 and at the company's web site [www.capman.com/ir](http://www.capman.com/ir).

## An attractive earnings model

Group turnover and operating profit, M€



Earnings/share and dividend/share, €



\* Board of Directors' proposal to the 2011 AGM.



## Main revenue sources

Funds we manage*		Investments in our own funds
Management fees	Carried interest income	Returns on direct fund investments
<ul style="list-style-type: none"> <li>• Dependent on the amount of capital under management</li> <li>• Received throughout the lifetime of a fund (typically 10 years)</li> <li>• An average of 1% of the capital under management</li> <li>• Increase as fundraising progresses</li> <li>• Reduce as exits are made</li> </ul>	<ul style="list-style-type: none"> <li>• CapMan's share, 10–20%, of a fund's cash flows after its hurdle rate has been achieved**</li> <li>• Preferred annual returns are typically 7–8% p.a. (annual preferred return after a fund has returned its paid-in capital to investors)</li> </ul>	<ul style="list-style-type: none"> <li>• Fair value of CapMan's own investments as of 31.12.2010 was €66.5 million</li> <li>• Remaining commitments totalled €36.6 million as of 31.12.2010</li> <li>• Over 50% of own fund investments in buyout funds</li> <li>• CapMan aims to invest 1–5% of the original commitments of new funds from its own balance sheet</li> <li>• Effect on CapMan's result through fair value changes of investments and realised returns</li> </ul>
Stable and predictable revenue stream		Strong revenue potential

## Financial targets\*\*\*

	Target	Performance in 2010
<b>Profitability</b>	Return on equity of over 20% a year	Return on equity was 20.8%
<b>Capital structure</b>	Equity ratio of at least 60%	Equity ratio was 58.5%
<b>Dividend policy</b>	Payout ratio of at least 50% of net profit	The Board proposes a dividend of €0.12 per share, i.e. 68% of net profit, to the AGM (Earnings/share €0.18 in 2010)

\* Revenue sources of Management Company business also include income from real estate consulting.

\*\* Excluding investment team's share.

\*\*\* The long term financial targets presented in the table above were announced in February 2011. The financial targets in force in 2010 can be found in the Annual Report for 2009.

Read more online at  
[www.capman.com/ir/capman-as-investment](http://www.capman.com/ir/capman-as-investment)  
[www.capman.com/ir/result](http://www.capman.com/ir/result)  
[www.capman.com/ir/shares-and-shareholders](http://www.capman.com/ir/shares-and-shareholders)

**CapMan manages capital raised from institutional investors in its private equity funds and is also a significant investor in these funds.**

## **A total of €3.5 billion under management**

Capital raised from institutional investors accounts for €3.4 billion of the total capital managed in CapMan funds, while CapMan's own commitments and investments account for €0.1 billion. Just over half of the capital is in funds that make direct investments in portfolio companies, while the remainder is in real estate funds. The capital in funds making portfolio company investments is split between equity and mezzanine funds. All funds are managed by dedicated and locally based investment teams.

Capital under management refers to the remaining investment capacity of funds and already invested capital valued at acquisition cost. It represents a source of future revenue for CapMan in the form of management fees and possible carried

interest income. Capital under management increases through fundraising and decreases through exits.

Despite a difficult fundraising environment, CapMan succeeded in the final closing of the CapMan Buyout IX fund, the first closing of the CapMan Mezzanine V fund, and the establishment of the project-specific real estate fund, CapMan Yrjönkatu 17, raising a total of €0.1 billion of new capital in 2010.

## **Major revenue potential**

CapMan categorises its funds by the phase at which they are in their life cycle. Some funds are already generating carried interest income or approaching the point at which they will transfer to carry, while the majority are still in the active investment or value creation phases.

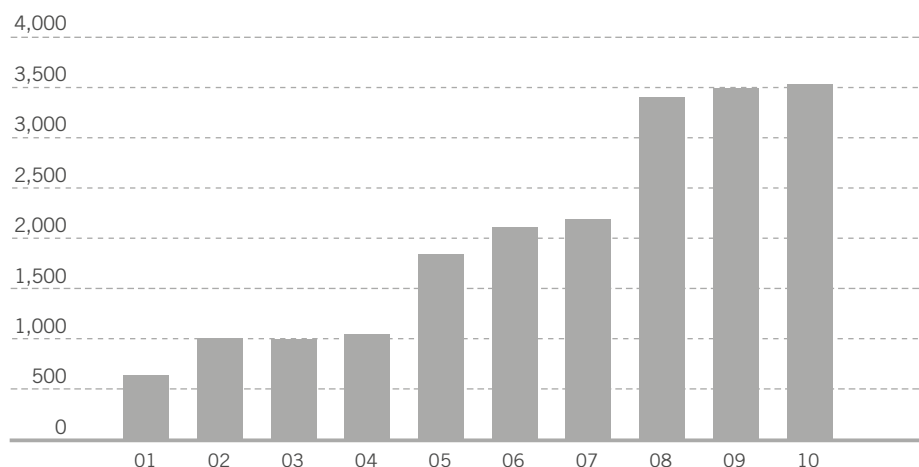
Funds in carry represented just under 2% of the capital under management by CapMan as of 31 December 2010. Exits from these funds will generate carried interest income for CapMan. Around 6% of capital was held in funds that are ex-

pected to transfer to carry during 2011–2012, which gives these funds significant earnings potential over the medium term. Funds investing in portfolio companies that are still in the active investment or value creation phase, together with recently established real estate funds, form the bulk of capital, accounting for over 80% of all capital under management. In contrast to the other fund categories, these funds have an extensive remaining investment capacity for new and add-on investments.

The final category of fund has no carried interest potential for CapMan. These funds account for around 7% of the total capital under management. They have no carried interest potential either because they are not expected to transfer to carry or because CapMan's carried interest percentage is low. The CapMan Real Estate I fund, which has already generated €19.8 million in carried interest for CapMan and is not expected to enter carry again, represents a significant part of the capital in this category.

Specialised  
funds with  
dedicated  
teams

Capital under management, M€



### Distribution to investors at record-high level

CapMan funds invested a total of €241.8 million in 2010, of which €196.2 million was invested in portfolio companies and €45.6 million in real estate properties.

Funds made nine new portfolio company investments, two new real estate investments, as well as several add-on investments during the year.

Cash flows to investors were €197.9 million in 2010. Funds exited fully or partially from 13 companies and one property in 2010. Including the exits announced in 2010 and closed in early 2011, total distributions to investors will increase to a record level of over €315 million. CapMan received €2.6 million in carried interest income from funds in 2010. The average IRR p.a. for exits made by funds investing in portfolio companies during 2010 was 16.3% and the money-back multiple was 2.3.

Historically, capital invested in funds making equity investments in portfolio companies has generated a 15.1% net return for investors.

### Remaining investment capacity of €1 billion

As of the end of 2010, funds investing in portfolio companies had approx. €700 million available for new investments or add-on investments in existing portfolio companies. New investments are being made by the Buyout, Russia, and Public Market funds. CapMan's real estate funds had invested the majority of their capital and had some €340 million in investment capacity remaining, primarily for developing their existing portfolios.

Detailed information on the funds managed by CapMan, CapMan's own fund investments, and historical returns can be found online at [www.capman.com/funds](http://www.capman.com/funds).

2010

**€241.8**  
million

New and add-on investments

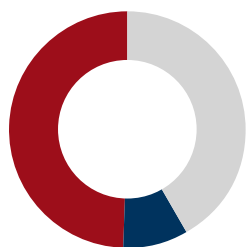
**€315**  
million

Cash flows to investors

**€2.6**  
million

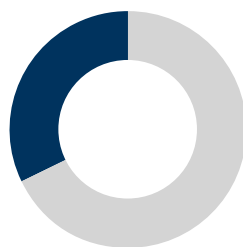
Carried interest income for CapMan

Capital under management in equity, mezzanine and real estate funds as of 31 December 2010, M€



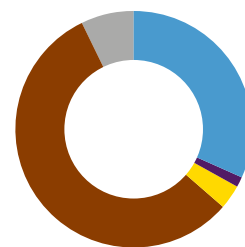
Equity funds **1,478.2 M€**  
Mezzanine funds **316.4 M€**  
Real estate funds **1,740.8 M€**

Major remaining capital for new and add-on investments as of 31 December 2010, %



Current portfolio at acquisition cost **68%**  
Remaining investment capacity\* **32%**

Portfolios at acquisition cost by investment area as of 31 December 2010, M€



Buyout investments **768.3 M€**  
Russia investments **38.2 M€**  
Public Market investments **76.2 M€**  
Real Estate investments **1,363.1 M€**  
Other investment areas **174.6 M€**

\* Includes actual and projected costs in respect of funds in which a proportion of fund capital has been reserved to cover expenses.



# Fundraising and our clients

**CapMan raised new capital for its buyout, mezzanine, and real estate funds during 2010. The company's long experience in private equity, strong track record, and high re-up ratio among investors proved particularly valuable in the challenging fundraising environment.**

## New funds

When establishing new funds, CapMan always focuses on meeting investors' needs and ensuring compatibility with its active, long-term approach to ownership. Despite a difficult fundraising environment, CapMan succeeded in raising a total of €0.1 billion for the CapMan Buyout IX fund, which held its final closing in 2010, the CapMan Mezzanine V fund, which completed its first round of fundraising, and the project-specific CapMan Yrjönkatu 17 real estate fund. The CapMan Buyout IX and CapMan Mezzanine V funds invest in unlisted Nordic mid-market companies. CapMan's new project-specific real estate fund concept has been well-received, as investment targets are known to investors

during the fundraising process. CapMan intends to establish 5-10 new project-specific real estate funds over the next few years.

In addition to real estate funds, CapMan expects to launch new Buyout, Russia, and Public Market funds over the next two years.

## Russia and Public Market funds offer clear potential

Russia continues to represent a market with extensive potential for benefiting from private equity model. Both the share of private equity in M&A transactions and private equity's share of the country's GDP are low compared to Europe and the US. The competition in Russia remains modest, as there are only a few Western-style private equity investors active locally.

Also Nordic listed market has already proven that it offers clear value creation potential by leveraging the private equity model.

Private equity funds investing both in Russia and the listed market are still niche products in many institutional investors'

allocations, but CapMan's view is that these areas offer clear potential over the long term and investor interest towards them is increasing.

## Good long-term growth prospects for private equity

Competition on the fundraising market remained tough. Over 1,600 funds worldwide competed for new capital during 2010 according to Preqin\*. The challenging nature of the fundraising environment is expected to reduce the number of active private equity investors, and institutional investors are likely to focus their investments in funds operated by the most successful management companies.

The EU's Solvency II Directive, approved in 2009, and the Directive on Alternative Investment Fund Managers (AIFM), approved in November 2010, represent new challenges for the industry. The Solvency II Directive covers European life and non-life insurers, reinsurance companies, and insurance associations, as well as some pension funds, and is intended

\* Preqin: Investor Outlook: Private Equity, December 2010



## An active year for exits

CapMan funds exited fully or partially from a total of 13 companies and one real estate property in 2010 and returned a total capital of €197.9 million to fund investors. CapMan's partial exit from the Swedish MQ clothing retail chain returned a significant amount of capital to investors in the CapMan Buyout VIII, CapMan Equity VII A, B, and Sweden, and CapMan Mezzanine IV and Finnmezzanine III B funds. CapMan became the majority owner of MQ in 2006. Following more than four years of value creation work and positive development, CapMan listed the company on Nasdaq OMX Stockholm through an IPO in June 2010.

to harmonise the requirements concerning the solvency of these institutions and increase the transparency of the regulatory framework governing the insurance sector. The directive is expected to come into effect in member states in early 2013. The AIFM directive will affect the marketing of fund products and will establish new requirements in respect of reporting to fund investors and the authorities. This directive is expected to come into force in the national legislation of member states in 2013 at the earliest. Due to its transparent operating model and advanced reporting, CapMan is well-placed to meet these new requirements.

Regardless the challenging fundraising environment and increased regulation, the long-term growth prospects for the private equity industry remain good. The interest of institutions in well-performing investments to supplement their share and bond investments is a contributing factor, as is the ability of private equity investors to create long-term value in the businesses that they invest in. The pick-up of the M&A market and the capital returned from ex-

its to investors could well see a recovery in fundraising during 2011.

### Our clients

Over 120 Nordic and international institutional investors have invested in the CapMan funds. Pension funds and insurance companies are among the largest investors in the funds managed by the Group. Most of our fund investors have invested in more than one CapMan fund, and individual investors typically account for a maximum of 20% of a fund's commitments.

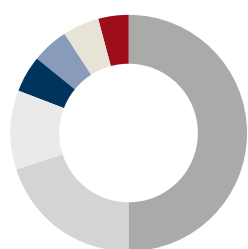
Giving a high standard of dedication to existing investor relationships proved particularly important in 2010. Our goal is to consolidate our international investor relations and further broaden and extend the reach of our investor community.

CapMan's goal is to offer its fund investors top quartile returns and to provide a high standard of investor service and maintain an excellent level of trust and transparency. CapMan's own fund investments are important in aligning our interests with those of the institutional investors.

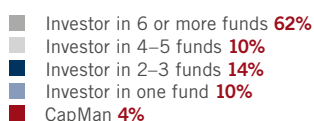
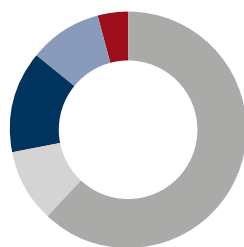
### CapMan's fundraising during 2010

- The CapMan Buyout IX fund held its final closing at €295 million
- The CapMan Mezzanine V fund held its first closing at €60 million, fundraising continues in 2011
- The final closing of the project-specific hotel fund, CapMan Yrjönkatu 17 KY, totaled €13 million

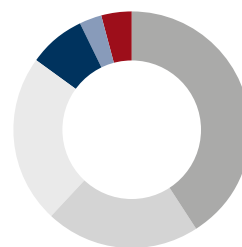
Committed capital by investor type, %



Committed capital by exposure, %



Committed capital by region, %



Read more online at  
[www.capman.com/funds/fund-investors](http://www.capman.com/funds/fund-investors)

# Investment approach

**Our goal across all investment areas is to increase the value of the businesses and properties that we invest in and to ensure that our funds achieve their target returns. We develop our investments actively with a focus on creating added value for our portfolio companies, properties, fund investors, and shareholders.**

## Clear targets drive value creation work

The goal of our investment activities is to develop our portfolio companies and real estate properties and enhance their value. The process begins with identifying attractive investment opportunities and ends when we exit a business. To ensure that we achieve our value creation and return targets in terms of both individual investments and at fund level, we need to be successful at every stage of the investment process – in analysing deal flow and specific industries, setting the most appropriate targets for investments and monitoring the progress made in achieving them, and supporting the management teams of our portfolio companies in working towards their targets.

When looking for new investments, we aim to identify companies in the Nordic countries and Russia that match the focus of our funds and offer the best growth potential. We monitor general economic developments as well as developments of specific sectors and companies, and supplement our own analyses and deal flow with input from our networks and contacts that companies themselves initiate with us. Following thorough due diligence, our fund-specific investment committees review potential new investments and present their recommendations as to whether an investment should be made or rejected.

At the time of an investment, we set a clear strategic target for each company or property. The target, when met, will make the business in question an attractive acquisition candidate for the next owner. The target could be for example achieving market leadership in the Nordic region. We draw up a thorough plan for each company for how the targets can be achieved after a CapMan investment is made. In the case of real estate, value creation is based to a large extent on customer-driven develop-

ment through overall property management, contractor services, service concept development, and an active leasing policy.

Board work is our key value creation tool and helps us support management teams in achieving their chosen strategy. Taking an active role in the boards of directors of our portfolio companies allows us to take part in assisting international expansion, M&A transactions, recruiting senior executives, remuneration, strengthening a business' financial position, enhancing sales and marketing efforts, and reinforcing good corporate governance, among others.

As our funds invest for only a limited time, the final stage of the investment process is to exit and leverage the added value. We want to ensure that portfolio companies are well-placed in terms of their future prospects at the time of exit. We aim at finding a new owner that is committed to further developing a company or property in the future. Typical exit routes include sale to an industrial buyer, an IPO, or sale to another private equity investor specialised in larger transactions.

## Value creation is based on active ownership

Value creation breakdown in realised buyout investments\*, %



- Net sales increase **34%**
- Profitability increase **26%**
- Debt reduction **12%**
- Strengthening of strategic position **28%**

The majority of value creation is the result of fundamental business improvement.

# 60%

\* Indexed average proportion of each value creation driver. Based on 39 partially and fully realised investments from equity funds. Certain assumptions and simplifications have been made to the calculations.



43,000 people  
employed  
by portfolio  
companies with  
combined net  
sales of approx.  
€6.1 billion

#### **Sharing know-how between teams and countries**

The activities of CapMan's investment teams cover virtually all areas of the economy in the Nordic countries and Russia, and our investment professionals have access to the latest information on how individual sectors are developing, the competitive environment, and the availability of financing. The expertise of CapMan's professionals, CapMan Advisors, and the management teams of our portfolio companies is shared through executive events organised by CapMan. The local know-how of the CapMan Russia team, for example, has proved particularly valuable for many of our buyout funds' portfolio companies.

CapMan supports the development of its portfolio companies and real estate properties in other ways as well, such as the CapMan Purchasing Scheme (CaPS), which combines investment targets' purchasing power to secure competitively priced supply agreements. By joining the CaPS, companies have been able to make major savings in their procurement costs.

#### **Success calls for the right team**

Successful value creation calls for input from a large number of people. CapMan aims to ensure that it employs the best investment and service professionals in the private equity industry and provides them with sufficient resources to identify and develop the best opportunities available. The management teams and staff of portfolio companies play at least an equally important role in business development, as do the real estate experts and clients in developing properties. The members of the CapMan Advisor Network bring new contacts into play and contribute their own industry expertise. The role of CapMan's investment professionals and advisors is to outline the future direction of portfolio companies and properties and to support management in carrying out that strategy. Every investment requires its own team to ensure that common goals and true value creation can be achieved.

Read more online at  
[www.capman.com/InvestmentOperations](http://www.capman.com/InvestmentOperations)



#### **Growth through consolidation**

In a buy-and-build strategy, a portfolio company is developed through several acquisitions. CapMan Buyout acquired Swedish-based Aspen and INR, together with Sanka in Finland, in 2010 with the aim of creating a new Nordic force in bathroom fittings and solutions. Aspen, INR, and Sanka are leaders in their segments in Sweden and Finland and have established strong positions on their respective markets through products that are renowned for their design and quality. The companies had combined net sales of approx. €38 million in 2010.

# A unique Nordic concept



## **Creating a new Nordic player**

CapMan sets a clear growth strategy for every portfolio company. In 2008 CapMan acquired Talentum's TV production business as the platform for developing a new, independent production group in the Nordic region. The Nordic Alliance that has since been created now includes Moskito in Finland, Monster in Norway, Gong in Denmark, and Baluba in Sweden. These companies had combined net sales of approx. €56 million in 2010 and they employ around 100 people. Seen here is the shooting of a production called *Helppo elämä* (An Easy Life), a drama series commissioned by MTV3 in Finland.

## Investing in unlisted Nordic mid-market companies

CapMan Buyout invests in unlisted mid-market companies that offer best-in-class growth opportunities in virtually all industries in the Nordic region. Our team has extensive experience in investing for example in health care, manufacturing and engineering, industrial service companies, and the retail sector. We enhance the value of our portfolio companies by setting clear strategic targets and being an active owner. In addition to equity investments, we also provide mezzanine financing.

The Nordic M&A market picked up during 2010. We invested in three new companies and made various add-on investments, totalling €118.0 million. The financial situation of our portfolio companies and the availability of bank financing for M&A transactions improved significantly during the year, and our portfolio companies developed well overall. The position of many companies most severely affected by the recession improved, although not all sectors will return to pre-recession levels.

We completed final or partial exits from a total of five companies, and the money-back multiple for these investments was on average 2.9. Following the successful IPO of the Swedish clothing chain, MQ Retail, on the Stockholm Stock Exchange, and the sale of the travel retail company, Inflight Service, we now have carried out an entire investment life cycle in Sweden.

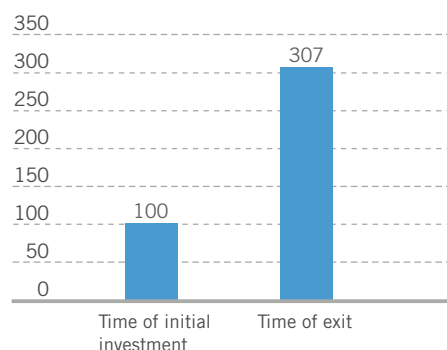
As of the end of the year, our funds had approx. €465 million of capital available for new investments and developing existing portfolio companies. Our aim is to build a portfolio that balances holdings in non-cyclical business with more opportunistic investments. Success here calls for focusing on value creation, innovation, and the ability to see and take advantage of the structural changes under way in different industries. Thanks to the new CapMan Buyout IX and CapMan Mezzanine V funds, our team is well-placed in terms of resources to make new investments, support existing portfolio companies, and move ahead with implementing our investment strategy in 2011.

## What are we looking for?

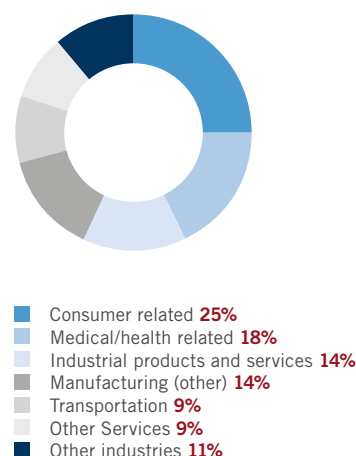
- Unlisted Nordic mid-market companies with a positive cash flow
- Achieve clear growth potential through active ownership
- Businesses with typical net sales of €50–500 million and a market capitalisation of €50–250 million
- Equity investments are typically €20–60 million and mezzanine investments typically €10–20 million per company
- Acquire a controlling holding

## Increase in value of previous investments as of 31 December 2010\*

Number of exits (equity funds)	45
IRR%, p.a.	38.0
Average holding period, years	5.6



## Investments by sector at cost as of 31 December 2010, %



\* Equity funds. Indexed (time of investment = 100). Exits comprise partial exits, dividends, interest earnings and sales revenues. Currency items are valued at the average exchange rate as at 31 December 2010.



Portfolio companies as of  
31 December 2010

Our investment  
focus covers  
key industries  
in the Nordic  
region

## Retail and services

2010



**Esperi Care Oy (Finland)**  
Assisted living, home care,  
and ambulance services  
[www.esperi.fi](http://www.esperi.fi)



**Havator Group Oy (Finland)**  
Lifting services, special  
transportation, and harbour  
crane service  
[www.havator.com](http://www.havator.com)

2008

**CEDERROTH**

**Cederroth International AB  
(Sweden)**  
Wound care, hygiene, health  
care, and household products  
[www.cederroth.se](http://www.cederroth.se)



**Espira Gruppen AS (Norway)**  
Day care services and property  
management  
[www.espira.no](http://www.espira.no)

**NORTHERN ALLIANCE**

**Northern Alliance Oy (Finland)**  
TV, advertising, and entertainment  
production; events  
[www.northernalliance.tv](http://www.northernalliance.tv)



**OnTime Logistics (prev.  
Cargo Partner Group) (Norway)**  
Transport services, air freight  
and marine shipments, and  
3PL logistics services  
[www.ontimelogistics.no](http://www.ontimelogistics.no)

2007



**Avelon Group Oy (Finland)**  
Vehicle logistics, services for  
manufacturers, importers,  
and retailers  
[www.avelongroup.com](http://www.avelongroup.com)



**Curato AS (Norway)**  
Medical imaging services  
[www.curato.no](http://www.curato.no)



**Proxima AB (Sweden)**  
Specialist health care and  
clinic services  
[www.proxima.se](http://www.proxima.se)

2006



**MQ Retail AB (Sweden)\***  
Fashion retailer  
[www.mq.se](http://www.mq.se)



**OneMed Group (Finland)\*\***  
Health care products  
[www.onemed.com](http://www.onemed.com)

2005



**Cardinal Foods AS (Norway)**  
Poultry and eggs  
[www.cardinalfoods.no](http://www.cardinalfoods.no)

2004



**Tokmanni Oy (Finland)**  
Discount retailing  
[www.tokmanni-konserni.fi](http://www.tokmanni-konserni.fi)

2003



**LUMENE Oy (Finland)\***  
Skin care, cosmetics, and  
hair care products  
[www.lumenegroup.com](http://www.lumenegroup.com)

2002



**Tieturi Oy (Finland)**  
IT and project  
management training  
[www.tieturi.fi](http://www.tieturi.fi)

2001



**SMEF Group A/S (Denmark)**  
Furniture manufacturing  
systems and production  
line design  
[www.smefgroup.com](http://www.smefgroup.com)

## Industry

2010



**Aspen & INR & Sanka (Sweden)**

Bathroom fittings and shower solutions  
[www.aspenbad.se](http://www.aspenbad.se),  
[www.inr.se](http://www.inr.se),  
[www.sanka.fi](http://www.sanka.fi)

2009



**Metals and Powders Thomas Klier AB (Sweden)**

Metals powders and crushed metal  
[www.metals-powders.com](http://www.metals-powders.com)

2007

**KOMAS**

**Komas Group Oy (Finland)**  
 Engineering system solutions  
[www.komas.fi](http://www.komas.fi)



**Walki Group Oy (Finland)**  
 Industrial wrapping and composites  
[www.walki.com](http://www.walki.com)

2006



**Maintpartner Oy (Finland)**  
 Industrial maintenance and operational services  
[www.maintpartner.com](http://www.maintpartner.com)

2005



**InfoCare AS (Norway)**

Electronic installation and maintenance  
[www.infocare.no](http://www.infocare.no)



**Moventas Oy (Finland)**

Wind turbine gears, industrial power transmission systems, maintenance, and service  
[www.moventas.com](http://www.moventas.com)

2004

**Ordyhna**

**Ordyhna Holding A/S (prev. Anhydro Holding A/S) (Denmark)**  
 Evaporation and drying equipment

2003



**Metallfabriken Ljunghäll AB (Sweden)**  
 Aluminium die-casting  
[www.ljunghall.se](http://www.ljunghall.se)

2000



**Å&R Carton AB (Sweden)**

Board-based consumer packaging  
[www.ar-carton.com](http://www.ar-carton.com)

1999



**Finlayson Oy (Finland)**

Bedding, beds, consumer textiles  
[www.finlayson.fi](http://www.finlayson.fi)

2010

**€118.0**  
 million

New and add-on investments

**7.5%**

Growth of portfolio companies' net sales on average in 2010

**11**

Number of M&A transactions by portfolio companies

Read more online at  
[www.capman.com/InvestmentOperations/CapManBuyout](http://www.capman.com/InvestmentOperations/CapManBuyout)

\* Partial exit announced in 2010. \*\* Exit announced in 2010.

CapMan Russia

# Local expertise

## Targeting growth in Moscow and other major Russian cities

CapMan is committed to supporting the growth of its portfolio companies. CapMan acquired 49% of the Russian master franchising rights of the Papa John's pizza chain in September 2009, with the aim of extending and developing the chain's operations by opening up new restaurants in Moscow and elsewhere in Russia. The company has grown strongly since then and has doubled its number of restaurants. Internal operations have also been developed, by modernising point of sale systems, for example. Papa John's turnover in Russia in 2010 was approx. €9 million and the company employs around 350 people today.





## Growth financing for SMEs in Russia

CapMan Russia invests in small and mid-sized companies operating in Russia with clear growth potential, either locally or internationally. We review new opportunities across Russia and look for businesses with professional and entrepreneurially minded management teams committed to modern management practices.

The volume of M&A activities among small and mid-sized companies in Russia increased during 2010, and our team made two new investments and a number of add-on investments totalling €14.4 million. Our local presence continued to prove particularly valuable, as it provides us with an understanding of the special characteristics of making investments in Russia, and we can support local entrepreneurs in developing businesses. Our portfolio companies enjoyed a significantly better year in 2010 than in 2009 and grew steadily. Their prospects for 2011 are also generally good.

The CapMan Russia fund still has some €55 million available for new and add-on investments, and our aim is to make a further 5–7 new investments from the fund. Our team has made exits from a total of 23 companies to date, and these exits have generated an average 2.5 return on invested capital.

The size of the private equity market in Russia is small compared to the size of the country's economy, and we see clear long-term growth potential, particularly as there are only a couple of Western private equity investors active in Russia at the moment. The fundamentals for growth are strong, despite the Russian economy's continued heavy reliance on commodities and global financial developments. Our team has operated successfully on the Russian market for over 15 years, and we believe that we are well-placed to continue making successful investments in 2011.

## What are we looking for?

- Small and mid-sized companies operating in Russia
- Portfolio companies in the following sectors: consumer products and services, industry, telecommunications, transport and logistics, financial services, and the media
- Companies with an enterprise value of approx. €5–50 million
- Companies with typical net sales of approx. €5–100 million
- Individual investments in the order of €5–15 million

## Portfolio companies as of 31 December 2010

### 2010



**Bank Evropeisky**  
Banking services in Kaliningrad  
[www.icbe.ru](http://www.icbe.ru)



**Crane Technologies**  
(prev. LMZ)  
Manufacturer of handling systems used in the construction industry  
[www.crantec.ru](http://www.crantec.ru)

### 2009



**Papa John's**  
Pizza restaurant chain  
[www.papajohns.ru](http://www.papajohns.ru)

### 2008



**Region Avia Airlines\***  
Regional airline  
[www.regionavia.ru](http://www.regionavia.ru)

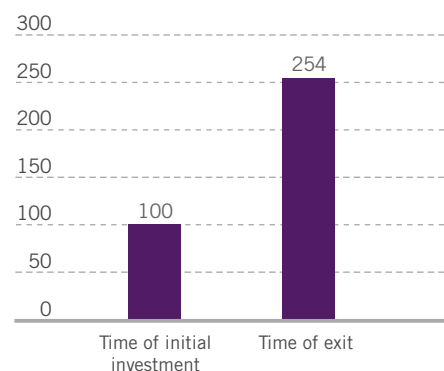


**Russia Baltic Pork Invest ASA**  
Pork production  
[www.rbpi.no](http://www.rbpi.no)

Read more online at  
[www.capman.com/InvestmentOperations/CapManRussia](http://www.capman.com/InvestmentOperations/CapManRussia)

Increase in value of previous investments as of 31 December 2010\*\*

Number of exits	23
IRR%, p.a.	19.1
Average holding period, years	5.0



\* Exit announced in 2011.

\*\* Including exits from the Norum I and II funds as well, as the ASEF fund's exited investments in Russia. Indexed (time of investment = 100). Exits comprise partial exits, dividends, interest earnings, and sales revenues.



# Working together with other owners and management

## **An active owner can be critical in spurring growth**

CapMan Public Market invested in Proffice in December 2009 when the company's largest owner was looking for a new strong and professional owner to help guide the company through its next growth stage. By working together with the company's other owners and management, CapMan's goal is to develop Proffice into the number-one staffing solutions company in the Nordic region. In 2010 Proffice recorded net sales of approx. SEK 4,095 million and employed approx. 6,600 people. The company's share is listed on Nasdaq OMX Stockholm.

### Investing in listed Nordic small and mid-cap companies

CapMan Public Market makes significant minority investments in Nordic publicly listed companies with a market value between €100 million and €700 million. We look for companies with proven business models and significant and realistic value creation potential. Our goal is to grow the long-term shareholder value of our portfolio companies by applying CapMan's hands-on active ownership model.

Our investment approach is based on achieving a sufficiently large holding in our portfolio companies to give us the potential to influence their development. This normally means a position among the three to four largest shareholders and in many cases representation on the board of directors.

The emphasis of our activities during 2010 was split between analysing new investment opportunities and developing our existing portfolio companies. New and add-on investments included we invested a total of €35.6 million in 2010. The work in our portfolio companies has been intense and often focused on reviewing and revitalising the companies' strategic plans. A lot of emphasis has also been

## We leverage CapMan's active ownership model on the Nordic listed market

put on optimising corporate governance by working through nomination committees, often as chairman, in order to strengthen the board of directors in the portfolio companies. In addition, in several portfolio companies the management team has been strengthened. Moreover, we have also helped to initiate several projects to improve operational efficiency and to execute on acquisitions.

The market capitalisation of our portfolio companies developed well overall and we divested our fund's remaining holding in the kitchen solutions supplier Nobia in

### What are we looking for?

- Listed Nordic small and mid-cap companies
- Market value typically €100–700 million
- Companies with proven business models and significant and realistic value creation potential
- Significant minority investments leading to genuine governance positions
- Co-operation and alignment with other shareholders and board members

September. During 2011 we will as active owners support our portfolio companies to continue to execute their strategic plans. In addition, we will carry on monitoring market developments as well as screening and analysing our investment universe for attractive investment opportunities.

### Portfolio companies as of 31 December 2010

2010

**Affecto**

**Affecto Plc (Finland)\***

Business intelligence and IT solutions in the Nordic region, the Baltic countries, and Poland  
[www.affecto.com](http://www.affecto.com)



**ÅF AB (Sweden)**

Technical consulting services worldwide  
[www.af.se](http://www.af.se)

2009

**intrum justitia**

**Intrum Justitia AB (Sweden)**

Credit management solutions across Europe  
[www.intrum.com](http://www.intrum.com)

**PROFFICE**

**Proffice AB (Sweden)**

Staffing solutions and recruitment services in the Nordic region  
[www.proffice.com](http://www.proffice.com)

Read more online at  
[www.capman.com/InvestmentOperations/CapManPublicMarket](http://www.capman.com/InvestmentOperations/CapManPublicMarket)

\* CapMan Public Market Fund exited the company in February 2011.

# Property development



## Eco-efficient shopping centres

Responsibility is an integral part of CapMan's investment activities. The Skanssi shopping centre in Turku was recently awarded an international LEED certificate in recognition of its efficient use of energy and the overall eco-friendly nature of its operations. The shopping centre owned by the CapMan RE II fund has approx. 34,000 m<sup>2</sup> of leasable space and is home to more than 90 tenants.

Photographer: Seilo Ristimäki



## Portfolio of 60 properties

The investment focus of CapMan Real Estate's funds cover commercial and hotel properties and property development targets. We develop our properties together with our tenants. Our four funds currently own 60 properties.

The volume of property transactions in Finland remained relatively low in 2010, although the availability of bank financing improved clearly compared to 2009. Also the foreign investor interest increased clearly. During the year, we focused on developing our existing properties and investigating new fund opportunities. In November, we established our first project-specific hotel fund, which acquired a hotel property at Yrjönkatu 17 in central Helsinki. Our goal over the next five years is to set up 5–10 project-specific hotel funds, each of which will invest in between one and four existing properties or hotels that are still at the planning stage. In addition, we investigated the possibility of establishing private equity real estate funds in other areas.

We made a number of add-on investments. One of the most significant of these concerned the Turun Centrum building, which is being transformed into a dynamic new centre for fashion and leisure in the heart of Turku in Southern Finland. We also carried out a number of extension projects, which also included hotel properties. We exited one property, achieving the target return of the fund. Exit negotiations are under way concerning various properties in our portfolios and we expect to complete a number of these in 2011.

The overall value of our properties increased during 2010, and leasing activity remained satisfactory, both in respect of commercial and office properties. The second half of the year saw clear growth at the Skanssi shopping centre in Turku and the Entresse shopping centre in Espoo; the volume of customers and sales at both centres rose by over 10% a month for a number of months in succession compared to 2009.

## Realprojekti and real estate consulting

We signed a letter of intent in February 2011 covering the sale of CapMan's real estate consultancy subsidiary, Realprojekti. The divestment, as and when completed, will clarify CapMan's real estate organisation and harmonise the real estate operations with CapMan's other investment areas. We will continue to work closely with Realprojekti following the divestment to develop the portfolios of CapMan's real estate funds.

Our team is well-placed to successfully continue investing in real estate and we believe that we will establish new funds in this area during 2011.

## What are we looking for?

- Properties typically valued at €10–50 million
- A diversified portfolio featuring a range of property sizes, locations, and tenants

### CapMan Real Estate I:

- Office properties in Greater Helsinki
- Medium risk/return profile, emphasis on value-added properties

### CapMan RE II:

- Property development projects across Finland
- Emphasis on commercial properties and logistics projects

### CapMan Hotels RE:

- Investments in existing hotels and new projects
- 3 and 4-star hotels
- Well-known, respected hotel operators
- Medium-sized and large properties in town centres and resort and spa hotels, primarily in Finland

### Project-specific hotel funds:

- Investments in existing hotels and new projects
- Limited service hotels in town centre locations
- 1–4 properties per fund

Read more online at  
[www.capman.com/InvestmentOperations/CapManRealEstate](http://www.capman.com/InvestmentOperations/CapManRealEstate)





### Property development is driven by client needs

We are committed to developing our properties in collaboration with our tenants, as in the case of the Rantasipi Laajavuori Hotel. The CapMan Hotels RE fund acquired this property in Jyväskylä in early 2008 and carried out a thorough renovation of the rooms, restaurant premises, conference rooms, and other public spaces in accordance with the tenant's wishes. A six-lane bowling hall was added together with a new, stylish spa floor. After the extensive transformation, the hotel's accommodation and services now match modern standards.

## Real estate portfolio as of 31 December 2010\*

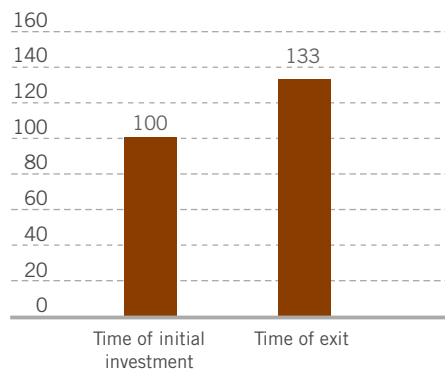
Largest properties by fair value in four property classes

Commercial properties	Office properties	Logistics and warehouse properties	Hotels
<b>Skanssi shopping centre</b> Turku	<b>Munkkiniemen Puistotie 25</b> Helsinki	<b>Mäntsälän logistics centre</b> Mäntsälä	<b>Crowne Plaza Helsinki</b> Helsinki, photo 2.
<b>Turun Centrum</b> Turku	<b>Elimäenkatu 9</b> Helsinki	<b>Mastolan central warehouse</b> Vantaa, photo 3.	<b>Holiday Club Åre</b> Åre, Sweden
<b>Yliopistokatu 22</b> Turku	<b>Lönnrotinkatu 20</b> Helsinki	<b>Parolantie 104</b> Hämeenlinna	<b>Cumulus Airport</b> Vantaa
<b>Entresse shopping centre</b> Espoo, photo 4.	<b>Nuijamiestentie 12</b> Helsinki, photo 1.	<b>Hankasuontie 3</b> Helsinki	<b>Rantasipi Eden</b> Nokia
<b>Tuusulan Pysäkkikuja 1</b> Tuusula	<b>Ylistönmäentie 33</b> Jyväskylä	<b>Viinikankatu 49</b> Tampere	<b>Cumulus Koskikatu</b> Tampere

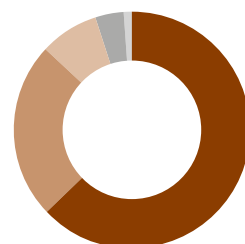
\* The above list details the five largest properties in each category on the basis of their current fair value. The CapMan portfolio included 60 properties in all as of 31 December 2010.

### Increase in value of previous investments as of 31 December 2010\*

Number of exits	24
IRR%, p.a. (gross)	25.2
Average holding period, years	1.4



### Investments and commitments by main usage at cost as of 31 December 2010, %



\* The figures have been calculated for the total invested capital (equity and loan) incl. net rental income. Indexed (time of investment = 100). The return for invested equity is significantly higher.

## Other investment areas

### Focus on developing existing portfolio companies

CapMan's other investment areas include the CapMan Technology and CapMan Life Science, specialised in medical technology, health care services, and investments in technology companies. CapMan has decided not to establish any new independent funds in these areas, but the Nordic technology sector, growth financing, and health care will remain a focus of CapMan's invest-

ments in the future through the company's other funds. The investment teams are now focusing on developing the value of their existing portfolio companies and ensuring that the return targets of their respective funds are met.

CapMan's technology funds had 20 companies in their portfolios, while life science funds had 12 companies in their portfolios as of 31 December 2010. The CapMan Technology 2007 and CapMan

Life Science IV funds have extensive add-on investment capacity for developing their existing portfolios and the investment teams have good personnel resources for value creation work. Portfolio companies in both investment areas are generally in good shape and many of them have significant value creation potential. Exit negotiations are under way in respect of many companies, and our goal is to make exits from a number of them during 2011.

### Portfolio companies as of 31 December 2010

- Life Science

2010

#### **SWERECO**

**Swereco AB (Sweden)**

Aids and ergonomic products for the mobility and physically challenged  
[www.swereco.se](http://www.swereco.se)



**Hermelinen Hälsovård AB (Sweden)**

Private healthcare services  
[www.hermelinen.se](http://www.hermelinen.se)

2009



**SRK Konsultation AB (Sweden)**

Care and educational services for young people and adults  
[www.srkkonsultation.se](http://www.srkkonsultation.se)

2007



**Curato AS (Norway)\***

Medical imaging services  
[www.curato.no](http://www.curato.no)



**Proxima AB (Sweden)\***

Private healthcare services  
[www.proxima.se](http://www.proxima.se)

2006



**Neoventa Medical AB (Sweden)**

Monitoring and management systems for pre- and neonatal care  
[www.neoventa.se](http://www.neoventa.se)



**Quickcool AB (Sweden)**

Treatment for proactive protection against brain damage  
[www.quickcool.se](http://www.quickcool.se)

2005

#### **Aerocrine**

**Aerocrine AB (Sweden)\*\***

Equipment for diagnosing and monitoring asthma  
[www.aerocrine.com](http://www.aerocrine.com)



**SciBase AB (Sweden)**

Biopsy systems for diagnosing skin cancer  
[www.scibase.se](http://www.scibase.se)

2004



**Jolife AB (Sweden)**

Products and care solutions for treating sudden cardiac arrest  
[www.jolife.com](http://www.jolife.com)

Read more online at  
[www.capman.com/InvestmentOperations/CapManLifeScience](http://www.capman.com/InvestmentOperations/CapManLifeScience)

## Portfolio companies as of 31 December 2010

### - Technology

2010



**Oy Lunawood Ltd (Finland)**  
Thermal wood  
[www.lunawood.fi](http://www.lunawood.fi)

2009



**Profit Software Oy (Finland)**  
Insurance and  
financial IT systems  
[www.profitsoftware.com](http://www.profitsoftware.com)

2008



**Accanto Systems Oy (Finland)**  
Telecom service  
assurance solutions  
[www.accantosystems.com](http://www.accantosystems.com)



**Crayon AS (Norway)**  
IT consulting  
[www.crayon.no](http://www.crayon.no)

2007



**Global Intelligence Alliance Group Oy (Finland)**  
Services and software for  
strategic marketing and  
competitor monitoring  
[www.globalintelligence.com](http://www.globalintelligence.com)



**IT2 Holding ApS (Denmark)**  
Asset management systems  
for companies and  
financial institutions  
[www.it2tms.com](http://www.it2tms.com)



**Mirasys Ltd (Finland)**  
Video surveillance solutions  
[www.mirasys.fi](http://www.mirasys.fi)

**MOVIAL**

**Movial Applications Oy (Finland)**  
IP software  
[www.movial.fi](http://www.movial.fi)

2005



**InfoCare AS (Norway)\***  
Electronics installation  
and maintenance  
[www.infocare.no](http://www.infocare.no)

**SCANJOUR**

**ScanJour A/S (Denmark)**  
Integrated document  
and file management systems  
[www.scanjour.dk](http://www.scanjour.dk)

**< symbio >**

**Symbio Oy (Finland)**  
Outsourced software  
development services  
[www.symbio.com](http://www.symbio.com)

2004



**Locus AS (Norway)**  
Management systems for emergency  
and logistics vehicle fleets  
[www.locus.no](http://www.locus.no)



**Tritech Technology AB (Sweden)**  
Advanced hardware and  
software solutions  
[www.tritech.se](http://www.tritech.se)

2002



**Ascade Holding AB (Sweden)**  
Software solutions and consultancy  
services for telecom operators  
[www.ascade.se](http://www.ascade.se)



**Tieturi Oy (Finland)\***  
IT and project  
management training  
[www.tieturi.fi](http://www.tieturi.fi)

2001



**EM4, Inc. (US) \*\***  
Optoelectronic systems  
[www.em4inc.com](http://www.em4inc.com)



**Fastrax Oy (Finland)**  
GPS-based hardware  
and software  
[www.fastraxgps.com](http://www.fastraxgps.com)



**SaaSplaza B.V. (ent. Siennax International BV) (The Netherlands)**  
Leased applications  
[www.saasplaza.com](http://www.saasplaza.com)

## Joint investments by CapMan's Technology and Life Science funds as of 31 December 2010

2007



**Mawell Oy (Finland)**  
Healthcare software  
and services  
[www.mawell.com](http://www.mawell.com)

2001



**Silex Microsystems AB (Sweden)**  
MEMS technology components  
[www.silexmicrosystems.com](http://www.silexmicrosystems.com)

Read more online at  
[www.capman.com/InvestmentOperations/CapManTechnology](http://www.capman.com/InvestmentOperations/CapManTechnology)

\* Joint investment with CapMan's buyout funds. \*\* Exit announced in 2011.



**CapMan's mission is to build successful businesses contributing to the enrichment of society. Acting responsibly in fund management and investment activities is central to the company's long-term success.**

## CapMan as a fund manager

CapMan plays an important role in society by managing the capital invested in its funds by institutional investors and developing the companies and properties in its portfolio. A considerable amount of the capital in the CapMan-managed funds is invested by pension funds, whose commitments represent about half of the total capital in all CapMan funds. The success of investment operations has a direct effect on the results of fund investors and their stakeholders, such as pensioners.

## A responsible approach to investment

The funds managed by CapMan select their investments carefully and in accordance with principles agreed with investors. CapMan reports to investors on the status of its funds quarterly or more frequently, in compliance with fund agreements, EVCA guidelines, applicable legislation, accounting regulations, and other statutory requirements. Investments in portfolio companies are valued in accordance with IPEV guidelines\*; while the valuation of real estate investments is based on assessments provided by external experts. All valuations are reviewed quarterly as part of CapMan Plc Group's financial reporting.

When assessing potential investments, CapMan requires that portfolio companies comply with all aspects of prevailing legislation and guidelines, together with generally approved business and management principles that are socially and environmentally sustainable. Portfolio companies operating in Russia are, in addition, expected to follow modern management standards and have management teams that are com-

mitted to transparent operating principles. Due diligence audits review these areas as part of the investment process.

The same principles are also applied in the development of portfolio companies. Value creation is based on active, target-driven ownership, supported by the appropriate use of financial instruments. A thorough programme is drawn up for all portfolio companies to ensure that good corporate governance principles are observed. CapMan aims to inform a company's personnel and other stakeholders of any strategic changes in a company's operations as promptly as possible.

Real estate investments are primarily directed towards growth areas and properties that are likely to be in demand over an extended period, as a result of an expanding local population or economy, for example. A high proportion of investments are made in new buildings. A thorough review of the condition of existing properties, including a soil analysis, is carried out as part of the investment process. After an investment has been made, a long-term maintenance and repair programme is drawn up for properties, based on assessment data. Implementation of these programmes is monitored with the help of maintenance logs, which are updated together with the relevant service providers. Maintenance logs are also used to monitor energy consumption and maintenance costs.

The Skanssi shopping centre in Turku, owned by the CapMan RE II fund, was awarded gold LEED environmental certificate in 2010 in recognition of its eco-friendly operations. Skanssi gained points for its excellent public transport connections, use of green electricity, efficient energy and waste management and water usage, and landscaping and planting plans.

CapMan has some €1 billion of investment capacity\*\* available to develop portfolio companies and real estate invest-

ments and to provide capital for promoting companies' growth, competitiveness, and innovation.

## Listed status improves transparency

CapMan was one of the world's first private equity fund management companies to be listed. The company complies with the Finnish Corporate Governance Code for listed companies issued by the Securities Market Association that came into force on 1 October 2010. CapMan's corporate governance complies with Finnish legislation, the rules of NASDAQ OMX Helsinki Ltd., and CapMan Plc's Articles of Association. Extensive information on the company and its operations are available for public scrutiny.

The private equity industry has focused on developing self-regulation in recent years and increasing the transparency and openness of private equity funds.

## Other social involvement

CapMan's extensive range of fund products allows us to invest in a variety of sectors and regions. Investments in Nordic companies help strengthen the economy of the region and promote innovation and facilitate the search for new solutions to challenges such as those posed by today's ageing population, the service society, globalisation, and climate change.

CapMan personnel take an active part in the activities of the Finnish Venture Capital Association (FVCA) and the EVCA to promote the development of the private equity industry and enhance international cooperation. CapMan is also a partner in the Family Business Association of Finland, and has sponsored training and education in the private equity field.

Read more online at  
[www.capman.com/ir/corporate-governance](http://www.capman.com/ir/corporate-governance)  
[www.capman.com/funds/fund-investors](http://www.capman.com/funds/fund-investors)  
[www.capman.com/funds/portfolios](http://www.capman.com/funds/portfolios)

\* International Private Equity and Venture Capital Valuation Guidelines

\*\* Based on the remaining investment capacity of funds managed by CapMan as of 31 December 2010.

# Personnel

**CapMan employs 150 private equity professionals in Helsinki, Stockholm, Oslo, Moscow, Copenhagen, and Luxembourg. Investment teams were strengthened during 2010 and replacements were recruited.**

The year was a busy one for CapMan, not only in terms of investment activity, but also in respect of the changes that took place within the company. Lennart Simonsen took over as CEO of CapMan Plc at the beginning of June when the company's previous CEO, Heikki Westerlund, became Chairman of the Board of Directors of CapMan Plc. A new Management Group was appointed in November 2010. Despite changes in management and personnel, the number of people employed by CapMan remained virtually unchanged. A total of eight new roles were created to provide additional resources for CapMan's investment teams in Sweden in particular. Eleven new professionals were recruited to replace people who left the company.

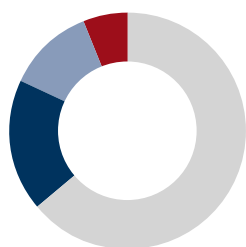
## HR development and incentive schemes

Training focused on courses to develop people's leadership, communications, negotiation, and presentation skills. Feedback was positive and these pilot projects will be continued and further developed. The aim in 2011 is to create a permanent framework for strengthening employees' development opportunities and CapMan's overall competitiveness. All employees have two evaluation discussions with their managers annually to review performance, discuss feedback, agree on performance goals for the coming year, and define individual development and training needs. A total of €404,457 was spent on personnel development in 2010, an average of €2,696 per employee. This figure includes money spent on development events for all employees.

CapMan has a result-based bonus system covering all personnel to promote motivation and commitment. Employees also have the opportunity to invest in port-

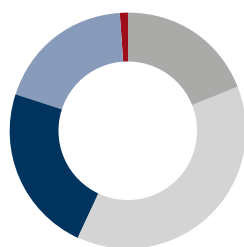
folio companies alongside CapMan-managed funds through Maneq funds. In accordance with common practice in the private equity industry, a share of the carried interest income generated by funds managed by CapMan is distributed to the company's investment professionals. As of the end of 2010, CapMan had one option programme in place. A and B options in the 2008 option programme can be distributed to key personnel at the discretion of the Board of Directors. All the options in the 2008A programme were distributed during the review period, while 2008B options can still be distributed to new recruits and other key personnel. Details on the option programme and the shares held by personnel can be found in the Notes to the Financial Statements on Pages 21 and 24. The remuneration paid to CapMan Plc's senior management is covered in the company's Remuneration statement, which can be found online at [www.capman.com/ir/corporate-governance](http://www.capman.com/ir/corporate-governance).

Educational background, %



Business **64%**  
Engineering **18%**  
Other **12%**  
Law **6%**

Age profile of personnel, %



20-29 years **19%**  
30-39 years **38%**  
40-49 years **23%**  
50-59 years **19%**  
60+ years **1%**

Personnel by main group, %



Private Equity **42%**  
Real Estate **29%**  
CapMan Platform **29%**

# Board of Directors



**Heikki Westerlund** (b.1966)  
M. Sc. (Econ.), Chairman of the Board since 30 March 2010. Member of the Board since 2010. CapMan's Senior Partner. Joined the company in 1994. Non-independent of CapMan Plc's significant shareholders and the company.

Key board memberships:  
Finnish Venture Capital Association (Chairman), LUMENE Oy, Orion Corporation.

**Teuvo Salminen** (b.1954)  
M.Sc. (Econ.), Authorised Public Accountant, Vice Chairman of the Board since 31 March 2005. Member of the Board since 2001. CapMan Advisor. Independent of CapMan Plc's significant shareholders, but non-independent of the company.

Key board memberships:  
Havator Group Oy (Chairman), Holiday Club Resorts Oy (Chairman), Cargotec Corporation, Tieto Corporation, Glaston Corporation, Evli Bank Plc.

**Sari Baldauf** (b.1955)  
M.Sc. (Bus. Adm.), D.Sc. (Tech.) h.c. (Aalto University), D.h.c. (Econ. and Bus. Adm.) (Turku School of Economics). Member of the Board since 2007. Independent member of the Board.

Key board memberships:  
Fortum Plc (Vice Chairman), F-Secure Corporation, Hewlett-Packard Company, Daimler AG, Savonlinna Opera Festival Ltd (Chairman), Finnish Business and Policy Forum EVA, The Finnish Children and Youth Foundation.

**Koen Dejonckheere** (b.1969)  
MBA, M.Sc. (Eng.). Member of the Board since 2010. CEO to Gimv NV. Non-independent of CapMan Plc's significant shareholders, independent of the company.

Key board memberships:  
Belgian Venturing Association (Chairman).



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

Key board memberships:  
Aina Group Oyj (Chairman).

**Conny Karlsson** (b.1956)  
MBA. Member of the Board since 2008. CapMan Advisor. Independent of CapMan Plc's significant shareholders, but non-independent of the company.

Key board memberships:  
Swedish Match AB (Chairman), Cederroth International AB (Chairman), Northern Alliance Group (Chairman), Rönkvik Timber AB (Chairman), TeliaSonera AB.

Read more online at  
[www.capman.com/ir/corporate-governance](http://www.capman.com/ir/corporate-governance)

The information presented on Board members is as of 31 December 2010. Detailed information on Board members, their key employment history, shareholdings, remuneration, and Board committees is available at [www.capman.com/ir/corporate-governance](http://www.capman.com/ir/corporate-governance) and in CapMan Plc's Corporate Governance Statement for 2010.

# Management Group



**Lennart Simonsen** (b.1960)  
LL.M., CEO of CapMan Plc and Senior Partner. Joined the company in 2010. Member of the Management Group since 2010.  
Key board memberships: -



**Jerome Bouix** (b.1971)  
M.Sc. (Econ.), Head of Investor Services, Senior Partner. Joined the company in 2000. Member of the Management Group since 2007.  
Key board memberships: -



**Niko Haavisto** (b.1972)  
M. Sc. (Business), CFO. Joined the company in 2010. Member of the Management Group since 2010.  
Key board memberships: -



**Kai Jordahl** (b.1960)  
M.Sc. (Econ.), Head of CapMan Buyout, Senior Partner. Joined the company in 2004. Member of the Management Group since 2007.  
Key board memberships:  
Cardinal Foods AS (Chairman), Curato AS (Chairman), Espira Gruppen, OneMed Group Oy.



**Mika Matikainen** (b.1975)  
M.Sc. (Econ.), M.Soc.Sc., Deputy Head of CapMan Real Estate. Joined the company in 2006. Member of the Management Group since 2010.  
Key board memberships: -



**Hans Christian Dall Nygård** (b.1968)  
M.Sc. (Econ.), MBA, CEFA, Head of CapMan Russia, Senior Partner. Joined the company in 2008. Member of the Management Group since 2009.  
Key board memberships:  
Bank Evropeisky, Region Avia Kapital, Western Retail Investments Ltd. (Papa John's), ROK-1, Norwegian-Russian Chamber of Commerce.



**Joakim Rubin** (b.1960)  
M.Sc. (Eng.), Head of CapMan Public Market, Senior Partner. Joined the company in 2008. Member of the Management Group since 2010.  
Key board memberships:  
Intrum Justitia AB, Proffice AB.

The information presented on Management Group members is as of 31 December 2010. Detailed information on the CEO and Management Group members, their key employment history, shareholdings and options as well as remuneration is available at [www.capman.com/ir/corporate-governance](http://www.capman.com/ir/corporate-governance) and in CapMan Plc's Remuneration Statement for 2010.



# Contacts

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Read more online at  
[www.capman.com/contacts](http://www.capman.com/contacts)





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