

# CapMan Plc

## Half-Year Financial Report 2018



CapMan Infra completed its first investment in to Elenia, a leading Finnish electricity network and district heat company, in May 2018.

# CapMan Plc Half-Year Financial Report 2018

## PERFORMANCE AND MAIN EVENTS FOR THE REVIEW PERIOD:

- Group turnover was MEUR 19.9 (MEUR 16.6 1 January –30 June 2017).
- Operating profit was MEUR 10.1 (MEUR 17.8).
- Profit for the period after taxes was MEUR 7.6 (MEUR 14.8).
- Diluted earnings per share for the period were 4.8 cents (9.8 cents, of which the sale of Idean in Q1 2017 had an impact of 5.2 cents).
- In May, CapMan Infra completed its first EUR 70 million investment into Elenia and launched a EUR 300 million fundraising.
- In May, CapMan announced that the renewed management group of CapMan had invested approximately MEUR 1.6 of their personal funds in to CapMan shares.
- CapMan announced a new dividend policy and updated long-term financial objectives after the review period.

## CEO JOAKIM FRIMODIG

“CapMan is back on the growth track. This is demonstrated by approximately 30% growth in the fee income for the Management Company and Service businesses during the first half of 2018. It is especially positive to notice that our fee based profitability increased even more; combined operating profit for the Management Company and Service businesses reached MEUR 4.5, which is almost three times the figure in the corresponding period last year. The growth comes from fees of our new private equity and real estate funds and in particular from our Service business where we saw continued strong growth in fee income and significant success fees recorded in the review period.

*“ CapMan is back on the growth track.”*

The good activity in the Investment business continued and the operating profit for the first half of 2018 reached MEUR 6.6. The net cash flow from investments was strong due to completed exits. In our Buyout business, we have completed six successful exits during the last eight months, with more exits expected during the rest of the year. We have also made new investments in the beginning of the year 2018; CapMan Growth Equity invested into two rapidly growing Finnish companies and CapMan Real Estate completed eight deals across the Nordics. Our market portfolio developed favourably. We reduced the size of our market portfolio by approximately MEUR 20 and these assets were allocated mainly to our own, new funds.

Our strategic growth initiatives progress according to plan. The previously announced fundraising of Infra is proceeding well and we expect the first closing to take place during 2018. In the Infra business we also completed a mandate based project where CapMan Infra lead a Finnish investor consortium to invest EUR 70 million in the electricity network company Elenia. We work on new mandate based projects, which once actualized will generate stable and long-term fee income for CapMan. In addition to this, we are developing new investment products and analysing opportunities to strengthen our distribution channels.

*“ CapMan wants to be an even better dividend payer than before.”*

Today we announced a new dividend policy and updated long-term financial objectives for CapMan. With the new dividend policy, CapMan wants to be an even better dividend

payer than before, where the objective is to pay an annually increasing dividend. This objective is supported by the company's strong financial position and solid balance sheet. We have increased the dividend per share every year since 2012.

During the review period we announced our management group's significant investment in CapMan shares. I am proud that the renewed management group shows such a strong commitment to our common goal to increase the shareholder value of CapMan."

## FINANCIAL OBJECTIVES AND OUTLOOK ESTIMATE FOR 2018

CapMan announced a new dividend policy and updated long-term financial objectives after the review period.

The company's objective is to pay an annually increasing dividend to its shareholders. Previously, CapMan's objective was to pay at least 75 per cent of earnings per share as dividend.

The combined growth objective for Management Company and Service business is more than 10 per cent p.a. on average. The return on equity is more than 20 per cent p.a. on average. These objectives remain unchanged. According to the company's new financial objective the equity ratio target is more than 60 per cent. Previously, CapMan's objective for net gearing was a maximum of 40 per cent on average.

CapMan expects to achieve these financial objectives gradually and key figures are expected to show fluctuation on annual basis considering the nature of the business. CapMan expects fees from services to continue to grow and have an impact on results from the Management Company and Service business in 2018. Our objective is to improve the profitability of Management Company and Service business before carried interest income and any possible items affecting comparability.

The return on CapMan's investments have a substantial impact on CapMan's overall result. The development of industries and local economies, inflation development, valuation multiples of peer companies, exchange rates and various other factors outside

of CapMan's control influence fair value development of CapMan's overall investments in addition to company and real estate specific development.

CapMan's objective is to improve results longer term, taking into account annual fluctuations affecting the business. For these and other above-mentioned reasons, CapMan does not provide numeric estimates for 2018. Items affecting comparability are described in the Tables section of this report.

## GROUP TURNOVER AND RESULT IN JANUARY-JUNE 2018

The Group's turnover totalled MEUR 19.9 (Jan-June 2017: MEUR 16.6). The growth of group's turnover was due to the increase in management fees and success fees of Scala Fund Advisory, part of CapMan's Service business offering fundraising and advisory services. The net sales for CaPS also continued strong growth.

Operating expenses were MEUR 15.0 (MEUR 14.7). Operating expenses included MEUR 1.0 reorganization expenses as well as expenses related to CapMan Infra business.

The Group's operating profit was MEUR 10.1 (MEUR 17.8). In the corresponding period last year, the operating profit was significantly affected by the sale of Idean in the first quarter with MEUR 9.4.

Financial income and expenses amounted to MEUR -1.5 (MEUR -1.7) and it included arrangement fee of MEUR 0.2 related to the pay back of MEUR 30 bond. Financial expenses decreased due to the pay back of the bond in Q4 2017, the pay back of the bond and the bank loan in Q2 2018. Profit before taxes was MEUR 8.6 (MEUR 16.1) and profit after taxes was MEUR 7.6 (MEUR 14.8). Profit before taxes and profit after taxes on the review period were significantly affected by the exit from Idean with a total of MEUR 9.4.

Earnings per share was 4.8 (9.9) cents. Diluted earnings per share was 4.8 (9.8) cents. Accrued interest payable on the hybrid bond, net of taxes, as well as penalties related to the early redemption for the corresponding period last year has been deducted when calculating earnings per share. A quarterly breakdown of turnover and profit, together

with turnover, operating profit/loss, and profit/loss by segment for the review period are available in the Tables section of this report.

**Table 1: Items affecting comparability and alternative performance measures**

€ ('000)	1-6/18	1-6/17
Management fee	11 358	9 749
Service fees	5 714	3 462
Carried interest	711	
Dividend and interest income from financial assets held for trading	2 088	3 357
Turnover, external	19 871	16 569
Other operating income	37	11
Personnel expenses, of which	-10 172	-9 982
Salaries and bonuses	-9 894	-9 892
Share-based payment	-278	-91
Depreciation, amortisation and impairment	-104	-124
Other operating expenses	-4 755	-4 589
Fair value changes of investments	5 188	15 914
Operating profit	10 066	17 798
Items affecting comparability		
Norvestia acquisition related costs		51
Norvestia integration related costs		437
Items affecting comparability, total		488
Adjusted operating profit	10 066	18 286
Financial items	-1 469	-1 747
Income taxes	-1 006	-1 207
Profit for the period	7 591	14 844

Items affecting comparability		
Norvestia acquisition related costs		89
Norvestia integration related costs		350
Items affecting comparability, total		439
Adjusted profit for the period	<b>7 591</b>	15 283
Earnings per share, cents	<b>4,8</b>	9,9
Items affecting comparability, cents		0,3
Adjusted earnings per share, cents	<b>4,8</b>	10,2
Earnings per share, diluted, cents	<b>4,8</b>	9,8
Items affecting comparability, cents		0,3
Adjusted earnings per share, diluted, cents	<b>4,8</b>	10,1

## MANAGEMENT COMPANY BUSINESS

Turnover generated by the Management Company business for the review period totalled MEUR 12.4 (MEUR 10.4). The growth of turnover consisted mainly of management fees from CapMan Nordic Property Income, CapMan Nordic Real Estate II and CapMan Growth Equity funds. In addition, the fees from CapMan Infra's first investment, Elenia, were included in turnover.

Management fees totalled MEUR 11.4 (MEUR 9.8). Carried interest income for the review period totalled MEUR 0.7 (MEUR 0.0) and was mainly received from the exit from InfoCare. Operating profit of Management company business totalled MEUR 1.5 (MEUR 0.6). Profit for the review period was MEUR 1.2 (MEUR 0.5). The improved profit for the segment was due to the increase in management fees.

## SERVICE BUSINESS

Turnover generated by Service business totalled MEUR 5.2 (MEUR 2.8) and the growth consisted mainly of the success fees of Scala Fund Advisory offering fundraising and advisory services and the continued strong growth in net sales of purchasing scheme CaPS. A significant part of the fees for Scala are success fees and they may vary from one period to the next.

The operating profit of the Service business was MEUR 3.0 (MEUR 1.0). The profit for the review period was MEUR 2.4 (MEUR 0.8). The improved profit for the segment was due to the success fees recorded for the review period and the increase in fee income.

## INVESTMENT BUSINESS

Turnover of the Investment business was MEUR 2.1 in the review period (MEUR 3.4) and it comprised of dividend and interest income from financial assets held for trading.

Operating profit for the Investment business was MEUR 6.6 (MEUR 17.3). Profit for the Investment business was MEUR 4.8 (MEUR 14.4). The operating profit and the profit for the review period in corresponding period last year was significantly affected by the exit from Idean, MEUR 9.4.

**Table 2: CapMan's investments booked at fair value as at 30 June 2018**

	Fair value 30 June 2018 (MEUR)
Fund investments	85.5
Investments in joint ventures	5.3
Other financial assets	2.4
Current financial assets (incl.trading portfolio)	59.5
<b>Total</b>	<b>152.8</b>

Fair value of **fund investments** was MEUR 85.5 in 30 June 2018 (MEUR 56.1). Fair value changes of fund investments were MEUR 3.6 (MEUR 4.4) representing a 4.4 % increase in value (Jan-June 2017 +8.2 %). The positive change in the fair value of fund investments during the review period was mainly due to positive development of portfolio companies. Fund investments also include investments in funds not managed by CapMan.

CapMan invested a total of MEUR 25.6 (MEUR 2.8) in funds during the review period. During the review period, CapMan made investments, among others, into Growth Equity-, CapMan Nordic Real Estate II- and CapMan Nordic Property- funds and into

Elenia, the first investment of CapMan Infra. CapMan received distributions from funds totalling MEUR 1.8 (MEUR 3.3).

The amount of remaining commitments that have not yet been called totalled MEUR 74.8 as at 30 June 2018 (30 June 2017: MEUR 33.5).

**The trading portfolio**, which invests in market instruments, was MEUR 59.5 on 30 June 2018 (MEUR 83.5 in 30 June 2017). During the review period approximately MEUR 20.0 of the assets in trading portfolio were allocated to the funds and investments of company's other business areas.

Investments in portfolio companies are valued at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines (IPEVG). Sensitivity analysis by investment area are presented in the Tables section of this report.

## BALANCE SHEET AND FINANCIAL POSITION AS AT 30 JUNE 2018

CapMan's balance sheet totalled MEUR 204.6 as at 30 June 2018 (30 June 2017: MEUR 226.8). Non-current assets amounted to MEUR 105.7 (MEUR 103.9), of which goodwill totalled MEUR 4.7 (MEUR 6.2).

As at 30 June 2018, fund investments booked at fair value totalled MEUR 85.5 (MEUR 56.1 as at 30 June 2017).

Other financial assets booked at fair value were MEUR 2.4 (MEUR 0.2). The fair value of investments in joint ventures was MEUR 5.3 (MEUR 5.4). Long-term receivables amounted to MEUR 5.3 (MEUR 4.0).

Current assets amounted to MEUR 98.9 (MEUR 122.9). Financial assets booked at fair value, i.e. current investments, were MEUR 59.5 (MEUR 83.5) and included the trading portfolio. Cash in hand and at banks amounted to MEUR 29.4 (MEUR 32.9).

CapMan's interest-bearing net debt amounted to MEUR 30.0 as at 30 June 2018 (MEUR 31.5). CapMan's total interest-bearing debt as at 30 June 2018 is outlined in Table 3.

**Table 3: CapMan's interest bearing debt**

	Debt amount 30 June 2018	Matures latest	Annual interest	Debt amount 31 Dec 2017
Bank financing	-	-		MEUR 8,5
Multi-issuer bond (issued in 2014)	MEUR 10	Q2 2019	1,85 %	MEUR 10
Senior bond (issued in 2015)	-	-	-	MEUR 30
Senior bond (issued in 2018)	MEUR 50	Q2 2023	4,13 %	-
Long-term credit facility (available)	(MEUR 20)			(MEUR 10)

CapMan Plc's long-term credit facility include financing covenants, which are conditional on the company's equity ratio and net gearing ratio. CapMan honoured all covenants as at 30 June 2018.

Trade and other payables totalled MEUR 16.0 (MEUR 25.3).

The Group's cash flow from operations totalled MEUR -3.7 for the review period (MEUR -4.1). Income from fund management fees is paid semi-annually, in January and July, and is shown under working capital in the cash flow statement. Cash flow from investments totalled MEUR 13.6 (MEUR 27.7) and includes, inter alia, investments and repaid capital received by the Group.

Cash flow before financing totalled MEUR 10.0 (MEUR 23.6) and reflects the development in the Management Company business, Service business and Investment business. Cash flow from financing was MEUR -3.9 (MEUR -35.7), which decreased due to the new bond issued in April 2018 with the principle amount of MEUR 50.



**KEY FIGURES 30 JUNE 2018**

CapMan's return on equity was 11.4 per cent (30 June 2017: 22.1 per cent) and return on investment 11.4 per cent (17.8 per cent). Equity ratio was 58.4 per cent (55.4 per cent). Net gearing was 25.1 per cent (25.0 per cent).

According to the new updated long-term financial targets, the target level for the company's return on equity is on average over 20 per cent. The objective for the equity ratio is more than 60 per cent p.a. Earlier, CapMan's objective for net gearing was a maximum of 40 per cent on average.

**Table 4: CapMan's key figures**

				Comparable key figures		
	30.6.18	30.6.17	31.12.17	30.6.18	30.6.17	31.12.17
Earnings per share, cents	4.8	9.9	10.4	4.8	10.2	13.1
Diluted, cents	4.8	9.8	10.2	4.8	10.1	13.0
Shareholders' equity / share, cents	81.3	86.7	87.3			
Share issue adjusted number of shares	146 024 972	144 990 351	145 179 460			
Number of shares at the end of period	146 922 768	144 990 351	145 625 985			
Number of shares outstanding	146 896 469	144 964 052	145 599 686			
Company's possession of its own shares, end of period	26 299	26 299	26 299			
Return on equity, %, p.a.	11.4	22.1	11.5	11.4	22.8	14.5
Return on investment, %, p.a.	11.4	17.8	10.1	11.4	18.3	12.4
Equity ratio, %	58.4	55.4	60.0			
Net gearing, %	25.1	25.0	19.4			
Net interest-bearing liabilities, EUR million	30.0	31.5	24.6			



## CAPITAL UNDER MANAGEMENT AS AT 30 JUNE 2018

Capital under management refers to the remaining investment capacity, mainly equity, of funds and capital already invested at acquisition cost or at fair value, when referring to mandates. As capital under management is calculated based on the capital, which forms the basis for management fees, investment capacity includes in addition to equity also debt for such funds where debt is included in the fee base. Capital increases as fundraising for new funds progresses or as investments are executed under investment mandates and declines as exits are completed.

Capital under management was MEUR 2,758 as at 30 June 2018 (30 June 2017: MEUR 2,391). CapMan Nordic Real Estate II-, CapMan Nordic Property Income and CapMan Growth Equity funds established in the end of year 2017 had a positive impact on capital under management compared to corresponding period last year. Of the total capital under management, MEUR 1,679 (MEUR 1,278) was held in real estate funds and MEUR 880 (MEUR 978) was held in funds making investments in portfolio companies. A total of MEUR 199 (MEUR 134) was held in infra and credit funds. CapMan has clarified the calculation method of capital under management in order to reflect better the amount of the assets at the reporting date. Due to this, the figures on the corresponding period differ from figures reported earlier.

## AUTHORISATIONS GIVEN TO THE BOARD BY THE AGM

The AGM authorised the Board of Directors to decide on the repurchase and/or on the acceptance as pledges of the company's shares. The number of shares concerned shall not exceed 14,000,000, which corresponds to approx. 9.6 per cent of all shares in the company. The authorisation shall remain in force until the end of the following AGM and 30 June 2019 at the latest. The AGM also authorised the Board to decide on the issuance of shares and other special rights entitling to shares. The number of shares to be issued shall not exceed 14,000,000 shares, which corresponds to approx. 9.6 per cent of all

shares in the company. The authorisation shall remain in force until the end of the following AGM and 30 June 2019 at the latest.

Further details on these authorisations can be found in the stock exchange release on the decisions taken by the AGM issued on 14 March 2018.

## PERSONNEL

CapMan employed a total of 120 people as at 30 June 2018 (30 June 2017: 110), of whom 76 (71) worked in Finland and the remainder in the other Nordic countries, Russia, Luxembourg and the United Kingdom. A breakdown of personnel by country is presented in the Tables section of this report.

## SHARES AND SHARE CAPITAL

There were no changes in CapMan Plc's share capital during the review period. Share capital totalled EUR 771,586.98 as at 30 June 2018. CapMan had 146,922,768 shares outstanding as at 30 June 2018.

All shares generate equal voting rights (one vote per share) and rights to a dividend and other distribution to shareholders. CapMan Plc's shares are included in the Finnish book-entry system.

## SHAREHOLDERS

The number of CapMan Plc shareholders increased by 22 % from the corresponding period last year and totalled 17,763 as at 30 June 2018 (30 June 2017: 14,547).

## COMPANY SHARES

As at 30 June 2018, CapMan Plc held a total of 26,299 CapMan shares, representing 0.02 % of shares and voting rights. The market value of own shares held by CapMan was

EUR 37,345 as at 30 June 2018 (30 June 2017: EUR 44,971). No changes occurred in the number of own shares held by CapMan Plc during the review period.

## TRADING AND MARKET CAPITALISATION

CapMan Plc's shares closed at EUR 1.42 on 30 June 2018 (30 June 2017: EUR 1.71). The trade-weighted average price for the review period was EUR 1.45 (EUR 1.52). The highest price paid was EUR 1.53 (EUR 1.75) and the lowest EUR 1.40 (EUR 1.24). The number of CapMan Plc shares traded totalled 19.6 million (34.0 million), valued at MEUR 31.7 (MEUR 51.2).

The market capitalisation of CapMan Plc shares as at 30 June 2018 was MEUR 208.0 (30 June 2017: MEUR 247.9).

## COMPENSATION SCHEMES

CapMan's compensation scheme consists of short-term and long-term compensation schemes.

The short-term scheme covers all CapMan employees, excluding CEO and CFO of the company, and its central objective is earnings per share, for which the Board of Directors has set a minimum target.

The long-term scheme of CapMan consists of an investment based long-term incentive plan for key employees and carried interest payable to investment teams.

In the investment based long-term incentive plan the participants are committed to shareholder value creation by investing a significant amount into the CapMan Plc share. The investment-based long-term incentive plan includes one performance period. The performance period will commence on 1 April 2018 and end on 31 March 2021. The participants may earn a matching reward and a performance-based reward from the performance period. The prerequisite for receiving reward on the basis of the plan is that a participant acquires company's shares or allocates previously owned company's

shares up to the number determined by the Board of Directors. The performance-based reward from the plan is based on the company share's Total Shareholder Return (TSR) and on a participant's employment or service upon reward payment. The rewards from the Plan will be paid fully in the company's shares in 2021. The Board shall resolve whether new Shares or existing Shares held by the Company are given as reward. The target group of the Plan consists of approximately 20 people, including the members of the Management Group.

The carried interest payable to investment teams is based on the success of investments made in the corresponding funds. This arrangement is in line with international industry practice.

At the end of the reporting period, CapMan Plc had two stock option programmes, Option Programme 2013 and Stock Option Programme 2016, in place as part of its incentive and commitment arrangements for key personnel. Following the decision of the new long-term incentive plan, CapMan will not grant new options from the ongoing option plans 2013 and 2016. The terms of the option programmes can be found on CapMan's website.

## OTHER SIGNIFICANT EVENTS DURING THE REVIEW PERIOD

In May, CapMan announced that the renewed management group of CapMan had invested approximately MEUR 1.6 of their personal funds in to CapMan shares.

In May, CapMan Infra completed its first EUR 70 million investment into Elenia and launched a EUR 300 million fundraising.

In April, CapMan Buyout sold portfolio company Walki to One Equity Partners.

In April, CapMan announced that it issues senior unsecured notes in the principal amount of EUR 50 million. The Notes will mature on 16 April 2023 and carry fixed interest at a rate of 4.125 per cent per annum.

In March, CapMan Group changed its structure of reportable segments.

In February, CapMan Board resolved on a new investment-based long-term incentive plan for key employees.

## EVENTS AFTER THE END OF THE REVIEW PERIOD

CapMan announced a new dividend policy and updated long-term financial objectives after the review period. The company's objective is to pay an annually increasing dividend to its shareholders. Previously, CapMan's objective was to pay at least 75 per cent of earnings per share as dividend. The combined growth objective for Management Company and Service business is more than 10 per cent p.a. on average. The return on equity target is more than 20 per cent p.a. on average. These objectives remain unchanged. According to the company's new financial objective the equity ratio is more than 60 per cent. Previously, CapMan's objective for net gearing was a maximum of 40 per cent on average.

## SIGNIFICANT RISKS AND SHORT-TERM UNCERTAINTIES

Private equity investment is generally subject to a risk of non-liquid investments, among others, which means uncertainty of the realisation of any increase in value, a risk concerning general economic development and market situation and a risk concerning the economy and political situation of target countries.

Investment operations carried out by CapMan are subject to general market risk. Market values can change, for example, because of fluctuations in the equity, fixed income, currency and real estate markets. Changes in market values impact the result of CapMan through the appreciations of its investment assets. Changes in the equity markets also influence the valuation of unlisted portfolio companies because the valuation methods used by funds include the share values of suitable listed companies. Economic uncertainty may have a direct impact on the success of the funds administered by CapMan, on the success of CapMan's investment activities, and also on

the assets available for investment or solvency of the current and potential investors of the funds.

The business operations of the CapMan Group have a material risk of failure regarding the establishment of new private equity funds and their fundraising. Successful funding is important to management fees and creates opportunity for receiving carried interest income in the future. For example, poor performance of investments made by funds managed by CapMan, increasing competition or other reasons that are independent of CapMan may make it more difficult to raise funds from new or current investors in the future.

The values of growth companies can vary positively or negatively within short periods if changes occur in the peer group or in the interest in the company of potential buyers. As a result of exit processes, significant return is typically realised on successful growth investments also in the short term as the exit price is based on strategic value and synergies created for the buyer, and not directly on peer group multiples.

The timing of exits and the magnitude of the potential carried interest profits are difficult to foretell. The timing of fees from fund advisory activities are difficult to predict due to the nature of the business.

Group companies managing a fund may in certain circumstances, pursuant to the terms of the fund agreement, have to return carried interest income they have received (so-called clawback). The obligation to return carried interest income applies typically when, according to the final distribution of funds, the carried interest income received by the fund management company exceeds the carried interest it is entitled to when the fund expires. CapMan recognises revenue from carried interest, to the extent carried interest is based on realised cash flows and repayment risk is estimated to be very low, CapMan is entitled to carried interest, a confirmation on the amount has been received and CapMan is relatively close to receiving it in cash. Returned carried interest income based on clawback conditions would in turn have a negative impact on CapMan's result as a potential clawback provision may not be sufficient. CapMan has recorded a EUR 7.6

million clawback provision for the CapMan Real Estate I KY fund. The sufficiency of the provision is reviewed quarterly by the management but its actual amount will only be known after all target investments of the fund have been liquidated. The realisation of the clawback liability would have a negative cash flow impact and it is possible that the provision made is not sufficient.

The company's financing agreements include financing covenants and other conditions. Violation of covenants related to financing agreements and a failure to fulfil other contractual terms may cause the cost of financing to increase significantly and even jeopardise continued financing for CapMan.

Changes in the securities markets regulation, significant domestic or international tax regulation or practice and regulation generally applicable to business operations, or measures and actions by authorities or requirements set by authorities, or in the manner in which such laws, regulations and actions are implemented or interpreted, as well as the application and implementation of new laws and regulations, may have a significant effect on CapMan's business operations.

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### CapMan Plc

Board of Directors

CapMan Group's Interim Report for January-September 2018 is published on Thursday 1 November 2018.

Helsinki 9 August 2018

CAPMAN PLC

Board of Directors

### Additional information:

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### Distribution:

NASDAQ Helsinki Ltd

Principal media

[www.capman.com](http://www.capman.com)

**GROUP STATEMENT OF COMPREHENSIVE INCOME (IFRS)**

€ ('000)	4-6/18	4-6/17	1-6/18	1-6/17	1-12/17
Management fees	5 730	4 752	11 358	9 749	19 583
Sale of services	4 108	2 109	5 714	3 462	7 108
Carried interest	604		711		4 418
Dividend and interest income from financial assets held for trading	974	2 208	2 088	3 357	3 735
Turnover	11 416	9 070	19 871	16 569	34 843
Other operating income	36	8	37	11	15
Personnel expenses	-5 473	-4 975	-10 172	-9 982	-21 366
Depreciation and amortisation	-52	-68	-104	-124	-1 716
Other operating expenses	-2 597	-2 386	-4 755	-4 590	-9 876
Fair value changes of investments	2 678	5 606	5 188	15 914	17 582
Operating profit	6 008	7 255	10 066	17 798	19 482
Financial income and expenses	-954	-846	-1 469	-1 747	-3 171
Share of the income of investments accounted for using the equity method					-87
Profit before taxes	5 054	6 409	8 597	16 051	16 224
Income taxes	-803	-621	-1 006	-1 207	-757
Profit for the period	4 251	5 787	7 591	14 844	15 467
Other comprehensive income:					
Translation differences	-37	20	28	20	-256
Total comprehensive income	4 214	5 807	7 619	14 864	15 211

Profit attributable to:					
Equity holders of the company	<b>3 660</b>	5 787	7 038	14 844	15 473
Non-controlling interest	<b>591</b>		553		-5
Total comprehensive income attributable to:					
Equity holders of the company	<b>3 623</b>	5 807	7 066	14 864	15 216
Non-controlling interest	<b>591</b>		553		-5
Earnings per share for profit attributable to the equity holders of the Company:					
Earnings per share, cents	<b>2,5</b>	4,0	4,8	9,9	10,4
Diluted, cents	<b>2,5</b>	3,9	4,8	9,8	10,2

On comparative periods, the accrued interest payable on the hybrid bond, net of taxes, has been deducted from the earnings per share.

**GROUP BALANCE SHEET (IFRS)**

€ ('000)	30.6.18	30.6.17	31.12.17
<b>ASSETS</b>			
Non-current assets			
Tangible assets	204	153	287
Goodwill	4 704	6 204	4 547
Other intangible assets	121	292	208
Investments accounted for using the equity method		87	
Investments at fair value through profit and loss			
Investments in funds	85 520	56 059	58 264
Growth equity investments		28 785	28 840
Other financial assets	2 427	179	142
Investments in joint ventures	5 317	5 387	4 917
Receivables	5 344	4 010	3 143
Deferred income tax assets	2 082	2 712	1 752
	<b>105 719</b>	103 868	102 100
Current assets			
Trade and other receivables	9 998	6 561	8 725
Financial assets at fair value through profit and loss	59 534	83 454	77 144
Cash and bank	29 384	32 883	23 291
	<b>98 916</b>	122 898	109 160
Total assets	<b>204 634</b>	226 765	211 259



€ ('000)	30.6.18	30.6.17	31.12.17
<b>EQUITY AND LIABILITIES</b>			
Capital attributable the Company's equity holders			
Share capital	772	772	772
Share premium account	38 968	38 968	38 968
Other reserves	83 619	82 112	82 550
Translation difference	-329	-81	-357
Retained earnings	-4 111	3 893	4 766
Total capital attributable to the Company's equity holders	118 919	125 664	126 699
Non-controlling interests	566		-5
Total equity	119 485	125 664	126 694
Non-current liabilities			
Deferred income tax liabilities	7 834	8 131	8 573
Interest-bearing loans and borrowings	49 688	46 640	45 215
Other non-current liabilities	124	124	124
	57 646	54 896	53 912
Current liabilities			
Trade and other payables	15 969	25 266	26 837
Interest-bearing loans and borrowings	10 000	18 000	3 000
Current income tax liabilities	1 534	2 940	816
	27 503	46 206	30 653
Total liabilities	85 149	101 102	84 565
Total equity and liabilities	204 634	226 765	211 259

**GROUP STATEMENT OF CHANGES IN EQUITY**

€ ('000)	Attributable to the equity holders of the Company						Non-controlling interests
	Share capital	Share premium account	Other reserves	Translation differences	Retained earnings	Total	
Equity on 1 January 2017	772	38 968	97 111	-101	6 229	142 979	
Profit for the year					9 057	9 057	
Other comprehensive income for the year							
Currency translation differences							
Total comprehensive income for the year					9 057	9 057	
Share subscriptions with options							
Options			77		-26	51	
Dividends					-13 047	-13 047	
Hybrid bond, interest and other expenses			-15 000		-4 146	-19 146	
Equity on 30 June 2017	772	38 968	82 188	-101	-1 933	119 894	
Equity on 1 January 2018	772	38 968	82 550	-357	4 766	126 699	-5
Profit for the year					7 038	7 038	553
Other comprehensive income for the year							
Currency translation differences				28		28	
Total comprehensive income for the year				28	7 038	7 066	553
Share issue of non-controlling interests							18
Share subscriptions with options			954			954	
Options			115		164	279	
Dividends					-16 079	-16 079	
Equity on 30 June 2018	772	38 968	83 619	-329	-4 111	118 919	566

**STATEMENT OF CASH FLOW (IFRS)**

€ ('000)	1-6/18	1-6/17	1-12/17
<b>Cash flow from operations</b>			
Profit for the financial year	7 591	14 844	15 468
Adjustments on cash flow statement	-2 125	-12 745	-11 810
Change in working capital:			
Change in current non-interest-bearing receivables	-3 797	-1 198	-1 812
Change in current trade payables and other non-interest-bearing liabilities	-1 987	-2 550	19
Interest paid	-1 281	-1 210	-3 864
Taxes paid	-2 052	-1 255	-1 624
<b>Cash flow from operations</b>	<b>-3 651</b>	<b>-4 114</b>	<b>-3 623</b>
<b>Cash flow from investing activities</b>			
Acquisition of subsidiaries	-8 399	-1 117	-1 173
Investments in tangible and intangible assets	-31	-123	-260
Investments at fair value through profit and loss	21 839	27 387	32 560
Long-term loan receivables granted	-25	-115	-236
Proceeds from long-term receivables	147	1 496	2 304
Dividends received			210
Interest received	80	165	286
<b>Cash flow from investing activities</b>	<b>13 610</b>	<b>27 692</b>	<b>33 690</b>

<b>Cash flow from financing activities</b>			
Share issue	954		421
Proceeds from borrowings	49 748		9 000
Repayment of long-term loan	-38 489	-16 500	-42 000
Paid withheld tax on dividends		-6 151	-6 151
Dividends paid	-16 079	-13 047	-13 047
<b>Cash flow from financing activities</b>	<b>-3 866</b>	<b>-35 698</b>	<b>-51 777</b>
<b>Change in cash and cash equivalents</b>	<b>6 093</b>	<b>-12 120</b>	<b>-21 710</b>
Cash and cash equivalents at start of year	23 291	45 001	45 001
<b>Cash and cash equivalents at end of year</b>	<b>29 384</b>	<b>32 883</b>	<b>23 291</b>

## ACCOUNTING PRINCIPLES

This unaudited interim report is prepared in accordance with IAS 34 (Interim Financial Reporting) using the same accounting policies and methods of computation as in the previous annual financial statements. Figures in the accounts have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

As from January 1, 2018, the Group has applied the following new standards that have come into effect:

- IFRS 9 Financial instruments
- IFRS 15 Revenue from contracts with customers

With respect to IFRS 15 CapMan has changed the specification of turnover on the profit and loss statement and in segment reporting. The new standards do not have a material effect on the groups result or financial position.

## ITEMS AFFECTING COMPARABILITY AND ALTERNATIVE PERFORMANCE MEASURES

CapMan uses alternative performance measures to denote the financial performance of its business and to improve the comparability between different periods. Alternative performance measures do not replace performance measures in accordance with the IFRS and are reported in addition to such measures. Alternative performance measures, as such are presented, are derived from performance measures as reported in accordance with the IFRS by adding or deducting the items affecting comparability and they will be nominated as adjusted.

Items affecting comparability are, among others, material items related to mergers and acquisitions or major development projects, material gains or losses related to the acquisition or disposals of business units, material gains or losses related to the acquisition or disposal of intangible assets, material expenses related to decisions by authorities and material gains or losses related to reassessment of potential repayment risk to the funds.

Items affecting comparability and alternative key figures are presented under the Segment information.

## SEGMENT INFORMATION

CapMan has three operating segments: Management company business, Service business and Investments business.

In its Management Company business, CapMan manages private equity funds that are invested by its partnership-based investment teams. Investments are Nordic and Russian mainly unlisted companies and Nordic real estate. CapMan raises capital for the funds from Nordic and international investors. Income from the Management company business is derived from fees and carried interest received from funds. The fees include management fees related to CapMan's position as a fund management company and fees from other services closely related to fund management.

In Service business, CapMan offers procurement services to companies in Finland and Sweden through CapMan Procurement Services (CaPS) and private equity advisory and

fundraising services to private equity fund managers and investors through Scala Fund Advisory. Income from the Service business include fees from CapMan Procurement Services (CaPS) and fundraising advisory services (Scala).

Through its Investment business, CapMan invests from its own balance sheet in the private equity asset class and listed markets in a diversified manner. Income in this business segment is generated by changes in the fair value of investments and realised returns following exits and periodic returns, such as interest and dividends.

Other includes the corporate functions not allocated to operating segments. These functions include part of the activities of group accounting, corporate communications, group management and costs related to share-based payment. Other also includes the eliminations of the intersegment transactions.

<b>4-6/2018</b> € ('000)	Management company business	Service business	Investment business	Other	Total
Management fees	5 730				5 730
Service fees	187	3 765		156	4 108
Carried interest	604				604
Dividend and interest income from financial assets held for trading			974		974
Turnover, external	6 521	3 765	974	156	11 416
Turnover, internal		128		-128	
Other operating income	36				36
Personnel expenses, of which	-3 453	-776	-6	-1 238	-5 473
Salaries and bonuses	-3 453	-776	-6	-1 072	-5 308
Share-based payment				-165	-165
Depreciation, amortisation and impairment	-39	-2		-11	-52
Other operating expenses	-1 414	-367	-63	-753	-2 598
Internal service fees	-910	-310	-172	1 392	
Fair value changes of investments			2 678		2 678
Operating profit	741	2 439	3 410	-582	6 008
Financial items			-954		-954
Income taxes	-153	-488	-283	120	-803
Profit for the period	589	1 951	2 173	-463	4 250
Earnings per share, cents					2,5
Earnings per share, diluted, cents					2,5
Non-current assets	7 147	2 440	98 268	-2 136	105 718
Total assets include:					
Investments in joint ventures			5 317		5 317

<b>4-6/2017</b>					
€ ('000)	Management company business	Service business	Investment business	Other	Total
Management fees	4 752				4 752
Sale of services	309	1 771		30	2 110
Carried interest					
Dividend and interest income from financial assets held for trading			2 208		2 208
Turnover, external	5 061	1 771	2 208	30	9 070
Turnover, internal		58		-58	
Other operating income				8	8
Personnel expenses, of which	-2 663	-815	-358	-1 140	-4 975
Salaries and bonuses	-2 663	-815	-358	-1 099	-4 935
Share-based payment				-41	-41
Depreciation, amortisation and impairment	-45	-2	-10	-11	-68
Other operating expenses	-1 225	-169	-275	-716	-2 385
Overhead costs	-990	-98	-186	1 273	
Fair value changes of investments			5 606		5 606
Operating profit	138	745	6 986	-614	7 255
Items affecting comparability					
Norvestia acquisition related costs			51		51
Norvestia integration related costs			77		77
Items affecting comparability, total			128		128
Adjusted operating profit	138	745	7 114	-614	7 383
Financial items			-847		-847



Income taxes	-28	-149	-567	123	-621
Profit for the period	110	596	5 572	-492	5 787
Items affecting comparability					
Norvestia acquisition related costs			89		89
Norvestia integration related costs			62		62
Items affecting comparability, total			151		151
Adjusted profit for the period	110	596	5 723	-492	5 938
Earnings per share, cents					4,0
Items affecting comparability, cents					0,1
Adjusted earnings per share, cents					4,1
Earnings per share, diluted, cents					3,9
Items affecting comparability, cents					0,1
Adjusted earnings per share, diluted, cents					4,0
Non-current assets	6 398		97 047	423	103 868
Total assets include:					
Investments accounted for using the equity method			87		87
Investments in joint ventures			5 388		5 388

<b>1-6/2018</b>					
€ ('000)	Management company business	Service business	Investment business	Other	Total
Management fees	11 358				11 358
Service fees	370	5 152		192	5 714
Carried interest	711				711
Dividend and interest income from financial assets held for trading			2 088		2 088
Turnover, external	12 439	5 151	2 088	192	19 871
Turnover, internal		245		-245	
Other operating income	36			1	37
Personnel expenses, of which	-6 451	-1 242	-143	-2 336	-10 172
Salaries and bonuses	-6 451	-1 242	-143	-2 058	-9 894
Share-based payment				-278	-278
Depreciation, amortisation and impairment	-78	-3		-23	-104
Other operating expenses	-2 640	-524	-202	-1 390	-4 755
Internal service fees	-1 808	-620	-344	2 772	
Fair value changes of investments			5 188		5 188
Operating profit	1 498	3 007	6 588	-1 028	10 066
Financial items			-1 469		-1 469
Income taxes	-303	-601	-311	209	-1 006
Profit for the period	1 195	2 406	4 809	-818	7 591
Earnings per share, cents					4,8
Earnings per share, diluted, cents					4,8
Non-current assets	7 147	2 440	98 268	-2 136	105 718
Total assets include:					
Investments in joint ventures			5 317		5 317

**1-6/2017**

€ ('000)	Management company business	Service business	Investment business	Other	Total
Management fee	9 749				9 749
Service fees	609	2 797		57	3 462
Carried interest					
Dividend and interest income from financial assets held for trading			3 357		3 357
Turnover, external	10 358	2 797	3 357	57	16 569
Turnover, internal		115		-115	
Other operating income				11	11
Personnel expenses, of which	-5 186	-1 365	-1 092	-2 339	-9 982
Salaries and bonuses	-5 186	-1 365	-1 092	-2 249	-9 891
Share-based payment				-91	-91
Depreciation, amortisation and impairment	-90	-4	-12	-19	-124
Other operating expenses	-2 536	-353	-525	-1 175	-4 589
Internal service fees	-1 980	-195	-372	2 547	
Fair value changes of investments			15 914		15 914
Operating profit	565	996	17 271	-1 034	17 798
Items affecting comparability					
Norvestia acquisition related costs			51		51
Norvestia integration related costs			437		437
Items affecting comparability, total			488		488
Adjusted operating profit	565	996	17 759	-1 034	18 286
Financial items			-1 747		-1 747
Income taxes	-113	-199	-1 101	207	-1 207
Profit for the period	452	797	14 423	-827	14 844
Items affecting comparability					
Norvestia acquisition related costs			89		89

Norvestia integration related costs			350		350
Items affecting comparability, total			439		439
Adjusted profit for the period	452	797	14 861	-827	15 283
Earnings per share, cents					9,9
Items affecting comparability, cents					0,3
Adjusted earnings per share, cents					10,2
Earnings per share, diluted, cents					9,8
Items affecting comparability, cents					0,3
Adjusted earnings per share, diluted, cents					10,1
Non-current assets	6 398		97 047	423	103 868
Total assets include:					
Investments accounted for using the equity method			87		87
Investments in joint ventures			5 388		5 388

<b>1-12/2017</b>					
€ ('000)	Management company business	Service business	Investment business	Other	Total
Management fees	19 549			34	19 583
Sale of services	1 098	5 563		447	7 108
Carried interest	4 418				4 418
Dividend and interest income from financial assets held for trading			3 735		3 735
Turnover, external	25 065	5 563	3 735	480	34 843
Turnover, internal		252		-252	
Items affecting comparability					
Reassessment of potential repayment risk to the funds	117				117
Items affecting comparability, total	117				117
Adjusted turnover	25 182	5 815	3 735	229	34 960
Other operating income			3	12	15
Personnel expenses, of which	-11 301	-2 346	-2 177	-5 543	-21 366
Salaries and bonuses	-11 301	-2 346	-2 177	-5 387	-21 210
Share-based payment				-156	-156
Depreciation, amortisation and impairment	-1 666	-4	-13	-34	-1 716
Other operating expenses	-5 436	-818	-1 127	-2 494	-9 876
Overhead costs	-3 982	-390	-743	5 115	
Fair value changes of investments			17 582		17 582
Operating profit	2 680	2 258	17 259	-2 716	19 482
Items affecting comparability					
Reassessment of potential repayment risk to the funds	117				117
Norvestia acquisition related costs			645		645
Norvestia integration related costs			1 204		1 204
Reorganisation costs	956				956
Goodwill impairment	1 500				1 500
Items affecting comparability, total	2 573		1 849		4 422

Adjusted operating profit	5 253	2 258	19 108	-2 717	23 903
Financial items			-3 171		-3 171
Share of the income of investments accounted for using the equity method			-87		-87
Income taxes	-543	-452	-295	534	-757
Profit for the period	2 137	1 806	13 706	-2 183	15 467
Items affecting comparability					
Reassessment of potential repayment risk to the funds	94				94
Norvestia acquisition related costs			653		653
Norvestia integration related costs			1 025		1 025
Reorganisation costs	759				759
Goodwill impairment	1 500				1 500
Items affecting comparability, total	2 352		1 678		4 031
Adjusted profit for the period	4 489	1 806	15 385	-2 182	19 498
Earnings per share, cents					10,4
Items affecting comparability, cents					2,8
Adjusted earnings per share, cents					13,1
Earnings per share, diluted, cents					10,2
Items affecting comparability, cents					2,7
Adjusted earnings per share, diluted, cents					13,0
Non-current assets	4 702		96 920	478	102 100
Total assets include:					
Investments in joint ventures			4 917		4 917

## INCOME TAXES

The Group's income taxes in the Income Statements are calculated on the basis of current taxes on taxable income and deferred taxes. Deferred taxes are calculated on the basis of all temporary differences between book value and fiscal value.

## DIVIDENDS

A dividend of EUR 0.11 per share, totalling EUR 16.1 million, for the review period 2017 was paid to the shareholders on March 23, 2018. A dividend of EUR 0.09 per share, totalling EUR 13.0 million, was paid for the review period 2016.

## DERIVATIVE CONTRACTS

The Group uses standardized derivative contracts to make portfolio management more effective. The fair values of the derivative contracts as well as the underlying values are given in the table below. The fair values are adjusted for the corresponding share's dividend income. Derivative contracts are recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. The fair value of futures corresponds to the futures' gain or loss. Hedge accounting is not used.

€ ('000)	30.6.18	30.6.17	31.12.17
Index derivatives, bought call options, sold put options and sold futures			
Fair value	48	865	37
Underlying value	-18 119	-26 728	-21 962



**NON-CURRENT ASSETS**

	Level 1	Level 2	Level 3	Total
<b>Fair value hierarchy of financial assets measured at fair value at 30 June 2018</b>				
Investments in funds				
at Jan 1		19	58 245	58 264
Additions			25 630	25 630
Distributions		-4	-2 069	-2 073
Fair value gains/losses		-15	3 606	3 591
Transfers*			107	107
at the end of period		0	85 519	85 519
Growth equity investments				
at Jan 1			28 840	28 840
Additions			0	0
Decreases			-26 626	-26 626
Transfers			-2 214	-2 214
at the end of period			0	0
Other investments				
at Jan 1		124	18	142
Transfers			2 214	2 214
Fair value gains/losses			71	71
at the end of period		124	2 303	2 427
Investments in joint ventures				
at Jan 1			4 917	4 917
Fair value gains/losses			400	400
at the end of period			5 317	5 317
Current financial assets at FVTPL**	49 036	10 498		59 534

\*Change of cash and cash equivalents of the subsidiary CapMan Fund Investments SICAV-SIF, classified as fund investments.

\*\*Fair value through profit or loss

The different levels have been defined as follows:

Level 1 - Quoted prices (unjusted) in active markets for identical assets.

Level 2 - Other than quoted prices included within Level 1 that are observable for the asset, either directly (that is, as price) or indirectly (that is, derived from prices).

Level 3 - The asset that is not based on observable market data. Investments in joint ventures reported on Level 3 include investments in Maneq Investments Luxembourg S.a.r.l.

There were no transfers from one level to another during the review period.

Investments in funds include the subsidiary, CapMan Fund Investments SICAV-SIF, with a fair value of EUR 40.3 million at the end of the reporting period.

	Level 1	Level 2	Level 3	Total
<b>Investments at fair value through profit or loss as at 31 December 2017</b>				
Investments in funds				
at Jan 1		41	51 353	51 394
Additions			10 543	10 543
Disposals			-35	-35
Distributions		-22	-7 135	-7 157
Fair value gains/losses			3 422	3 422
Transfers*			97	97
at the end of period		19	58 245	58 264
Growth equity investments				
at Jan 1			37 856	37 856
Additions			1 856	1 856
Disposals			-20 920	-20 920
Fair value gains/losses			9 959	9 959
Transfers			89	89
at the end of period			28 840	28 840
Other investments				
at Jan 1		124	55	179
Disposals			-5	-5
Fair value gains/losses			-32	-32
at the end of period		124	18	142
Investments in joint ventures				
at Jan 1			5 376	5 376
Additions			173	173
Disposals			-63	-63
Distributions			-210	-210
Fair value gains/losses			-359	-359
at the end of period			4 917	4 917
Current financial assets at FVTPL**	66 121	11 023		77 144

\*Change of cash and cash equivalents of the subsidiary CapMan Fund Investments SICAV-SIF, classified as fund investments.

\*\*fair value through profit or loss

The different levels have been defined as follows:

Level 1 - Quoted prices (unjusted) in active markets for identical assets.

Level 2 - Other than quoted prices included within Level 1 that are observable for the asset, either directly (that is, as price) or indirectly (that is, derived from prices). Fund investments on Level 2 are investments in the CapMan Public Market fund. All other fund investments are included in Level 3.

Level 3 - The asset that is not based on observable market data. Investments in joint ventures reported on Level 3 include investments in Maneq Investments Luxembourg S.a.r.l.

There were no transfers from one level to another during the review period.

## Sensitivity analysis of Level 3 investments at 30 June 2018

Investment area	Fair value MEUR 30.6.2018	Valuation methodology	Unobservable inputs	Used input value (weighted average)	Fair value sensitivity to a +/- 10% change in input value
Growth investments	13.5	Peer group	Peer group earnings multiples	EV/EBITDA 2018 10.1x	+/- 0.8 MEUR
			Discount to peer group multiples	30 %	-/+ 0.4 MEUR
Buyout	23.8	Peer group	Peer group earnings multiples	EV/EBITDA 2018 9.2x	+ 2.4 MEUR / - 2.5 MEUR
			Discount to peer group multiples	25 %	+/- 0.8 MEUR
Real Estate	24.6	Valuation by an independent valuer			
Investments in external PE funds	11.6	Reports from PE fund management company			
Investments in joint ventures	5.3	Peer group	Peer group earnings multiples	EV/EBITDA 2018 8.5x	+/- 0.3 MEUR
			Discount to peer group multiples	24 %	-/+ 0.1 MEUR
Infrastructure	5.0	Price of recent investment			

<b>Russia</b>	<b>4.1</b>	Peer group	Peer group earnings multiples	EV/EBITDA 2018 10.5x	+/- 0.3 MEUR
			Discount to peer group multiples	29 %	+/- 0.1 MEUR
<b>Credit</b>	<b>2.0</b>	Discounted cash flows	Discount rate; market rate and risk premium	10 %	- 0.1 MEUR / value increase based on a change in the discount rate is not booked
<b>Funds of funds</b>	<b>0.4</b>	Reports from PE fund management company			
<b>Other investment areas</b>	<b>2.8</b>	Peer group	Peer group earnings multiples	EV/EBITDA 2018 8.4x	+/- 0.1 MEUR
			Discount to peer group multiples	10 %	-/+ 0.0 MEUR

## Sensitivity analysis of Level 3 investments at 31 December 2017

Investment area	Fair value MEUR 31.12.2017	Valuation methodology	Unobservable inputs	Used input value (weighted average)	Fair value sensitivity to a +/- 10% change in input value
Growth investments	28.8	Peer group	Peer group earnings multiples	EV/Sales 2017 1.1x EV/EBITDA 2017 10.9x	+/- 2.1 MEUR
			Discount to peer group multiples	26 %	-/+ 0.8 MEUR
Buyout	22.0	Peer group	Peer group earnings multiples	EV/EBITDA 2017 9.4x	+ 3.7 / - 3.8 MEUR
			Discount to peer group multiples	26 %	+/- 1.4 MEUR
Real Estate	17.9	Valuation by an independent valuer			
Investments in external PE funds	8.8	Reports from PE fund management company			
Investments in joint ventures	4.9	Peer group	Peer group earnings multiples	EV/EBITDA 2017 9.5x	+/- 0.6 MEUR
			Discount to peer group multiples	29 %	-/+ 0.3 MEUR

<b>Russia</b>	<b>4.5</b>	Peer group	Peer group earnings multiples	EV/EBITDA 2017 11.5x	+/- 0.4 MEUR
			Discount to peer group multiples	30 %	+/- 0.1 MEUR
<b>Credit</b>	<b>1.7</b>	Discounted cash flows	Discount rate; market rate and risk premium	10 %	- 0.1 MEUR / value increase based on a change in the discount rate is not booked
<b>Funds of funds</b>	<b>0.5</b>	Reports from PE fund management company			
<b>Other investment areas</b>	<b>2.4</b>	Peer group	Peer group earnings multiples	EV/EBITDA 2017 8.9x	+/- 0.1 MEUR
			Discount to peer group multiples	15 %	-/+ 0.0 MEUR



CapMan has made some investments also in funds that are not managed by CapMan Group companies. The fair values of these investments in CapMan's balance sheet are based on the valuations by the respective fund managers. No separate sensitivity analysis is prepared by CapMan for these investments.

The changes in the peer group earnings multiples and the peer group discounts are typically opposite to each other. Therefore, if the peer group multiples increase, a higher discount is typically applied. Because of this, a change in the peer group multiples may not in full be reflected in the fair values of the fund investments.

The valuations are based on euro. If portfolio company's reporting currency is other than euro, P&L items used in the basis of valuation are converted applying the average foreign exchange rate for corresponding year and the balance sheet items are converted applying the rate at the time of reporting. Changes in the foreign exchange rates, in CapMan's estimate, have no significant direct impact on the fair values calculated by peer group multiples during the reporting period.

The valuation of CapMan funds' investment is based on international valuation guidelines that are widely used and accepted within the industry and among investors. CapMan always aims at valuing funds investments at their actual value. Fair value is the best estimate of the price that would be received by selling an asset in an orderly transaction between market participants on the measurement date.

Determining the fair value of fund investments for funds investing in portfolio companies is carried out using International Private Equity and Venture Capital Valuation Guidelines (IPEVG). In estimating fair value for an investment, CapMan applies a technique or techniques that is/are appropriate in light of the nature, facts, and circumstances of the investment in the context of the total investment portfolio. In doing this, current market data and several inputs, including the price at which an investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, and financing transactions subsequent to the acquisition of the investment, are evaluated and combined with market participant assumptions. In selecting the appropriate valuation technique for each particular investment, consideration of those specific terms of the investment that may impact its fair value is required.

Different methodologies may be considered. The most applied methodologies at CapMan include the price of recent investments, which is typically applied in the case of new investments, and the earnings multiple valuation technique, whereby public peer group multiples are used to estimate the value of a particular investment. CapMan always applies a discount to peer group multiples, due to e.g. limited liquidity of the investments. Due to qualitative nature of the valuation methodologies, they are mainly based on CapMan's judgment.

The Group has a Monitoring team, which monitors the performance and the price risk of the investment portfolio (financial assets entered at fair value through profit or loss) independently and objectively of the investment teams. The Monitoring team is responsible for reviewing the monthly reporting and forecasts for portfolio companies. Valuation proposals made by the case investment professionals are examined by the Monitoring team and subsequently reviewed and decided by the Valuation Committee, which comprises the Group CFO, Head of Monitoring team and either Risk Manager of the relevant fund or Head of the relevant investment team. The portfolio company valuations are reviewed in the Valuation Committee quarterly. The valuations are back tested against realised exit valuations, and the results of such back testing are reported to the Audit Committee annually.

Investments in real estate are valued at fair value based on appraisals made by independent external experts, who follow International Valuation Standards (IVS). The method most appropriate to the use of the property is always applied, or a combination of such methods. For the most part, the valuation methodology applied is the discounted cash flow method, which is based on significant unobservable inputs. These inputs include the following:

Future rental cash inflows	Based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties;
Discount rates	Reflecting current market assessments of the uncertainty in the amount and timing of cash flows;
Estimated vacancy rates	Based on current and expected future market conditions after expiry of any current lease;
Property operating expenses	Including necessary investments to maintain functionality of the property for its expected useful life;
Capitalisation rates	Based on actual location size and quality of the properties and taking into account market data at the valuation date;
Terminal value	Taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

The value of investments in joint ventures consist almost entirely of investments in Maneq Investments Luxembourg which is indirectly invested into portfolio companies in funds managed by CapMan. The fair values of investments are determined in the same way as in funds investing in portfolio companies. The investment is made through several separate instruments and their values are co-dependent. Therefore, the investment has been valued as one entity based on the fair values of underlying portfolio companies.

## SEASONAL NATURE OF BUSINESS

Carried interest income is accrued on an irregular schedule depending on the timing of exits.  
An exit may have an appreciable impact on the Group's result for the full financial year.

## PERSONNEL

<b>By country</b>	<b>30.6.18</b>	30.6.17	31.12.17
Finland	76	71	74
Sweden	20	19	22
Denmark	4	3	4
Russia	13	12	12
Luxembourg	1	1	1
United Kingdom	6	4	5
In total	120	110	118

**CONTINGENT LIABILITIES**

€ ('000)	30.6.18	30.6.17	31.12.17
Leasing agreements	3 582	3 490	4 012
Securities and other contingent liabilities	44 079	52 244	46 264
Remaining commitments to funds	74 832	33 453	67 081
Remaining commitments by investment area			
Buyout	12 091	12 675	13 178
Credit	2 095	2 690	2 316
Russia	1 297	1 478	1 477
Real Estate	10 584	769	10 584
Other	4 188	4 700	3 272
Funds of funds	715	720	717
Growth equity*	15 819		26 626
External private equity funds	28 043	10 421	8 911
In total	74 832	33 453	67 081

\*The commitment relates to a new growth equity-based fund founded on 11.12.2017 with respect to CapMan sold its growth equity investments in January 2018.

**RELATED PARTIES****Loans to related parties**

CapMan has granted a Management Group member a short-term loan of 133 thousand euros, the interest rate of which being 12-month Euribor + margin of 1 %. The loan has been originally granted in January 2016 and it has been renewed in December 2017. The loan will mature in December 2018.

**Commitments to related parties**

€ ('000)	30.6.18	30.6.17	31.12.17
Commitments to Maneq funds	3 903	4 075	3 903

**TURNOVER AND PROFIT QUARTERLY****2018**

MEUR	1-3/18	4-6/18	1-6/18
Turnover	8,5	11,4	19,9
Management fees	5,6	5,7	11,4
Sale of services	1,6	4,1	5,7
Carried interest	0,1	0,6	0,7
Dividend and interest income from financial assets held for trading	1,1	1,0	2,1
Other operating income	0,0	0,0	0,0
Operating expenses	-6,9	-8,1	-15,0
Fair value changes of investments	2,5	2,7	5,2
Operating profit	4,1	6,0	10,1
Financial income and expenses	-0,5	-1,0	-1,5
Share of the income of investments accounted for using the equity method	0,0	0,0	0,0
Profit / loss before taxes	3,5	5,1	8,6
Profit / loss for the period	3,3	4,3	7,6

## 2017

MEUR	1-3/17	4-6/17	1-6/17	7-9/17	10-12/17	1-12/17
Turnover	7,5	9,1	16,6	9,4	8,8	34,8
Management fees	5,0	4,7	9,7	4,6	5,3	19,6
Sale of services	1,4	2,2	3,5	1,6	1,9	7,1
Carried interest	0,0	0,0	0,0	3,1	1,3	4,4
Dividend and interest income from financial assets held for trading	1,1	2,2	3,4	0,1	0,2	3,7
Other operating income	0,0	0,0	0,0	0,0	0,0	0,0
Operating expenses	-7,3	-7,4	-14,7	-6,3	-12,0	-33,0
Fair value changes of investments	10,3	5,6	15,9	2,0	-0,3	17,6
Operating profit	10,5	7,3	17,8	5,1	-3,5	19,4
Financial income and expenses	-0,9	-0,8	-1,7	-0,7	-0,8	-3,2
Share of the income of investments accounted for using the equity method	0,0	0,0	0,0	0,0	-0,1	-0,1
Profit / loss before taxes	9,6	6,4	16,1	4,5	-4,4	16,1
Profit / loss for the period	9,1	5,8	14,8	3,8	-3,2	15,5