

CapMan Plc

Financial Statements

Bulletin 2017



CapMan established a MEUR 86 fund focusing on growth investments in December 2017.

CapMan Plc Financial Statements Bulletin 2017:

PERFORMANCE AND MAIN EVENTS FOR THE FINANCIAL YEAR 1 JANUARY – 31 DECEMBER 2017:

- Group turnover was MEUR 34.8 (MEUR 26.7 1 January –31 December 2016).
- Operating profit was MEUR 19.5 (MEUR 18.7). Comparable adjusted operating profit was MEUR 23.9 (MEUR 14.5).
- Profit for the period was MEUR 15.5 (MEUR 15.3). Comparable adjusted profit was MEUR 19.5 (MEUR 10.9).
- Diluted earnings per share for the period were 10.2 cents (16.1 cents). Comparable adjusted diluted earnings per share were 13.0 cents (11.2 cents).
- Mari Simula was appointed Head of Fund Investor Relations and a member of the Management Group starting from 5 December 2017.
- Scala Fund Advisory was incorporated as CapMan's subsidiary in December.
- CapMan established CapMan Nordic Property Income Fund and Growth Equity fund in December.
- CapMan's Board of Directors proposes a dividend of 11 cents per share to be paid in 2017.

CEO JOAKIM FRIMODIG

“CapMan had an excellent year in 2017. We increased our comparable operating profit to MEUR 24 and our comparable earnings per share by 16 per cent to 13.0 cents. Our share price increased by approximately 40 per cent during the year and, taking dividends into account, our shareholders' total return exceeded 49 per cent in 2017. By these metrics, we were among the best-performing companies on the Helsinki stock exchange.

“CapMan had an excellent year in 2017.”

During the year, we completed the strategically significant Norvestia acquisition and the related integration processes. The acquisition increased and strengthened our balance sheet and complemented our business portfolio by bringing in the Growth Equity investment area. Early in the year, CapMan moved into the Mid Cap segment on the Helsinki Stock Exchange and the number of shareholders rose above 16,000, up 37 per cent from the previous year.

CapMan achieved renewal and a return to growth path in 2017. We invested in growth particularly in the Management Company and Services business by launching new investment areas, funds and investment products. One of our sources of pride in this area is our new Growth Equity fund, which we established towards the end of the year. We also have several projects underway in our other new investment area, CapMan Infra, and we are planning to establish a CapMan Infra fund in 2018. In the CapMan Real Estate

business, we made several successful investments and exits during the year, and we also launched the new CapMan Nordic Real Estate II and CapMan Nordic Property Income funds. Having our mandate from BVK increased to €500 million is another example of positive achievement during the year.

“CapMan achieved renewal and a return to growth path in 2017.”

In 2017, our efforts to create added value took concrete form in our other business areas as well: CapMan Growth Equity sold its share in Idean Enterprise Oy, which had a significant impact on our overall result for the year. In the autumn, CapMan Buyout made a successful exit from the private dentistry chain Oral Hammaslääkärit and invested in KotiSun Group. In CapMan Credit we made several investments during the year and despite of challenging market environment in Russia, we succeeded to develop our target companies in 2017.

Our service business achieved strong growth. The contract volumes of our procurement network CaPS grew by 24 per cent to reach € 149 million in 2017. In the latter part of the year, we incorporated Scala Fund Advisory. The arrangement makes it possible for Scala to focus on its core business and clarifies the market position of this service business.

Our goal is to grow CapMan a leading Nordic private asset manager with active approach to value-creation in its target companies and with increasingly flexible and diverse investment products and services to an expanding investor base. We aim to continue to invest in growth in 2018 in our current investment and service areas as well as new segments. To boost our growth, we will launch new investment products in the coming years, which will improve the profitability of our Management Company and Services business. The first

steps to achieve our goal were already taken in 2017, and we expect them to take concrete form in 2018.

I would like to take this opportunity to extend my warmest thanks to our shareholders, equity investors and all CapMan employees for a successful 2017. During the year, we saw CapMan evolve into a modern and development-oriented private equity company, and we are now in a good position to continue to grow and develop CapMan further.”

FINANCIAL OBJECTIVES AND OUTLOOK ESTIMATE FOR 2018

The growth objective for Management Company and Services business is more than 10 per cent p.a. on average. The objective for return on equity is more than 20 per cent p.a. on average. The objective for net gearing, that is ratio of net interest-bearing debt to equity, is a maximum of 40 per cent on average. CapMan’s objective is to pay at least 75 per cent of earnings per share as dividend.

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 Services business in 2018. Our objective is to improve the profitability of Management Company and Services 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.

BUSINESS OPERATIONS

CapMan is a leading Nordic private asset expert with an active approach to value-creation in its target companies. CapMan has two operating segments: a Management Company and Services business and an Investment business.

In its **Management Company and Services 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. In addition, CapMan offers fund advisory services through Scala Fund Advisory and procurement services to companies in Finland and Sweden through its procurement service CaPS. CapMan also offers fund management services to alternative fund managers. The Management Company and Services business has two main sources of income: fees and carried interest. The fees include management fees related to CapMan's position as a fund management company as well as fees from CapMan's service business.

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. Please see Appendix 3 for additional details about CapMan's business model.

GROUP TURNOVER AND RESULT IN 2017

The Group's turnover totalled MEUR 34.8 (Jan-December 2016: MEUR 26.7).

Operating expenses were MEUR 33.0 (MEUR 30.7).

The Group's operating profit was MEUR 19.5 (MEUR 18.7). The comparable operating profit was MEUR 23.9 (MEUR 14.5) and has been adjusted with items related to the integration of Norvestia, reassessment of potential repayment risk to the funds, reorganization costs and impairment of CapMan Russia goodwill.

Financial income and expenses amounted to MEUR -3.2 (MEUR -3.1). Profit before taxes was MEUR 16.2 (MEUR 15.5) and profit after taxes was MEUR 15.5 (MEUR 15.3). Comparable adjusted result after taxes was MEUR 19.5 (MEUR 10.9).

Comparable key figures presenting earnings per share increased from the comparison period: reported and comparable adjusted earnings per share were 10.4 (16.2) cents and 13.1 (11.2) cents, respectively. Correspondingly, diluted earnings per share and comparable adjusted diluted earnings per share were 10.2 (16.1) cents and 13.0 cents (11.2 cents), respectively.

Net of tax interest on the hybrid bond for the period as well as penalties related to the early redemption has been deducted when calculating earnings per share. Adjustments to results and earnings per share are described in Table 1 and further in the Tables section of this report.

Table 1: Items affecting comparability and alternative performance measures

€ ('000)	1-12/17	1-12/16
Turnover	34 843	26 677
Items affecting comparability		
Reassessment of potential repayment risk to the funds	117	2 278
Items affecting comparability, total	117	2 278
Adjusted turnover	34 960	28 955
Operating profit	19 482	18 672
Items affecting comparability		
Items related to the acquisition of Norvestia, of which:	1 849	-7 109
Transaction costs	645	2 819
Integration related costs	1 204	
Gain from a bargain purchase		-13 885
Loss from the remeasurement of previous ownership at fair value		3 957
Reassessment of potential repayment risk to the funds	117	2 278
Reorganization costs	956	
Impairment of goodwill	1 500	
Write-down of a value-added tax receivable		975
Insurance compensations		-294
Items affecting comparability, total	4 422	-4 150
Adjusted operating profit	23 903	14 522
Profit for the period	15 468	15 286
Items affecting comparability		
Items related to the acquisition of Norvestia	1 678	-7 247
Reassessment of potential repayment risk to the funds	94	1 822

Reorganization costs	759	
Impairment of goodwill	1 500	
Write-down of a value-added tax receivable		1 255
Insurance compensations		-236
Items affecting comparability, total	4 031	-4 406
Adjusted profit for the period	19 498	10 880
Earnings per share, cents	10,4	16,2
Items affecting comparability, cents	2,8	-5,0
Adjusted earnings per share, cents	13,1	11,2
Earnings per share, diluted, cents	10,2	16,1
Items affecting comparability, cents	2,7	-4,9
Adjusted earnings per share, diluted, cents	13,0	11,2

A quarterly breakdown of turnover and profit, together with turnover, operating profit/loss, and profit/loss by segment for the financial year are available in the Tables section of this report.

MANAGEMENT COMPANY AND SERVICES BUSINESS

Turnover generated by the Management Company and Services business for the financial year totalled MEUR 31.1 (MEUR 26.7).

Fees totalled MEUR 26.7 (MEUR 26.6). In addition to management fees, fees recorded also included fees generated by CapMan's Procurement Services (CaPS), fund advisory services (Scala Fund Advisory) and other services. Only a

small amount of fees for fund advisory services are paid as retainers and total fees may therefore vary significantly from one period to the next.

Carried interest income for the review period totalled MEUR 4.4 (MEUR 0.0) and was mainly received from the funds managed by Access Capital Partners and CapMan Equity VII fund. The clawback provision related to CapMan Real Estate I fund was increased by MEUR 0.1 during the financial year. Turnover of Management Company and Services business adjusted by the change of clawback provision was MEUR 31.2 for the financial year (MEUR 29.0).

The operating income of the Management Company and Services business was MEUR 1.5 (MEUR -1.5). The profit for the review period was MEUR 0.9 (MEUR -1.6).

The annual goodwill impairment test resulted in an impairment loss of EUR 1.5 million for the goodwill allocated to the Russian management company business. This was mainly attributable to a revised cash flow estimate, due to continued political risks and uncertainty in the fundraising market, which is expected to slow down the fundraising process of the new fund and decrease its size.

INVESTMENT BUSINESS

Turnover of the Investment business was MEUR 3.7 in 2017 (2016: MEUR 0.0) due to dividend and interest income from financial assets held for trading. Beforementioned assets were transferred to CapMan in conjunction with the Norvestia acquisition in the end of 2016.

Operating profit for the Investment business was MEUR 18.0 (MEUR 20.2). Comparable adjusted operating profit was MEUR 19.9 (MEUR 12.8) adjusting for expenses related to the integration and acquisition of Norvestia. Profit for the Investment business was MEUR 14.6 (MEUR 16.9). Comparable adjusted profit was MEUR 16.3 (MEUR 9.5). Items affecting comparability are presented in the Tables section of this report.

Total fair value changes of investments for the review period were MEUR 17.6 (2016: MEUR 22.6). CapMan's investments at fair value are presented in Table 2.

Table 2: CapMan's investments booked at fair value as of 31 December 2017

	Fair value 31 December 2017 (MEUR)
Fund investments	58.3
Growth Equity investments	28.8
Investments in joint ventures	4.9
Other financial assets	0.1
Current financial assets (incl.trading portfolio)	77.1
Total	169.2

Fair value of **fund investments** was MEUR 58.3 in 31 December 2017 (MEUR 51.4). Fair value changes of fund investments were MEUR 4.0 (MEUR 6.7) representing a 6.6 % increase in value (2016: +12.5 %). The positive change in the fair value of fund investments during the review period was mainly due to positive development of portfolio companies that are significant for CapMan's own investments. Fund investments also include investments in funds not managed by CapMan.

CapMan invested a total of MEUR 10.5 (MEUR 7.5) in funds during the review period. CapMan received distributions from funds totalling MEUR 7.2 (MEUR 14.4). Funds managed by CapMan are described in greater detail in Appendix 1.

The amount of remaining commitments that have not yet been called totalled MEUR 67.1 as of 31 December 2017, including commitments to funds from Norvestia (31 December 2016: MEUR 36.5).

Fair value of **Growth Equity investments** was MEUR 28.8 in 31 December 2017 (MEUR 37.9 in 31 December 2016). The fair value change of growth investments was MEUR 11.7 in January – December 2017, which corresponds to a 29.6 % increase. The significant change was mainly due to the exit from Idean Enterprises Oy in the first quarter.

In conjunction with the establishment of the Growth Equity fund CapMan sold its shares in six growth companies to the fund for MEUR 26.6 in the beginning of 2018 and made a corresponding equity commitment into the fund. The sales price was based on the fair values of the investments and did not have a profit impact.

The trading portfolio, which invests in market instruments, was MEUR 76.8 in 31 December 2017.

Investments in portfolio companies are valued at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines (IPEVG), where fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Real estate assets are valued in accordance with the value appraisals of external experts, as detailed in Appendix 1. Fair value assessment of financial assets is based on quoted prices of identical assets or information derived from prices.

Investments at fair value, their sensitivity analysis and remaining investment capacity by investment area are presented in the Tables section of this report.

BALANCE SHEET AND FINANCIAL POSITION AS OF 31 DECEMBER 2017

CapMan's balance sheet totalled MEUR 211.3 as of 31 December 2017 (31 December 2016: MEUR 252.7). Non-current assets amounted to MEUR 102.1 (MEUR 111.6), of which goodwill totalled MEUR 4.5 (MEUR 6.2).

As of 31 December 2017, fund investments booked at fair value totalled MEUR 58.3 (MEUR 51.4 as of 31 December 2016). Fair value of Growth Equity investments was MEUR 28.8 (MEUR 37.9).

Other financial assets booked at fair value were MEUR 0.1 (MEUR 0.2). The fair value of investments in joint ventures was MEUR 4.9 (MEUR 5.4). Long-term receivables amounted to MEUR 3.1 (MEUR 5.2).

Current assets amounted to MEUR 109.2 (MEUR 141.1). Financial assets booked at fair value, i.e. current investments, were MEUR 77.1 (MEUR 86.2) and included the trading portfolio acquired with Norvestia. Cash in hand and at banks amounted to MEUR 23.3 (MEUR 45.0).

CapMan's interest-bearing net debt amounted to MEUR 24.6 as of 31 December 2017 (MEUR 20.8). CapMan's total interest-bearing debt as of 31 December 2017 is outlined in Table 3.

Table 3: CapMan's interest bearing debt

	Debt amount 31 Dec 2017	Matures latest	Annual interest	Debt amount 31 Dec 2016
Bank financing	MEUR 8,5	Q2 2019		MEUR 11,5
Senior bond (issued in 2013)	-	paid Q4 2017	5,50 %	MEUR 15
Multi-issuer bond (issued in 2014)	MEUR 10	Q2 2019	1,85 %	MEUR 10
Senior bond (issued in 2015)	MEUR 30	Q4 2019	4,20 %	MEUR 30
Long-term credit facility (available)	(MEUR 10)			(MEUR 10)
(Hybrid bond*)	-	paid Q1 2017	-	(MEUR 15)

*) Under IFRS, the hybrid bond was classified to equity. Interest on the hybrid bond was deducted from equity as paid, which was annually. The hybrid bond was issued on 11 December 2013 and redeemed on 17 March 2017.

CapMan Plc's bank loans include financing covenants, which are conditional on the company's equity ratio and the ratio of interest-bearing bank loans to fund investments on the balance sheet. CapMan honoured all covenants as of 31 December 2017.

Trade and other payables totalled MEUR 26.8 (MEUR 33.3).

The Group's cash flow from operations totalled MEUR -3.6 for the review period (MEUR -3.1). The change was mainly due to the supplementary taxes for the fiscal year 2016. 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 33.7 (MEUR 37.3) and includes, inter alia, investments and repaid capital received by the Group.

Cash flow before financing totalled MEUR 30.1 (MEUR 34.2) and reflects the development in the Management Company and Services business and Investment business. Cash flow from financing was MEUR -51.8 (MEUR -10.8).

KEY FIGURES 31 DECEMBER 2017

CapMan's return on equity was 11.5 per cent (31 December 2016: 14.7 per cent) and return on investment 10.1 per cent (10.9 per cent). Corresponding comparable key figures for return on equity was 14.5 per cent (9.5 per cent) and for return on investment 12.4 per cent (8.4 per cent). Net gearing was 19.4

per cent (14.5 per cent) as of 31 December 2017. The target levels for the company's return on equity and net gearing are on average over 20 per cent and a maximum of 40 per cent, respectively.

Table 4: CapMan's key figures

			Comparable key figures	
	31.12.17	31.12.16	31.12.17	31.12.16
Earnings per share, cents *	10.4	16.2	13.1	11.2
Diluted, cents *	10.2	16.1	13.0	11.2
Shareholders' equity / share, cents **	87.3	98.6		
Share issue adjusted number of shares	145 179 460	88 382 868		
Number of shares at the end of period	145 625 985	143 313 255		
Number of shares outstanding	145 599 686	143 286 956		
Company's possession of its own shares, end of period	26 299	26 299		
Return on equity, %	11.5	14.7	14.5	9.5
Return on investment,%	10.1	10.9	12.4	8.4
Equity ratio,%	60.0	56.6		
Net gearing,%	19.4	14.5		
Net interest-bearing liabilities, EUR million	24.6	20.8		

* Hybrid bond of MEUR 15 (MEUR 15 as at 31 December 2016) is recognised as equity until its repayment date 17 March 2017. Interest on the hybrid bond (net of tax) for the financial year has been deducted when calculating earnings per share. The share issue adjusted number of shares includes the shares issued as consideration transferred in the acquisition of Norvestia as of December 19, 2016, when calculating earnings per share under IAS 33.

** Included a hybrid bond of MEUR 15 (MEUR 15 as of 31 December 2016) until 17 March 2017. Calculation of shareholders' equity per share includes all shares issued as consideration in the acquisition of Norvestia.

CAPITAL UNDER MANAGEMENT AS OF 31 DECEMBER 2017 AND FUNDRAISING STATUS

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 2,808.1 as of 31 December 2017 (31 December 2016: MEUR 2,692). Funds established during the financial year had a positive impact on capital under management compared to previous year. CapMan Nordic Real Estate II fund established in September, increase of BVK's mandate in October, CapMan Nordic Property Income Fund established in December and Growth Equity fund established in December had a positive impact on capital under management compared to previous year. Of the total capital under management, MEUR 1,624.0 (MEUR 1,408.0) was held in real estate funds and MEUR 1,178.0 (MEUR 1,285.0) was held in funds making investments in portfolio companies. Funds under management, together with their investment activities, are presented in more detail in Appendices 1 and 2 of this report.

SERVICE BUSINESS FOR THE REVIEW PERIOD

CapMan's service business has continued to grow and especially CaPS contributes to CapMan's fee income alongside management fees. CaPS develops its member companies' purchasing activities and fees generated by CaPS have grown through geographic expansion as well as due to new members and purchasing categories.

CapMan services business continued to develop favourably during the financial year.

The contractual procurement volumes of CapMan Procurement Services CaPS grew by 24 per cent to EUR 149 million during the financial year. Furthermore, 31 per cent more contracts have been signed compared to previous year.

Scala Fund Advisory operates as part of CapMan Group as its subsidiary and offers private equity fundraising and advisory services for private equity fund managers and institutional investors. The majority of fees paid for advisory services are success fees, which are paid as a one-off compensation following a successful fundraising.

Scala Fund Advisory was incorporated in December 2017, and the share of CapMan in the new subsidiary is 60 per cent. The arrangement enables Scala to accelerate the growth of the business and helps the company to clarify its position in the markets. Order book for Scala is strong and there are several projects ongoing.

CapMan offers services related to fund management also for external parties outside the company. There are possibilities in the market for established

companies like CapMan with know-how and resources to offer services related to among others alternative investment fund establishment, regulation and fund management.

CapMan's various service offerings have significant growth potential and are expected to increase CapMan's fee income in the long term.

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. 9.66 per cent of all shares in the company. The authorisation shall remain in force until the end of the following AGM and 30 June 2018 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 21,000,000 shares, which corresponds to approx. 14.48 per cent of all shares in the company. The authorisation shall remain in force until the end of the following AGM and 30 June 2018 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 15 March 2017.

PERSONNEL

CapMan employed a total of 118 people as of 31 December 2017 (31 December 2016: 108), of whom 74 (69) 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 financial year. Share capital totalled EUR 771,586.98 as of 31 December 2017. CapMan had 145,625,985 shares outstanding as of 31 December 2017.

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 37 % from the previous year and totalled 16,237 as of 31 December 2017 (31 December 2016: 11,861). The increase in the number of shareholders was mainly due to the Norvestia transaction in November 2016.

COMPANY SHARES

As of 31 December 2017, 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 46,549 as of 31 December 2017 (31 December 2016: EUR 32,874). No changes occurred in the number of own shares held by CapMan Plc during the financial year.

TRADING AND MARKET CAPITALISATION

CapMan Plc's shares closed at EUR 1.77 on 31 December 2017 (31 December 2016: EUR 1.25). The trade-weighted average price for the review period was EUR 1.58 (EUR 1.10). The highest price paid was EUR 1.80 (EUR 1.30) and the lowest EUR 1.24 (EUR 0.91). The number of CapMan Plc shares traded totalled 49.7 million (33.5 million), valued at MEUR 78.1 (MEUR 37.0).

The market capitalisation of CapMan Plc shares as of 31 December 2017 was MEUR 257.8 (31 December 2016: MEUR 179.1, including unlisted A shares valued at the closing price of listed B shares).

COMPENSATION SCHEMES

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

The short-term scheme covers all CapMan employees and its central objective is earnings per share, for which the Board of Directors has set a minimum target. Short-term bonuses for investment teams are based on the result of the Management Company business for their respective investment partnership, and the minimum level of earnings per share provides the basis for receiving bonuses.

The long-term scheme consists of carried interest payable to investment teams and stock option programmes for CapMan's key personnel. 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. The Board of Directors decides annually on the distribution of stock options to the key personnel employed or recruited by the Group.

The maximum number of stock options issued under Option Programme 2013 will be 4,230,000, which will carry an entitlement to subscribe to a maximum of 4,230,000 new shares. The programme is divided into A, B, and C series, each of which covers a maximum of 1,410,000 option entitlements. The share subscription price of the 2013A options is EUR 0.66 (the trade volume-weighted average quotation of the share during 1 April- 31 May 2013 with an addition of 10%), that of the 2013B options is EUR 0.94 (the trade volume-weighted average quotation of the share during 1 April- 31 May 2014 with an addition of 10%), and that of the 2013C options is EUR 0.96 (the trade volume-weighted average quotation of the share during 1 April- 31 May 2015 with an addition of 10%). The subscription period for 2013A and 2013B options began on 1 May 2016 and 1 May 2017, respectively, and that for 2013C options will begin on 1 May 2018. Receivables from shares subscribed to under these options will be entered in the company's unrestricted shareholders' equity. A total of 1,325,000 stock option entitlements under the Option Programme 2013A, a total of 1,268,333 stock option entitlements under the Option Programme 2013B and a total of 1,227,291 stock option entitlements under the Option Programme 2013C had been allocated by 31 December 2017. A total of 10,196 new shares had been subscribed to with 2013A options and a total of 5,054 new shares to with 2016B options as of 31 December 2017.

The maximum number of stock options issued under Option Programme 2016 will be 4,230,000, which will carry an entitlement to subscribe to a maximum of 4,230,000 new shares. The programme is divided into A, B, and C series, each of which covers a maximum of 1,410,000 option entitlements. The share subscription price of the 2016A options is EUR 0.95 (the trade volume-weighted average quotation of the share during 1 April-31 May 2016 with an addition of 10%), that of the 2016B options is 1,76 (the trade volume-weighted average quotation of the share during 1 April-31 May 2017 with an addition of 10%), and that of the 2016C options is the trade volume-weighted average quotation of the share during 1 April-31 May 2018 with an addition of 10%). The subscription period for 2016A options will begin on 1 May 2019, that for 2016B options on 1 May 2020 and that for 2016C options on 1 May 2021. Receivables from shares subscribed to under these options will be entered in the company's unrestricted shareholders' equity. In December 2017, a total of 873,958 stock options 2016A were allocated to CapMan's management and key personnel in line with the Option Programme 2016.

The terms of the option programmes can be found on CapMan's website.

OTHER SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

CapMan established a MEUR 86 growth investment fund in December that focuses on minority investments in unlisted companies with strong growth potential. In conjunction with the establishment of the fund CapMan sold its shares in six growth companies to the fund in the beginning of 2018.

Mari Simula was appointed Head of Fund Investor Relations at CapMan and a member of CapMan Plc's Management Group. Scala Fund Advisory was incorporated in December. The changes come into force starting from 5 December 2017.

The Arbitral Tribunal appointed by the Redemption Committee of the Finland Chamber of Commerce rendered its decision on 9 October 2017 in the redemption proceedings concerning the shares held by minority shareholders in Norvestia Oyj ("Norvestia"). The Arbitral Tribunal rendered a decision according to which the redemption price of a Norvestia share was EUR 7.31 per share. The decision had no significant impact on CapMan's result.

CapMan established first ("CMNPI") open-ended real estate fund CapMan Nordic Property Income Fund with a non-UCITS structure in December.

Bayerische Versorgungskammer (BVK), Germany's largest pension scheme group, increased the investment volume of the fund advised by CapMan Real Estate to €500 million in October.

CapMan Real Estate II fund closed in its first and final closing at hard cap with EUR 425 million of equity commitments in September.

Pia Käll was appointed Managing Partner of CapMan Buyout and a member of Management Group in June.

CapMan exited from Idean Enterprises Ltd in March. The transaction contributed five cents to CapMan's EPS.

CapMan's CEO Heikki Westerlund announced that he is resigning from his position as CEO in March. Joakim Frimodig was appointed as Interim CEO of CapMan Plc as of 4 May 2017 and CEO of CapMan as of 1 September 2017.

CapMan announced early redemption of its €15 million hybrid bond issued in 2013 on February.

Juha Mikkola, responsible for Growth Equity, was appointed a member of CapMan Group's Management Group in February.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

In conjunction with the establishment of the CapMan Growth Equity fund CapMan sold its shares in six growth companies to the fund for MEUR 26.6 in the beginning of 2018 and made a corresponding equity commitment into the fund. The sales price was based on the fair values of the investments and did not have a profit impact.

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.

GENERAL BUSINESS ENVIRONMENT

Economic growth in the Nordic countries is expected to slow down in 2018. Sweden's growth is expected to weaken compared to previous year by the declining housing prices and private demand. The outlook for Finland's economic growth is expected to slow down as well; future growth is dependent on structural policies and labour participation rate.¹

Institutional investors' appetite for alternative investments have remained strong due to global low interest rate environment. According to an investor survey by Preqin, 39 per cent of respondents plan to increase allocations in private equity, 36 per cent in real estate, 50 per cent in infrastructure and 62 per cent in private debt.²

Private Equity

Private equity investments have played an increasingly important role in investor portfolios in recent years given the fact that private equity investment annual returns have been higher compared to public market performance. Especially buyout market which represents 57 % of the global private equity industry, looks set to be the destination of significant investor allocations in the coming years. According to Preqin survey buyout funds have had the best and most stable performance globally compared to other alternative asset classes.³

The 10-year median net return of European buyout funds was 11 per cent p.a., which was 7 percentage points higher compared to a comparable stock market index.⁴ Private equity investments by Finnish pension insurance companies have returned on average 10 per cent p.a. during the past 10 years.⁵

The greatest investor appetite increase during the last 12 months is from family offices and sovereign wealth funds according to Preqin's survey for fund managers globally. Geographically the strongest investor appetite is from Asia.⁶

High activity in the fundraising market continues and reflects the increasing interest for private equity investments. Year 2017 reached a record-breaking level in terms of global fundraising market. Similar activity was previously seen in H1 2008. On the other hand, the number of established funds decreased compared to the previous year and to six earlier years.⁷

The competition for private equity and attractive transactions among fund managers is tightened: new investment strategies are being explored from geographical or industrial perspective among fund managers. Along with traditional fund launches the alternative structures, such as co-investments, are becoming more popular in fund managers offerings for investors.⁸

Global buyout market activity slowed down in 2017 compared to previous year in terms of number of deals completed while the value of deals increased slightly compared to previous year.⁹

Fundraising for private debt funds reached record-levels in 2017. Debt funds were established faster and the target sizes of the funds were exceeded clearly. Direct lending funds were most numerous during the financial year.¹⁰

Real Estate

Based on the preliminary market data, transaction volume in the Nordic real estate market amounted to approximately EUR 43 billion in 2017, which represents a 5 per cent increase year over year.¹¹ The acquisition of Sponda completed by Blackstone has increased the real estate transaction volume in 2017. The value of the transaction was approximately 3.8 billion euros.

The steady increase in transaction volumes across the Nordic region have compressed the yields further. Yield compression has especially impacted secondary assets and the yield gap to prime has decreased. In Sweden, prime offices traded at 3.3 per cent while cap rates for retail properties stood at 4.3 per cent as of Q4 2017.¹² In Denmark, prime office and retail yields stood around 4.0 per cent and 3.0 per cent, respectively, at the end of the quarter.¹³

¹ Danske Bank Nordic Outlook December 2017

² Preqin Investor Outlook Alternative Assets H2 2017

³ Preqin Private Equity and Venture Capital Spotlight September 2017

⁴ Bain & Company Global Private Equity report 2017

⁵ Tela 2016

Also, the Finnish property investment market has remained strong during the review period with prime yields ranging between 3.5 per cent (office) and 3.8 per cent (retail).

The Nordic occupancy markets have benefitted from the macro-economic growth and positive momentum has continued leading to decreasing vacancies and rent hikes. During 2017, occupancy activity has notably increased in the Helsinki and Copenhagen Metropolitan Area which has previously suffered from high market vacancy.¹⁴

⁶ Preqin Special Report: Private Equity Fund Manager Outlook H2 2017

⁷ Preqin Q4 2017 Fundraising update

⁸ Preqin Special Report: Private Equity Fund Manager Outlook H2 2017

⁹ 2017 Preqin Buyout Deals and Exits

¹⁰ Preqin Q4 2017 Fundraising update

¹¹ Pangea Property Partners, CapMan Real Estate

¹² CapMan Real Estate

¹³ Sadolin&Albaek Newsletter Q3 2017, CapMan Real Estate

¹⁴ KTI, CapMan Real Estate

FINANCIAL OBJECTIVES AND OUTLOOK ESTIMATE FOR 2018

The growth objective for Management Company and Services business is more than 10 per cent p.a. on average. The objective for return on equity is more than 20 per cent p.a. on average. The objective for net gearing, that is ratio of net interest-bearing debt to equity, is a maximum of 40 per cent on average. CapMan's objective is to pay at least 75 per cent of earnings per share as dividend.

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 Services business in 2018. Our objective is to improve the profitability of Management Company and Services 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.

CapMan Plc

Board of Directors

CapMan Group's Interim Report for January-March 2018 is published on Thursday 26 April 2018.

Helsinki 1 February 2018

CAPMAN PLC

Board of Directors

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Appendices (after the financial tables):

Appendix 1: The CapMan Group's funds under management as of 31 December 2017

Appendix 2: Operations of CapMan's funds under management January-December 2017

Appendix 3: Description of CapMan's business operations

GROUP STATEMENT OF COMPREHENSIVE INCOME (IFRS)

€ ('000)	10-12/17	10-12/16	1-12/17	1-12/16
Fee income	7 321	6 345	26 690	26 632
Carried interest	1 291	-1 713	4 418	45
Dividend and interest income from financial assets held for trading	230		3 735	
Turnover	8 842	4 633	34 843	26 677
Other operating income	3	38	15	126
Personnel expenses	-7 433	-5 296	-21 366	-18 291
Depreciation and amortisation	-1 541	-74	-1 716	-257
Other operating expenses	-3 010	-4 357	-9 876	-12 190
Fair value changes of investments	-306	13 731	17 582	22 607
Operating profit	-3 445	8 675	19 482	18 672
Financial income and expenses	-761	-647	-3 171	-3 139
Share of the income of investments accounted for using the equity method	-87	-8	-87	-8
Profit before taxes	-4 293	8 020	16 224	15 525
Income taxes	1 098	207	-757	-239
Profit for the period	-3 195	8 227	15 467	15 286

Other comprehensive income:				
Translation differences	-247	-255	-256	-195
Total comprehensive income	-3 442	7 972	15 211	15 091
Profit attributable to:				
Equity holders of the company	-3 189	8 227	15 473	15 286
Non-controlling interest	-5	0	-5	0
Total comprehensive income attributable to:				
Equity holders of the company	-3 437	7 972	15 216	15 091
Non-controlling interest	-5	0	-5	0
Earnings per share for profit attributable to the equity holders of the Company:				
Earnings per share, cents	-2,2	8,4	10,4	16,2
Diluted, cents	-2,2	8,4	10,2	16,1

Accrued interest payable on the hybrid bond, net of taxes, has been deducted from the earnings per share.

GROUP BALANCE SHEET (IFRS)

€ ('000)	31.12.17	31.12.16
ASSETS		
Non-current assets		
Tangible assets	287	169
Goodwill	4 547	6 204
Other intangible assets	208	277
Investments accounted for using the equity method	0	87
Investments at fair value through profit and loss		
Investments in funds	58 264	51 394
Growth equity investments	28 840	37 856
Other financial assets	142	179
Investments in joint ventures	4 917	5 376
Receivables	3 143	5 202
Deferred income tax assets	1 752	4 887
	102 100	111 631
Current assets		
Trade and other receivables	8 725	9 849
Financial assets at fair value through profit and loss	77 144	86 213
Cash and cash equivalents	23 291	45 001
	109 160	141 063
Total assets	211 259	252 694

€ ('000)	31.12.17	31.12.16
EQUITY AND LIABILITIES		
Capital attributable the Company's equity holders		
Share capital	772	772
Share premium account	38 968	38 968
Other reserves	82 550	97 111
Translation difference	-357	-101
Retained earnings	4 766	6 229
Total capital attributable to the Company's equity holders	126 699	142 979
Non-controlling interests	-5	0
Total equity	126 694	142 979
Non-current liabilities		
Deferred income tax liabilities	8 573	9 868
Interest-bearing loans and borrowings	45 215	48 065
Other non-current liabilities	124	124
	53 912	58 057
Current liabilities		
Trade and other payables	26 837	33 341
Interest-bearing loans and borrowings	3 000	18 000
Current income tax liabilities	816	317
	30 653	51 658

Total liabilities	84 565	109 715
Total equity and liabilities	211 259	252 694

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 2016	772	38 968	27 397	96	-2 048	65 185	
Profit for the year					15 286	15 286	
Other comprehensive income for the year							
Currency translation differences				-197		-197	
Total comprehensive income for the year				-197	15 286	15 089	
Share subscriptions with options			22			22	
Options			64		151	215	
Dividends					-6 040	-6 040	
Share issue			69 628			69 628	
Hybrid bond, interest and other expenses					-1 120	-1 120	
Equity on 31 December 2016	772	38 968	97 111	-101	6 229	142 979	
Equity on 1 January 2017	772	38 968	97 111	-101	6 229	142 979	
Profit for the year					15 473	15 473	-5
Other comprehensive income for the year						0	
Currency translation differences				-256		-256	
Total comprehensive income for the year	0	0	0	-256	15 473	15 217	-5
Share subscriptions with options			421			421	
Options			96		61	157	
Dividends					-13 047	-13 047	

Share issue				-78			-78	
Repayment of hybrid bond				-15 000		-3 950	-18 950	
Equity on 31 December 2017	772	38 968	82 550	-357	4 766	126 699	-5	

STATEMENT OF CASH FLOW (IFRS)

€ ('000)	1-12/17	1-12/16
Cash flow from operations		
Profit for the financial year	15 468	15 286
Adjustments on cash flow statement	-11 810	-18 520
Change in working capital:		
Change in current non-interest-bearing receivables	-1 812	1 681
Change in current trade payables and other non-interest-bearing liabilities	19	2 949
Interest paid	-3 864	-4 213
Taxes paid	-1 624	-310
Cash flow from operations	-3 623	-3 126
Cash flow from investing activities		
Acquisition of subsidiaries	-1 173	6 241
Investments in tangible and intangible assets	-260	-23
Investments at fair value through profit and loss	32 560	10 838
Long-term loan receivables granted	-236	-2 295
Proceeds from long-term receivables	2 304	3 055
Dividends received	210	18 841
Interest received	286	662

Cash flow from investing activities	33 690	37 319
Cash flow from financing activities		
Share subscription	421	
Proceeds from borrowings	9 000	0
Repayment of borrowings	-42 000	-4 729
Paid withheld tax on dividends	-6 151	
Dividends paid	-13 047	-6 040
Cash flow from financing activities	-51 777	-10 769
Change in cash and cash equivalents	-21 710	23 425
Cash and cash equivalents at start of year	45 001	21 576
Cash and cash equivalents at end of year	23 291	45 001

ACCOUNTING PRINCIPLES

This financial statement release 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. The full-year figures in this release are audited. Figures in the accounts have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

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.

€ ('000)	10-12/17	10-12/16	1-12/17	1-12/16
Turnover	8 842	4 633	34 843	26 677
Items affecting comparability				
Reassessment of potential repayment risk to the funds	117	2 278	117	2 278
Items affecting comparability, total	117	2 278	117	2 278
Adjusted turnover	8 959	6 911	34 960	28 955
Operating profit	-3 445	8 675	19 482	18 672
Items affecting comparability				
Items related to the acquisition of Norvestia, of which:	930	-7 324	1 849	-7 109
transaction costs	433	2 604	645	2 819
integration related costs	497		1 204	
gain from a bargain purchase		-13 885		-13 885
loss from the remeasurement of previous ownership at fair value		3 957		3 957
Reassessment of potential repayment risk to the funds	117	2 278	117	2 278
Reorganization costs	956		956	
Impairment of goodwill	1 500		1 500	

Write-down of a value-added tax receivable				975
Insurance compensations				-294
Items affecting comparability, total	3 503	-5 046	4 422	-4 150
Adjusted operating profit	58	3 629	23 903	14 522
Profit for the period	-3 195	8 227	15 468	15 286
Items affecting comparability				
Items related to the acquisition of Norvestia	862	-7 419	1 678	-7 247
Reassessment of potential repayment risk to the funds	94	1 822	94	1 822
Reorganization costs	759		759	
Impairment of goodwill	1 500		1 500	
Write-down of a value-added tax receivable				1 255
Insurance compensations				-236
Items affecting comparability, total	3 215	-5 597	4 031	-4 406
Adjusted profit for the period	20	4 189	19 498	10 880
Earnings per share, cents	-2,2	8,4	10,4	16,2
Items affecting comparability, cents	2,2	-5,9	2,8	-5,0
Adjusted earnings per share, cents	0,0	2,5	13,1	11,2
Earnings per share, diluted, cents	-2,2	8,4	10,2	16,1
Items affecting comparability, cents	2,1	-5,9	2,7	-4,9
Adjusted earnings per share, diluted, cents	-0,1	2,5	13,0	11,2

SEGMENT INFORMATION

CapMan has two operating segments: the Management company and service business and Investments business.

The Management company business is subdivided into two business areas: CapMan Private Equity, which manages funds that invest in portfolio companies, and CapMan Real Estate, which manages funds that invest in real estate.

Income from the Management company and service 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 CapMan's service business comprising procurement services (CaPS), fundraising advisory services and other services related to fund management.

The Investments business comprises fund investments made from CapMan's balance sheet, growth equity investments, investments in Maneq funds and investments in associated companies as well as short-term market investments held for trading. Income from the Investment business is derived from realised returns on fund investments and unrealised changes in the fair value of investments.

10-12/2017	Management company and Services business			Investment business	Total
€ ('000)	CapMan Private Equity	CapMan Real Estate	Total		
Turnover	6 293	2 318	8 612	230	8 842
Items affecting comparability					
Reassessment of potential repayment risk to the funds	0	117	117	0	117
Items affecting comparability, total	0	117	117	0	117
Adjusted turnover	6 293	2 435	8 729	230	8 959
Operating profit	-1 766	-637	-2 402	-1 043	-3 445
Items affecting comparability					
Reassessment of potential repayment risk to the funds	0	117	117	0	117
Transaction costs related to the acquisition of Norvestia	0	0	0	433	433
Norvestia integration related costs	0	0	0	497	497
Reorganization costs	772	184	956	0	956
Impairment of goodwill	1 500	0	1 500	0	1 500
Items affecting comparability, total	2 272	301	2 573	930	3 503
Adjusted operating profit	506	-336	170	-113	58
Profit for the period	-1 713	-509	-2 222	-973	-3 195
Items affecting comparability					
Reassessment of potential repayment risk to the funds	0	94	94	0	94
Transaction costs related to the acquisition of Norvestia	0	0	0	402	402
Norvestia integration related costs	0	0	0	460	460
Reorganization costs	611	147	759	0	759

Impairment of goodwill	1 500	0	1 500	0	1 500
Items affecting comparability, total	2 111	241	2 352	863	3 215
Adjusted profit for the period	399	-269	130	-110	20
Earnings per share, cents					-2,2
Items affecting comparability, cents					2,2
Adjusted earnings per share, cents					0,0
Earnings per share, diluted, cents					-2,2
Items affecting comparability, cents					2,1
Adjusted earnings per share, diluted, cents					-0,1

10-12/2016	Management company and Services business			Investment business	Total
€ ('000)	CapMan Private Equity	CapMan Real Estate	Total		
Turnover	4 563	70	4 633	0	4 633
Items affecting comparability					
Reassessment of potential repayment risk to the funds		2 278	2 278	0	2 278
Items affecting comparability, total	0	2 278	2 278	0	2 278
Adjusted turnover	4 563	2 348	6 911	0	6 911
Operating profit	-579	-2 035	-2 614	11 289	8 675
Items affecting comparability					
Items related to the acquisition of Norvestia, of which:				-7 324	-7 324
gain from a bargain purchase				-13 885	-13 885
loss from the remeasurement of previous ownership at fair value				3 957	3 957
transaction costs				2 604	2 604
Reassessment of potential repayment risk to the funds		2 278	2 278		2 278
Write-down of a value-added tax receivable					0
Insurance compensations					0
Items affecting comparability, total		2 278	2 278	-7 324	-5 046
Adjusted operating profit	-579	243	-336	3 965	3 629
Profit for the period	-896	-1 628	-2 524	10 751	8 227
Items affecting comparability					
Items related to the acquisition of Norvestia	0			-7 419	-7 419
Reassessment of potential repayment risk to the funds		1 822	1 822		1 822
Write-down of a value-added tax receivable	0		0		0

Insurance compensations	0		0		0
Items affecting comparability, total	0	1 822	1 822	-7 419	-5 597
Adjusted profit for the period	-896	194	-702	3 332	2 630
Earnings per share, cents					8,4
Items affecting comparability, cents					-5,9
Adjusted earnings per share, cents					2,5
Earnings per share, diluted, cents					8,4
Items affecting comparability, cents					-5,9
Adjusted earnings per share, diluted, cents					2,5

1-12/2017	Management company and Services business			Investment business	Total
€ ('000)	CapMan Private Equity	CapMan Real Estate	Total		
Turnover	23 091	8 018	31 109	3 735	34 843
Items affecting comparability					
Reassessment of potential repayment risk to the funds	0	117	117	0	117
Items affecting comparability, total	0	117	117	0	117
Adjusted turnover	23 091	8 135	31 226	3 735	34 960
Operating profit	2 129	-650	1 480	18 002	19 482
Items affecting comparability					
Reassessment of potential repayment risk to the funds	0	117	117	0	117
Transaction costs related to the acquisition of Norvestia	0	0	0	645	645
Norvestia integration related costs	0	0	0	1 204	1 204
Reorganization costs	772	184	956	0	956
Impairment of goodwill	1 500	0	1 500	0	1 500
Items affecting comparability, total	2 272	301	2 573	1 849	4 422
Adjusted operating profit	4 401	-349	4 052	19 851	23 903
Profit for the period	1 403	-520	884	14 584	15 468
Items affecting comparability					
Reassessment of potential repayment risk to the funds	0	94	94	0	94
Transaction costs related to the acquisition of Norvestia	0	0	0	653	653
Norvestia integration related costs	0	0	0	1 025	1 025

Reorganization costs	611	147	759	0	759
Impairment of goodwill	1 500	0	1 500	0	1 500
Items affecting comparability, total	2 111	241	2 352	1 678	4 031
Adjusted profit for the period	3 515	-279	3 236	16 263	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	4 563	613	5 177	96 920	102 099
Total assets include:					
Investments accounted for using the equity method				0	0
Investments in joint ventures				4 917	4 917

1-12/2016	Management company and Services business			Investment business	Total
	CapMan Private Equity	CapMan Real Estate	Total		
€ ('000)					
Turnover	20 430	6 247	26 677	0	26 677
Items affecting comparability					
Reassessment of potential repayment risk to the funds		2 278	2 278	0	2 278
Items affecting comparability, total	0	2 278	2 278	0	2 278
Adjusted turnover	20 430	8 525	28 955	0	28 955
Operating profit	412	-1 905	-1 493	20 165	18 672
Items affecting comparability					
Items related to the acquisition of Norvestia, of which:	215		215	-7 324	-7 109
gain from a bargain purchase				-13 885	-13 885
loss from the remeasurement of previous ownership at fair value				3 957	3 957
transaction costs	215		215	2 604	2 819
Reassessment of potential repayment risk to the funds		2 278	2 278		2 278
Write-down of a value-added tax receivable	975		975		975
Insurance compensations	-294		-294		-294
Items affecting comparability, total	896	2 278	3 174	-7 324	-4 150
Adjusted operating profit	1 308	373	1 681	12 841	14 522
Profit for the period	-103	-1 524	-1 627	16 913	15 286
Items affecting comparability					
Items related to the acquisition of Norvestia	172		172	-7 419	-7 247
Reassessment of potential repayment risk to the funds		1 822	1 822		1 822

Write-down of a value-added tax receivable	1 255		1 255		1 255
Insurance compensations	-236		-236		-236
Items affecting comparability, total	1 191	1 822	3 013	-7 419	-4 406
Adjusted profit for the period	1 088	298	1 386	9 494	10 880
Earnings per share, cents					16,2
Items affecting comparability, cents					-5,0
Adjusted earnings per share, cents					11,2
Earnings per share, diluted, cents					16,1
Items affecting comparability, cents					-4,9
Adjusted earnings per share, diluted, cents					11,2
Non-current assets	6 219	591	6 810	104 821	111 631
Total assets include:					
Investments accounted for using the equity method	0	0	0	87	87
Investments in joint ventures	0	0	0	5 376	5 376

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

CapMan's Board of Directors proposes a dividend of 11 cents per share to be paid for financial year 2017, a total of EUR 16 million. A dividend of EUR 0.09 per share, totalling EUR 13.0 million, for the financial year 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)	31.12.17	31.12.16
Index and foreign exchange derivatives, bought call options, sold put options and sold futures		
Fair value	37	-113
Underlying value	-21 962	-14 416

NON-CURRENT ASSETS**Fund investments at fair value through profit or loss**

€ ('000)	31.12.17	31.12.16
Book value, Jan 1	51 394	47 249
Acquisitions	0	6 393
Additions	10 543	7 539
Decreases	-35	0
Distributions	-7 157	-14 416
Fair value gains/losses	3 422	4 315
Transfers	97	314
Book value at the end of period	58 264	51 394
Investments in funds by investment area:		
Buyout	22 020	20 617
Credit	1 749	2 491
Russia	4 505	4 399
Real Estate	17 885	13 163
Other	2 795	2 078
Funds of funds	511	1 657
Norvestia	8 799	6 989
In total	58 264	51 394

Investments in funds include the subsidiary, CapMan Fund Investments SICAV-SIF, with a fair value of EUR 28.0 million at the end of the reporting period.

Growth Equity investments at fair value through profit or loss

€ ('000)	31.12.17	31.12.16
Book value, Jan 1	37 856	0
Acquisitions	0	37 940
Additions	1 856	0
Decreases	-20 920	0
Fair value gains/losses	9 959	-84
Transfers	89	0
Book value at the end of period	28 840	37 856

Growth Equity investments include direct minority investments in Nordic unlisted companies. Associated companies being growth equity investments are measured at fair value according to the exemption from applying the equity method under IAS 28. If the investments have no active market then the fair value is determined quarterly by using valuation methods according to IPEVG. The valuations are based on forecasted cash flows or peer group multiples. In estimating fair value of an investment, a method that is the most appropriate in light of the facts, nature and circumstances of the investment is applied.

In conjunction with the establishment of the Growth Equity fund CapMan sold its shares in six growth companies to the fund for MEUR 26.6 and made a corresponding equity commitment into the fund. The sales price was based on the fair values of the investments and did not have a profit impact.

Other investments at fair value through profit or loss

€ ('000)	31.12.17	31.12.16
Book value, Jan 1	179	48 784
Additions	0	124
Disposals	-5	0
Distributions	0	-18 191
Acquisitions	0	-31 637
Fair value gains/losses	-32	1 099
Book value at the end of period	142	179

Until acquiring the control in Norvestia Oyj on December 19, 2016, other investments mainly included shares in CapMan's associated company, Norvestia Oyj.

Investments in joint ventures at fair value through profit or loss

€ ('000)	31.12.17	31.12.16
Book value, Jan 1	5 376	7 651
Additions	173	0
Disposals	-63	0
Distributions	-210	-2 484
Fair value gains/losses	-359	209
Book value at the end of period	4 917	5 376

Fair value hierarchy of financial assets measured at fair value at 31 December 2017

	Fair value	Level 1	Level 2	Level 3
Investments in funds	58 264	0	19	58 245
Growth equity investments	28 840	0	0	28 840
Joint ventures	4 917	0	0	4 917
Other non-current investments	142	0	124	18
Current financial assets at FVTPL*	77 144	66 121	11 023	0

*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.

	Level 1	Level 2	Level 3	Total
Investments at fair value through profit or loss				
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

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

Fund investments on Level 2 are investments in the CapMan Public Market fund. All other fund investments are included in Level 3. 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.

Fair value hierarchy of financial assets measured at fair value at 31 December 2016

	Fair value	Level 1	Level 2	Level 3
Investments in funds	51 394		41	51 353
Growth equity investments	37 856			37 856
Joint ventures	5 376			5 376
Other non-current investments	179		124	55
Current financial assets at FVTPL*	86 213	75 818	10 395	

*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

	Level 1	Level 2	Level 3	Total
Investments at fair value through profit or loss				
Investments in funds				
at Jan 1		548	46 701	47 249
Acquisitions			6 393	6 393
Additions			7 539	7 539
Distributions		-480	-13 936	-14 416
Fair value gains/losses		-27	4 342	4 315
Transfers*			314	314
at the end of period		41	51 353	51 394
Growth equity investments				
at Jan 1			0	0
Acquisitions			37 940	37 940
Fair value gains/losses			-84	-84
at the end of period			37 856	37 856
Other investments				
at Jan 1		0	48 784	48 784
Additions		124	0	124
Disposals			-18 191	-18 191
Acquisitions			-31 637	-31 637
Fair value gains/losses			1 099	1 099
at the end of period		124	55	179
Investments in joint ventures				
at Jan 1			7 651	7 651
Disposals			-2 484	-2 484

Fair value gains/losses	209	209
at the end of period	5 376	5 376

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

Fund investments on Level 2 are investments in the CapMan Public Market fund. All other fund investments are included in Level 3.

Other investments reported on Level 3 included Norvestia's shares until acquiring control in Norvestia on December 19, 2016.

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 31 December 2017

Investment area	Fair value MEUR	Valuation methodology	Unobservable inputs	Used input value (weighted average)	Fair value sensitivity to a +/- 10% change in input value
	31.12.2017				
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

Russia	4.5	Peer group	Peer group earnings multiples	EV/EBITDA 2017 11.5x	+/- 0.4 MEUR
			Discount to peer group multiples	30 %	+/- 0.1 MEUR
Credit	1.7	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
Funds of funds	0.5	Reports from PE fund management company			
Other investment areas	2.4	Peer group	Peer group earnings multiples	EV/EBITDA 2017 8.9x	+/- 0.1 MEUR
			Discount to peer group multiples	15 %	-/+ 0.0 MEUR

Sensitivity analysis of Level 3 investments at 31 December 2016

Investment area	Fair value (MEUR) 31.12.2016	Valuation methodology	Unobservable inputs	Used input value (weighted average)	Dair value sensitivity to a +/- 10% change in input value
Growth investments	37.9	Discounted cash flows	Discount rate	12 %	-2.3 / +3.0
		Peer group	Peer group earnings multiples	EV/Sales 2017 1.3x EV/EBITDA 2017 11.8x	+/- 1.4
			Discount to peer group multiples	4 %	-/+ 0.5
Buyout	20.6	Peer group	Peer group earnings multiples	EV/EBITDA 2016 9.1x	+/- 3.2
			Discount to peer group multiples	23 %	+/- 1.1
Real Estate	13.2	Valuation by an independent valuer			
Norvestia investments in PE funds	7.0	Reports from PE fund management company			
Investments in joint ventures	5.4	Discounted cash flows	Discount rate	15 %	- 0.2 / value increase based on change in the discount rate is not booked

Russia	4.4	Peer group	Peer group earnings multiples	EV/EBITDA 2016 13.0x	- 0.4 / + 0.3
			Discount to peer group multiples	35 %	- 0.2 / + 0.1
Credit	2.5	Discounted cash flows	Discount rate, market rate and risk premium	11 %	- 0.1 / value increase based on change in the discount rate is not booked
Fund of funds	1.7	Reports from PE fund management company			
Other investment areas	2.0	Peer group	Peer group earnings multiples	EV/EBITDA 2016 9.0x	+/- 0.1
			Discount to peer group multiples	20 %	-/+ 0.0

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 foreign exchange rates at the time of valuation have been applied in determining the fair values. Changes in the rates of Norwegian krone or Swedish krona would, in CapMan's estimate, have no significant direct impact on the fair values calculated by peer group multiples. A change in the exchange rate for the Russian rouble have had an impact and they have been taken into account in the valuation of the Russia funds.

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 approved by the Valuation Committee, which comprises the Chairman of the Investee Committee, the Group CFO and Heads of investment teams. 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.

NON-CURRENT LIABILITIES

€ ('000)	31.12.17	31.12.16
Interest bearing loans at end of review period	45 215	48 065

SEASONAL NATURE OF BUSINESS

Carried in 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

By country	31.12.17	31.12.16
Finland	74	69
Sweden	22	22
Denmark	4	2
Russia	12	11
Luxembourg	1	1
United Kingdom	5	3
In total	118	108

CONTINGENT LIABILITIES

€ ('000)	31.12.17	31.12.16
Leasing agreements	4 012	3 817
Securities and other contingent liabilities	35 765	42 139
Remaining commitments to funds	67 086	36 518
Remaining commitments by investment area		
Buyout	13 178	12 919
Credit	2 316	3 407
Russia	1 477	1 831
Real Estate	10 584	1 003
Other	3 272	4 747
Funds of funds	717	722
Growth equity*	26 626	0
Norvestia	8 911	11 889
In total	67 081	36 518

*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)	31.12.17	31.12.16
Commitments to Maneq funds	3 903	4 075

CapMan estimates that EUR 50-55 million of the remaining commitments will be called in the next 4 years, particularly due to unused investment capacity of the older funds.

ACQUISITIONS

1-12/2017

There were no acquisitions in 2017.

1-12/2016

Acquisition of Norvestia

CapMan acquired Norvestia Group on December 19, 2016 in a voluntary public exchange offer. Thereafter, CapMan submitted an application to the Redemption Committee of the Finnish Central Chamber of Commerce to commence arbitration proceedings of all Norvestia Oyj' s shares held by minority shareholders. CapMan offered EUR 7.14 per share in cash to Norvestia' s shareholders in the compulsory redemption proceeding. The Arbitral Tribunal rendered its decision on October 9, 2017, according to which the redemption price of a Norvestia share shall be EUR 7.31 per share. In accordance with the decision by the Arbitral Tribunal, CapMan paid the redemption price on January 12, 2018, to all Norvestia's minority shareholders and recognised a loss of EUR 0.1 million in the consolidated income statement in 2017 as a change in fair value of a financial liability.

The purchase price allocation is completed and the changes made are solely related to the redemption liability. The following table summarizes the consideration, the fair value of identifiable assets acquired and liabilities assumed at the acquisition date, and the bargain purchase gain.

€ ('000)	
Consideration	Fair value
Share consideration (58,644,414 x EUR 1.20)	70 373
Fair value of previous holding at the time of acquisition	31 637
Redemption liability (1,130,925 x EUR 7.31)	8 267
Total consideration	110 277

ASSETS**Non-current assets**

Tangible assets	15
Intangible assets	5
Investments at fair value through profit or loss	
Growth equity investments	37 939
Investments in funds	6 393
	44 352

Current assets

Trade and other receivables	1 691
Financial assets at fair value through profit or loss	115 390
Cash and bank	24 716
	141 797

Total assets	186 149
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Non-current liabilities

Deferred tax liabilities	7 805
	7 805

Current liabilities

Trade and other payables	1 723
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Liability for dividend distribution	51 310
Interest-bearing loans and borrowings	1 217
	54 250
Total liabilities	62 055
Net assets	124 094
Consideration	110 277
Revaluation of the redemption liability	-67
<u>A gain from a bargain purchase</u>	<u>13 884</u>

TURNOVER AND PROFIT QUARTERLY**2017**

MEUR	1-3/17	4-6/17	7-9/17	10-12/17	1-12/17
Turnover	7,5	9,1	9,4	8,8	34,8
Fee income	6,4	6,9	6,2	7,3	26,7
Carried interest	0,0	0,0	3,1	1,3	4,4
Dividend and interest income from financial assets held for trading	1,1	2,2	0,1	0,2	3,7
Other operating income	0,0	0,0	0,0	0,0	0,0
Operating expenses	-7,3	-7,4	-6,3	-12,0	-33,0
Fair value changes of investments	10,3	5,6	2,0	-0,3	17,6
Operating profit	10,5	7,3	5,1	-3,5	19,4
Financial income and expenses	-0,9	-0,8	-0,7	-0,8	-3,2
Share of the income of investments accounted for using the equity method	0,0	0,0	0,0	-0,1	-0,1
Profit / loss before taxes	9,6	6,4	4,5	-4,4	16,1
Profit / loss for the period	9,1	5,8	3,8	-3,2	15,5

2016

MEUR	1-3/16	4-6/16	7-9/16	10-12/16	1-12/16
Turnover	7,5	7,9	6,6	4,6	26,6
Fees	6,5	7,4	6,3	6,4	26,6
Carried interest	1,0	0,5	0,3	-1,8	0,0
Other operating income	0,0	0,1	0,0	0,0	0,1
Operating expenses	-6,8	-7,5	-6,7	-9,7	-30,7
Fair value changes of investments	3,1	2,9	2,9	13,7	22,6
Operating profit	3,8	3,3	2,8	8,7	18,6
Financial income and expenses	-0,8	-0,9	-0,8	-0,6	-3,1
Share of the income of investments accounted for using the equity method	0,0	0,0	0,0	0,0	0,0
Profit / loss before taxes	3,0	2,5	2,1	8,0	15,6
Profit / loss for the period	2,9	2,3	1,9	8,2	15,3

Appendix 1: The CapMan Group's funds under management as of 31 December 2017

The tables below show the status of the funds managed by CapMan as of 31 December 2017. CapMan groups its funds into four categories in terms of their life cycle as follows: 1) Funds generating carried interest; 2) Funds in the exit and value creation phase (current strategies); 3) Funds in the active investment phase (current strategies; and 4) Other funds.

Exits made by funds generating carried interest provide CapMan with immediate carry income, while those in the exit and value creation phase can be expected to start generating carried interest within the next 1-5 years. The carry potential of funds in the active investment phase is likely to be realised over the next 5-10 years. The final category comprises funds that are not part of CapMan's current strategy or do not offer any carried interest potential for CapMan, either because CapMan's share of carry in the funds concerned is small or because the funds are not expected to transfer to carry.

When analysing the projected timetable within which a fund could transfer to carry, the cumulative cash flow that investors have already received should be compared to the fund's paid-in capital. In order for a fund to enter carry, it must first return its paid-in capital and pay an annual preferential return to

investors. In the case of funds in the exit or value creation phase, the table shows the cash flow that must be returned to investors to enable a fund to transfer to carry. The carry potential of each fund can be evaluated by comparing this figure to the fair value of the fund's portfolio. A portfolio's fair value, including its possible net cash flows, provides an indication of the distributable capital available as of the end of the reporting period. Any uncalled capital in a fund (particularly relevant for funds in the active investment phase) should be taken into account when evaluating the cash flow that will be needed to enable a fund to transfer to carry.

The percentage shown in the last column indicates the share of each fund's cash flow due to CapMan as and when the fund transfers to carry. Following a previous distribution of carried interest, any new paid-in capital, together with the annual preferential return payable on it, must be returned to investors before any further distribution of carried interest can take place. Definitions of the column headings are shown below the table.

PRIVATE EQUITY FUNDS, MEUR

	Size	Paid-in capital	Fund's current portfolio		Net cash assets	Distributed cash flow		Amount of cash flow needed to transfer the fund to carry as of 30 September 2017	CapMan's share of cash flow if the fund generates carried interest (investment team share deducted)
			At cost	At fair value		To investors	To mgmt-company		
Funds generating carried interest									
FM IIIB, CME VII B, FM III A, CME VII A, CM Sweden, CMPM									
Total	539,8	535,6	33,3	2,9	0,5	846,3	17,8		10 -20 %
Funds in exit and value creation phase (current strategies)									
CMB VIII ¹⁾	440,0	407,8	112,1	116,1	0,5	382,5		297,6	12 %
CMR	118,1	118,1	65,3	73,3	9,7	23,3		168,0	3,4 %
CMB IX	294,6	308,9	179,7	167,9	1,5	173,0		288,7	10 %
CMM V	95,0	85,2	19,0	24,3	0,1	88,1		8,1	10 %
Total	947,7	920,0	376,1	381,6	11,8	666,9			
Funds in active investment phase (current strategies)									
CMB X ¹⁾	244,5	229,2	147,6	194,1	0,2	106,7			8 %
CMR II	99,1	45,0	34,2	24,8	0,3	1,2			8 %
NC 2015	100,5	31,5	29,1	30,2	0,4	0,4			6 %
CapMan Growth Equity Fund 2017 Ky	86,0	0,0	0,0	0,0	0,0	0,0			0 %
Total	530,1	305,7	210,9	249,1	0,9	108,3			
Other funds									
SWE Tech ^{1), 2)} , CME VII C, CMM IV ³⁾ , CMLS IV, CMT 2007 ¹⁾									
Total	484,8	482,1	47,3	33,1	3,3	464,9			
Total private equity funds	2 502,4	2 243,4	667,6	666,7	16,5	2 086,4	17,8		

REAL ESTATE FUNDS, MEUR

	Size	Paid-in capital	Fund's current portfolio		Net cash assets	Distributed cash flow		Amount of cash flow needed to transfer the fund to carry as of 30 September 2017	CapMan's share of cash flow if the fund generates carried interest (investment team share deducted)
			At cost	At fair value		To investors	To mgmt-company		
Funds/consortiums in exit and value creation phase (current strategies)									
CMRE I ⁴⁾									
Equity and bonds	200,0	200,0	8,3	7		232,8	27,4		
Debt financing	300,0	276,6	0,0	0,0					
Total	500,0	476,6	8,3	7	0,8	232,8	27,4		
CMRE II									
Equity	150,0	150,0	82,8	62,8		87,2		197,4	12 %
Debt financing	450,0	301,7		0,0					
Total	600,0	451,7	82,8	62,8	0,2	87,2			
CMHRE									
Equity	332,5	325,1	452,1	356,7		137,7		345,2	12 %
Debt financing	617,5	542,6	413,9	413,9					
Total	950,0	867,7	866,0	770,6	7,9	137,7			
Kokoelmakeskus Ky									
Equity	19,3	19,3	19,3	18,0	1,1	1,6		19,0	10 %
Debt financing	0	0	0	0					
Total	19,3	19,3	19,3	18,0	1,1	1,6		19,0	10 %
Funds in active investment phase (current strategies)	2 069,3	1 815,3	976,4	858,4	10,0	459,3	27,4		
CMNRE I	273,3	265,3	147,3	204,1	16,7	169,5			8 %
CMNRE II	425,0	3,1	49,2	55,1	-49,2	0,0			6 %
Nordic Property Income Fund	25,0	25,0	10,6	10,6	14,4	0,0			n/a
Total	723,3	293,4	207,1	269,8	-18,1	169,5	0,0		
Real Estate funds, total	2 792,6	2 108,7	1 183,5	1 128,2	-8,1	628,8	27,4		

In addition to the funds under management there were MEUR 149.6 in total in real estate mandates on 31 December 2017 (MEUR 113.2 December 31, 2016).

Abbreviations used to refer to funds:

CMB	= CapMan Buyout	CMRE	= CapMan Real Estate
CME	= CapMan Equity	CMT 2007	= CapMan Technology 2007
CMLS	= CapMan Life Science	FM	= Finnmezzanine Fund
CMM	= CapMan Mezzanine	NC 2015	= Nest Capital 2015 Fund Ky
CMHRE	= CapMan Hotels RE	SWE LS	= Swedestart Life Science
CMNRE	= CapMan Nordic Real Estate	SWE Tech	= Swedestart Tech
CMPM	= CapMan Public Market Fund		
CMR	= CapMan Russia Fund		

Explanation of the terminology used in the fund tables**Size/Original investment capacity:**

Total capital committed to a fund by investors, i.e. the original size of a fund. For real estate funds, investment capacity also includes the share of debt financing used by a fund.

Paid-in capital:

Total capital paid into a fund by investors as of the end of the review period.

Fund's current portfolio at fair value:

The determination of the fair value of fund investments for funds investing in portfolio companies is carried out using the International Private Equity and Venture Capital Valuation Guidelines (IPEVG, www.privateequityvaluation.com). 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. Due to qualitative nature of the valuation methodologies, they are mainly based on CapMan's judgment.

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.

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Due to the nature of private equity investment activities, fund portfolios contain investments with a fair value that exceeds their acquisition cost, as well as investments with a fair value less than the acquisition cost.

Net cash assets:

When calculating the investors' share, a fund's net cash assets must be taken into account in addition to the portfolio at fair value. The proportion of debt financing in real estate funds is presented separately in the table.

Amount of cash flow needed to transfer the fund to carry:

This cash flow refers to the profit distributed by funds and the capital they pay back to investors. The figure indicates the size of the cash flow that must be returned to investors as of the end of the reporting period to enable a fund to transfer to carry. A fund's carry potential can be evaluated by comparing this figure to the fair value of its portfolio.

CapMan's share of cash flow if a fund generates carried interest:

When a fund has generated the cumulative preferential return for investors specified in the fund agreements, the management company is entitled to an agreed share of future cash flows from the fund, known as carried interest.

When assessing the cash flow a fund needs in order to start generating carried interest, it should be noted that the capital of some funds has not yet been called and paid-in. After the previous distribution of profits, any new capital called in, as well as any annual preferential returns on it, must however be returned to investors before the new distribution of profits is paid.

Footnotes to the tables

- 1) The fund is comprised of two or more legal entities (parallel funds are presented separately only if their investment focuses or portfolios differ significantly).
- 2) Currency items are valued at the average exchange rates quoted at 31 December 2017.
- 3) CapMan Mezzanine IV: The paid-in capital includes a MEUR 192 bond issued by Leverator Plc Distributed cash flow includes payments to both bond subscribers and to the fund's partners.
- 4) CapMan Real Estate I: Distributed cash flow includes repayment of the bonds and cash flow to the fund's partners. Following the previous payment of carried interest, a total of MEUR 28.8 in paid-in capital had not yet been returned to investors. This capital, together with the annual income entitlement payable on it, must be paid to investors before further carried interest can be distributed.

CapMan's management considers it unlikely, in the light of the market situation, that further carried interest will be provided by the CapMan Real Estate I fund. As a result, the fund has been classified as a fund with no carried interest potential to CapMan. 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.

Appendix 2: Operations of CapMan's funds under management in January–December 2017

The operations of the private equity funds managed by CapMan during the review period comprised direct investments in portfolio companies in the Nordic countries and Russia (CapMan Private Equity), as well as real estate investments (CapMan Real Estate). Investments by CapMan funds investing in portfolio companies focus on two key investment strategies in the Nordic countries and one in Russia. These take the form of mid-size buyouts (CapMan Buyout), private debt investments (CapMan Credit) and investments in mid-sized companies operating in Russia (CapMan Russia). The investment focus of CapMan's real estate funds is on properties in Finland and the other Nordic countries. CapMan also manages a few old funds and these are reported under "Other" in Private Equity.

CAPMAN PRIVATE EQUITY

Investments in portfolio companies in Jan–December 2017

CapMan Buyout X fund made an investment to KotiSun Group and funds managed by CapMan also made add-on investments in portfolio companies in total of MEUR 17.1 during the financial year. In the previous year funds made add-on investments in total MEUR 35.6 in portfolio companies.

Exits from portfolio companies in Jan–December 2017

CapMan Buyout X fund exited from Oral Hammaslääkärit and in addition, funds exited partially from portfolio companies with acquisition cost of MEUR 8.7 in total. Acquisition costs of partial and completed exits during the financial year was MEUR 55.0 in total. Acquisition costs of partial and completed exits during the previous year was MEUR 132.2.

Events after the review period

There were no significant events after the review period.

CAPMAN REAL ESTATE

Investment and commitments to real estate acquisitions and projects in Jan-December 2017

CapMan Nordic Real Estate II made two investments in December and bought a commercial property in Oslo and office & commercial property in Stockholm. CapMan Nordic Property Income Fund ("CMNPI") made an investment in December and bought an apartment hotel in Espoo Leppävaara.

CapMan Nordic Real Estate made two investments in June and bought a residential property located in Frederiks Allé 75 in central Aarhus and a mixed used commercial property located at St.Olavs Gate 23 in central Oslo.

Additional investments totalling MEUR 22.7 were made in several properties during the financial year. As of 31 December 2017, real estate funds were committed to providing financing for real estate acquisitions and projects totalling MEUR 50.4. In the comparable period, funds made new and additional investments totalling MEUR 129.2.

Exits from real estate in Jan-December 2017

CapMan Nordic Real Estate fund exited residential and retail properties located in Amagerbrogade shopping street in Copenhagen in July. CapMan Real Estate I and II funds exited two office buildings located in Elimäenkatu 9 and 15 in Helsinki in June. Furthermore, CapMan Real Estate II fund exited the office building located in Kasarmikatu 4 in Hämeenlinna in June.

During the financial year, real estate funds exited from the shopping centre Skanssi and Plaza Presto in May. CapMan RE I fund exited the shopping centre Entresse in April. CapMan Hotels RE fund exited from Original Sokos Hotel Seurahuone in March. In addition, CapMan Nordic Real Estate exited from office building in Copenhagen in January.

CapMan Real estate funds made final and partial exits from portfolio companies with acquisition cost of MEUR 311.4 in total during the financial year. In the previous year, the combined acquisition cost of all exits completed was MEUR 166.4.

Events after the review period

There were no significant events after the review period.

FUND INVESTMENT ACTIVITIES IN FIGURES**Investments and exits made by funds at acquisition cost, MEUR**

	1-12/2017	1-12/2016	
New and add-on investments			
Private Equity funds	59,7	35,6	
Buyout		15,0	34,1
Credit		29,1	0,0
Russia		15,3	1,5
Growth		0,0	0,0
Equity			
Others		0,3	0,0
Real Estate funds	100,3	129,3	
Total	160,0	164,9	
Exits*			
Private Equity funds	55,0	132,2	
Buyout		27,6	68,1
Credit		22,0	12,0
Russia		5,4	0,2
Growth		0,0	
Equity			
Others		0,0	51,9
Real Estate funds	311,4	166,4	
Total	366,4	298,6	

*including partial exits and repayments of mezzanine loans.

Real estate funds had made commitments to finance real estate acquisitions and projects valued at MEUR 50.4 as of 31 December 2017.

Funds' combined portfolio* as of 31 December 2017, MEUR

	Portfolio at acquisition cost	Portfolio at fair value	Share of portfolio
Private Equity funds	667,4	667,5	37,1
Real Estate funds	1 183,6	1 131,0	62,9
Total	1 851,0	1 798,5	100,0
Private Equity funds			
Buyout	484,6	491,6	73,6
Credit	48,1	54,5	8,2
Russia	99,5	98,1	14,7
Growth	0,0	0,0	0,0
Others	35,2	23,4	3,5
Total	667,4	667,5	100,0

*Total of all investments of funds under management.

Remaining investment capacity

After deducting actual and estimated expenses, funds investing in portfolio companies had a remaining investment capacity amounting to some MEUR 507 for new and add-on investments as of 31 December 2017. Of their remaining capital, approx. MEUR 235 was earmarked for buyout investments (incl. mezzanine investments for older mezzanine funds), approx. MEUR 86 for investments by the Nest Capital team (previously CapMan Credit), approx. MEUR 86 for Growth Equity investments, approx. MEUR 35 for technology investments and approx. MEUR 65 for investments by the CapMan Russia team. Real estate funds had a remaining investment capacity of approx. MEUR 420.4 which has been reserved for new investments and for the development of funds' existing investments.

Appendix 3: Description of CapMan's business operations

CapMan is a leading Nordic private asset expert with an active approach to value-creation in its target companies. Private equity investment means making direct equity investments in companies and real estate. Investments are made through funds, which raise their capital primarily from institutional investors such as pension funds and foundations, or directly from the balance sheet.

Private equity investors actively develop their portfolio companies and real estate by working closely with management and tenants. Value creation is based on promoting companies' sustainable growth and strengthening their strategic position. Private equity investment is of a long-term nature - investments are held for an average of four to six years and the entire life cycle of a fund is typically around 10 years. Over the long term, private equity funds have generated significantly higher levels of returns compared to other investment classes, and the industry's long-term prospects are favourable.¹ By investing in CapMan, institutional and private investors can benefit from the profit potential of the private equity industry while diversifying their exposure.

¹ Bain & Co Global Private Equity Report 2017

The Group has two operating segments: 1) a Management Company and Services business and 2) an Investment business.

1) MANAGEMENT COMPANY AND SERVICES BUSINESS

In its Management Company and Services business, CapMan manages private equity funds that are invested by its investment partnerships. The investments are Nordic and Russian mainly unlisted companies and Nordic real estate. CapMan raises capital for the funds from Nordic and international investors. In addition, CapMan offers fund advisory (Scala Fund Advisory) and fund management services to external fund managers and investors in the asset class and procurement services (CaPS) to companies in Finland and Sweden.

The Management Company and Services business has two main sources of income, fee income and carried interest income. Fund investors pay a management fee to CapMan (typically 0.5-2.0% p.a.) during the life cycle of each fund. The management fee is based on fund size less realised exits during the fund's investment period (typically 5 years), after which the management fee is based on the remaining invested portfolio valued at cost. Management

fees generally represent a steady and highly predictable source of income. Fees, including retainers and success fees, are also generated from CapMan's service business comprising of CapMan Purchasing Scheme (CaPS), fund advisory services (Scala Fund Advisory) and services related to fund management. Fees generally cover CapMan's operating expenses.

The second source of income of the Management Company and Services business is carried interest received from funds. Carried interest denotes the Management Company's share of each fund's cash flow after paid-in capital has been distributed to fund investors and the latter have received their annual preferential return (so-called hurdle rate (IRR), typically 8% p.a.). CapMan books carried interest income when an exit is completed from a fund that is in carry or which will enter into carry as a consequence of the exit. The amount of carried interest generated depends on the timing of exits and the stage at which funds are in their life cycle.

2) INVESTMENT BUSINESS

Through its Investment business, CapMan invests in the private equity asset class and in the listed markets in a diversified manner. Private equity investments are made either directly, mainly as minority investments in unlisted growth companies, or through funds, which are mainly managed by CapMan. CapMan has a trading portfolio, which is mainly invested in Nordic listed equity, hedge funds and bonds. The trading portfolio is mainly for liquidity management.

Income in this business is generated by changes in the fair value of investments and realised returns following exits and periodic returns, such as interest and dividends. Fair value is determined by the development of portfolio companies

and real estate held by the funds, in addition to general market developments. Income from investments can sometimes be negative.

As there may be considerable quarterly fluctuations in carried interest and the fair value of fund investments, the Group's financial performance should be analysed over a longer time span than the quarterly cycle.