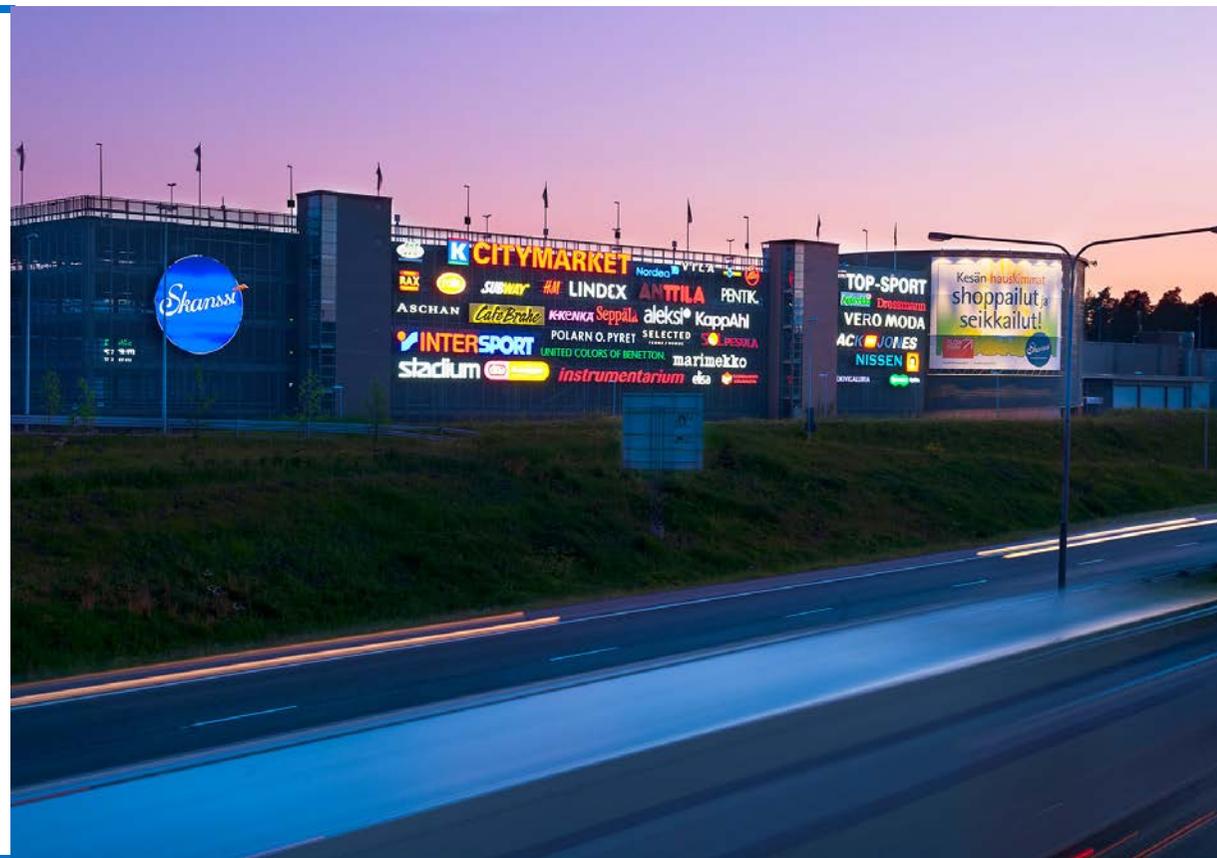


# CapMan Plc

## Half-Year Financial Report 2017



CapMan exited Skanssi shopping centre in May 2017.

# CapMan Plc Half-Year Financial Report 2017

## PERFORMANCE AND MAIN EVENTS FOR THE REVIEW PERIOD:

- Group turnover was MEUR 16.6 (MEUR 15.4 1 Jan –30 June 2016).
- Operating profit was MEUR 17.8 (MEUR 7.2). Comparable adjusted operating profit was MEUR 18.3 (MEUR 8.1).
- Profit before taxes was MEUR 16.1 (MEUR 5.5).
- Profit for the period was MEUR 14.8 (MEUR 5.2). Comparable adjusted profit was MEUR 15.3 (MEUR 6.3).
- Diluted earnings per share for the period were 9.8 cents (5.4 cents). Comparable adjusted diluted earnings per share were 10.1 cents (6.8 cents).
- Pia Käll was appointed as CapMan Buyout's managing partner and a member of Management Group.

## JOAKIM FRIMODIG, INTERIM CEO

"Our results for the first half of 2017 were strong and we saw a continuation of positive development in our business areas. Especially our Investment business had a positive impact on our results; we saw a successful exit from Idean in the first quarter and an increase in the fair values of CapMan's own fund investments and trading portfolio.

Other business areas also developed favourably. The ongoing development work in our Buyout portfolio companies is now reflected as positive value increases. We are also actively looking for new exit opportunities in the prevailing favourable capital market environment. Our various real estate

transactions during the first half reflect the positive activity in the real estate market. In June, we made two new real estate investments in the Nordics of which the mixed-used commercial property St.Olavs Gate was our first property investment in Norway.

*" Positive development in our business areas continued and our growth initiatives are starting to materialize. "*

An important factor in CapMan's growth strategy is our Services business, which had an excellent performance in the first half of 2017. The contractual procurement volumes of CapMan Procurement Services CaPS grew by 25 per cent to €55 million. Furthermore, Scala Fund Advisory, which offers specialised private equity fund raising and advisory services, completed several mandates during the review period; a fund raising for one of the largest US private markets asset management firm Hamilton Lane mandate, among others. In addition to this, the demand both in the Nordics and internationally for Scala's services has been strong and several mandates will be executed during 2017.

One of the key themes in 2017 is growing the revenues of our Management Company and Services business. For this part, our growth initiatives are starting to materialize. The fund raising of CapMan Nordic Real Estate II fund will be completed during the third quarter 2017 and we are also planning to launch other new Real Estate investment products. We are planning to establish a

Growth Equity fund and we have strengthened the Growth Equity team with a new recruitment, as announced earlier today.

The activity of CapMan Infra, focusing on Nordic mid-cap infrastructure assets, has gotten off to a good start and we have already gathered a number of deal opportunities, which we will develop further in 2017.

Looking to the future, I see that we are in a good position for profitable growth due to our diverse business portfolio, which is developing favourably. We will continue the systematic development work of our business areas and launch new investment products. We are developing CapMan forward a leading private equity investment and asset management company in the Nordics. I would like to extend a warm thank you for our investors, shareholders and CapMan's personnel for the successful first half. We have a good basis to continue the strong development during the year 2017. "

### CAPMAN MAINTAINS ITS OUTLOOK ESTIMATE FOR 2017

CapMan renewed its financial objectives at the end of 2016. 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 seasonality. CapMan expects fees from services to have a larger impact on results from the Management Company and Services business in 2017. The Management Company and Services business is profitable before carried interest income and any possible items affecting comparability. The

integration of Norvestia and other growth initiatives will generate expenses in 2017.

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 the seasonality affecting services and the Investment business. For these and other above mentioned reasons, CapMan does not provide numeric estimates for 2017.

Items affecting comparability are described in the Tables section of this report.

### BUSINESS OPERATIONS

CapMan is a pioneering Nordic private equity investment and asset management company. 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 JANUARY-JUNE 2017

The Group's turnover totalled MEUR 16.6. (Jan-June 2016: MEUR 15.4).

Operating expenses were MEUR 14.7 (MEUR 14.3).

The Group's operating profit was MEUR 17.8 (MEUR 7.2). The comparable operating profit was MEUR 18.3 (MEUR 8.1) and has been adjusted with items

related to the integration of Norvestia. The significant improvement was mainly due to successful investments, to which the exit from Idean Enterprises Oy in the first quarter contributed greatly.

Financial income and expenses amounted to MEUR -1.7 (MEUR -1.7). Profit before taxes was MEUR 16.1 (MEUR 5.5) and profit after taxes was MEUR 14.8 (MEUR 5.1). Comparable adjusted result after taxes was MEUR 15.3 (MEUR 6.3).

Earnings per share were 9.9 cents (5.4 cents). Comparable adjusted earnings per share were 10.2 cents (6.8 cents). Diluted earnings per share were 9.8 cents (5.4 cents). Comparable adjusted diluted earnings per share were 10.1 cents (6.8 cents). 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)	1-6/17	1-6/16
Operating profit	17 798	7 181
Items affecting comparability		
transaction costs	51	215
integration related costs	437	
Write-down of a value-added tax receivable		975
Insurance compensations		-294
Items affecting comparability, total	488	896
<b>Adjusted operating profit</b>	<b>18 286</b>	<b>8 077</b>
Profit for the period	14 844	5 146
Items affecting comparability		
Items related to the acquisition of Norvestia	439	172
Write-down of a value-added tax receivable		1 255
Insurance compensations		-236
Items affecting comparability, total	439	1 191
<b>Adjusted profit for the period</b>	<b>15 283</b>	<b>6 337</b>
Earnings per share, cents	9,9	5,4
Items affecting comparability, cents	0,3	1,4
<b>Adjusted earnings per share, cents</b>	<b>10,2</b>	<b>6,8</b>
Earnings per share, diluted, cents	9,8	5,4
Items affecting comparability, cents	0,3	1,4
<b>Adjusted earnings per share, diluted, cents</b>	<b>10,1</b>	<b>6,8</b>

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 13.2 (MEUR 15.4).

Fees totalled MEUR 13.2 (MEUR 13.9). 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.

CapMan did not receive any carried interest for the review period. The corresponding period last year included MEUR 1.5 in carried interest income.

The operating income of the Management Company and Services business was MEUR 0.1 (MEUR 1.4). The profit for the review period was MEUR 0.1 (profit of MEUR 1.1).

### INVESTMENT BUSINESS

Turnover of the investment business was MEUR 3.4 in January-June 2017 (Jan-June 2016: MEUR 0.0) due to dividend and interest income from financial assets held for trading.

Operating profit for the Investment business was MEUR 17.7 (MEUR 5.8). Comparable adjusted operating profit was MEUR 18.1 (MEUR 6.0) adjusting for expenses related to the integration of Norvestia. Profit for the Investment

business was MEUR 14.7 (MEUR 4.2). Comparable adjusted profit was MEUR 15.2 (MEUR 4.2). Items affecting comparability are presented in the Tables section of this report.

Total fair value changes of investments for the review period were MEUR 15.9 (Jan-June 2016: MEUR 6.0). CapMan's investments at fair value are presented in Table 2.

**Table 2: CapMan's investments booked at fair value as of 30 June 2017**

	<b>Fair value 30 June 2017 (MEUR)</b>
Fund investments	56.1
Growth Equity investments	28.8
Investments in joint ventures	5.4
Other financial assets	0.2
Current financial assets (incl.trading portfolio)	83.5
<b>Total</b>	<b>173.9</b>

Fair value of **fund investments** was MEUR 51.6 in 30 June 2017. Fair value changes of fund investments were MEUR 4.4 (MEUR 4.5) representing a 8.2 % increase in value (Jan-June 2016: +9.1 %). The positive change in the fair value of fund investments in the beginning of the year 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 2.8 (MEUR 5.2) in funds during the review period. CapMan received distributions from funds totalling MEUR 3.3 (MEUR 8.1). The aggregate fair value of all fund investments as of 30 June 2017 was MEUR 56.1 (MEUR 46.6 as of 30 June 2016). 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 33.5 as of 30 June 2017, including commitments to funds from Norvestia (30 June 2016: MEUR 26.5).

Fair value of **Growth Equity investments** was MEUR 28.8 in 30 June 2017. The fair value change of growth investments was MEUR 10.3 in January – June 2017, which corresponds to a 26.5 % increase. The significant change was mainly due to the exit from Idean Enterprises Oy in the first quarter.

Growth Equity investments include direct investments in Nordic unlisted companies. At the end of June 2017, the Growth Equity portfolio consisted of six unlisted companies: Aste Holding which offers media production and consulting, Coronaria which offers health care and wellbeing services, Fluido which offers cloud services consulting, Digital Workforce Services which offers robotic process automation services, Polystar Instruments which develops telecommunications business intelligence software solutions and Touhula Varhaiskasvatus which offers early childhood and preschool education.

**The trading portfolio**, which invests in market instruments, was MEUR 83.5 in 30 June 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 30 JUNE 2017

CapMan's balance sheet totalled MEUR 226.8 as of 30 June 2017 (30 June 2016: MEUR 146.4). Non-current assets amounted to MEUR 103.9 (MEUR 119.4), of which goodwill totalled MEUR 6.2 (MEUR 6.2).

As of 30 June 2017, fund investments booked at fair value totalled MEUR 56.1 (MEUR 46.6 as of 30 June 2016). Fair value of Growth Equity investments was MEUR 28.8 (MEUR 0).

Other financial assets booked at fair value were MEUR 0.2 (MEUR 46.9). Other assets in the comparable period included CapMan's share of Norvestia before the exchange offer and subsequent acquisition. The fair value of investments in joint ventures was MEUR 5.4 (MEUR 7.4). Long-term receivables amounted to MEUR 4.0 (MEUR 7.2).

Current assets amounted to MEUR 122.9 (MEUR 27.0). Financial assets booked at fair value, i.e. current investments, were MEUR 83.5 (MEUR 0.3) and included the trading portfolio acquired with Norvestia. Cash in hand and at banks amounted to MEUR 32.9 (MEUR 20.6).

CapMan's interest-bearing net debt amounted to MEUR 31.5 as of 30 June 2017 (MEUR 47.5). CapMan's total interest bearing debt as of 30 June 2017 is outlined in Table 3.

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

	Debt amount 30 Jun 2017	Matures latest	Annual interest	Debt amount 30 Jun 2016
Bank financing	MEUR 10	Q2 2019		MEUR 14
Senior bond (issued in 2013)	MEUR 15	Q4 2017	5.5 %	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	4.2 %	MEUR 30
Long-term credit facility (available)	(MEUR 10)			(MEUR 10)
(Hybrid bond*)	-	-	-	(MEUR 15)

\*) In line with IFRS standards, the hybrid bond is classified as equity. The interest on the hybrid bond is deducted from equity as interest is paid, which is annually. The hybrid bond was issued on 11 December 2013. CapMan redeemed the bond 17 March 2017. The hybrid bond had no maturity, but CapMan had the right to redeem it four years after the issue date and the option to redeem it earlier, under certain terms and conditions, two years after the issue date.

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 30 June 2017.

Trade and other payables totalled MEUR 25.3 (MEUR 11.7).

The Group's cash flow from operations totalled MEUR -4.1 for the review period (MEUR 0.5). The change was due to the interest expenses related to the early repayment of the hybrid bond, among others. 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 27.7 (MEUR 5.5) and includes, inter alia, investments and repaid capital received by the Group.

Cash flow before financing totalled MEUR 23.6 (MEUR 6.0) and reflects the development in the Management Company and Services business and Investment business. Cash flow from financing was MEUR -35.7 (MEUR -7.0).

**KEY FIGURES 30 JUNE 2017**

CapMan's return on equity was 22.1 per cent (30 June 2016: 15.9 per cent), return on investment 17.8 per cent (10.8 per cent) and net gearing 25.0 per cent (73.9 per cent) as of 30 June 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**

	<b>30.6.17</b>	30.6.16	31.12.16
Earnings per share, cents *	<b>9,9</b>	5,4	16,2
Diluted, cents *	<b>9,8</b>	5,4	16,1
Shareholders' equity / share, cents **	<b>86,7</b>	74,0	98,6
Share issue adjusted number of shares	<b>144 990 351</b>	86 290 659	88 382 868
Number of shares at the end of period	<b>144 990 351</b>	86 325 511	143 313 255
Number of shares outstanding	<b>144 964 052</b>	86 299 212	143 286 956
Company's possession of its own shares, end of period	<b>26 299</b>	26 299	26 299
Return on equity, %	<b>22,1</b>	15,9	14,7
Return on investment, %	<b>17,8</b>	10,8	10,9
Equity ratio, %	<b>55,4</b>	44,0	56,6
Net gearing, %	<b>25,0</b>	73,9	14,5
Net interest-bearing liabilities, EUR million	<b>31,5</b>	47,5	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 30 JUNE 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 2,276.5 as of 30 June 2017 (30 June 2016: MEUR 2,808.8). The exits completed during and following the end of the comparable period had a negative impact on capital under management. Of the total capital under management, MEUR 1,059.4 (MEUR 1,459.1) was held in real estate funds and MEUR 1,126.1 (MEUR 1,313.7) 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.

CapMan has continued fundraising for the CapMan Nordic Real Estate II fund with the objective to complete the fundraising during the third quarter of 2017 and is confident to obtain the targeted MEUR 350 fund size. The previous fund under the same strategy, CapMan Nordic Real Estate, was established in 2013 with MEUR 273 in equity. In line with its predecessor fund the new value-add fund would invest mainly in mid-sized office, retail and residential properties in growth centres in Finland, Sweden, Denmark and Norway.

## 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 obtained from the services are significant. Fees generated by CaPS have grown through geographic expansion as well as due to new members and purchasing categories.

The contractual procurement volumes of CapMan Procurement Services CaPS grew by 25 per cent to €55 million. Furthermore, 30 per cent more contracts have been signed compared to corresponding period last year.

Scala Fund Advisory operates as part of CapMan Group and offers private equity fundraising and advisory services for private equity fund managers and institutional investors. Scala has several mandates, which have stretched into 2017. The majority of fees paid for advisory services are success fees, which are paid as a one-off compensation following a successful fundraise.

Scala Fund Advisory completed several mandates during the review period; a fund raising for one of the largest US private markets asset management firm Hamilton Lane mandate, among others.

CapMan has also started monetising services related to fund management. The stringent regulatory environment creates possibilities for established companies like CapMan with know-how and resources to offer services related to among others fund establishment, fund management and valuation to players in the industry.

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 110 people as of 30 June 2017 (30 June 2016: 101), of whom 71 (66) worked in Finland and the remainder in the other Nordic countries, Russia, Luxembourg and the United Kingdom. A breakdown of personnel by country is presented in the Tables section of this report.

## SHARES AND SHARE CAPITAL

There were no changes in CapMan Plc's share capital during the review period. Share capital totalled EUR 771,586.98 as of 30 June 2017. CapMan had 144,990,351 shares outstanding as of 30 June 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 106 % from the comparable period and totalled 14,547 as of 30 June 2017 (30 June 2016: 7,076).

## COMPANY SHARES

As of 30 June 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 44,971 as of 30 June 2017 (30 June 2016: EUR 26,036). No changes occurred in the number of own shares held by CapMan Plc during the review period.

## TRADING AND MARKET CAPITALISATION

CapMan Plc's shares closed at EUR 1.71 on 30 June 2017 (30 June 2016: EUR 0.99). The trade-weighted average price for the review period was EUR 1.52 (EUR 0.96). The highest price paid was EUR 1.75 (EUR 1.02) and the lowest

EUR 1.24 (EUR 0.91). The number of CapMan Plc shares traded totalled 34.0 million (12.9 million), valued at MEUR 51.2 (MEUR 12.4).

The market capitalisation of CapMan Plc shares as of 30 June 2017 was MEUR 247.9 (30 June 2016: MEUR 85.5, 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 1,218,334 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 30 June 2017. A total of 29,171 new shares had been subscribed to with 2013A options as of 30 June 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 June 2017, a total of 823,958 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 REVIEW PERIOD**

Joakim Frimodig has been appointed Interim CEO as of 4 May 2017.

Pia Käll was appointed as Managing Partner, CapMan Buyout and a member of CapMan Management group. Johan Pålsson was appointed furthermore as Co-Managing Partner, CapMan Buyout. Hans Cristian Däll Nygård stepped down from CapMan's Management Group while continuing as Managing Partner of CapMan Russia. The changes came into force starting from 5 June 2017.

CapMan exited two shopping centres Entresse and Skanssi. CapMan Real Estate I -fund sold shopping centre Entresse located in the Espoo Centre to a fund managed by Barings Real Estate Advisers. CapMan RE II -fund sold in turn the Skanssi shopping centre in Turku to a fund managed by CBRE Global Investors.

CapMan received information that in accordance with the announcement by Norvestia on 12 April 2017, Norvestia had on 20 April filed an application with the Listing Committee of Nasdaq Helsinki Ltd for the termination of public trading in the Norvestia share and the de-listing of the share after CapMan had gained title to all Norvestia's shares. The Listing Committee of Nasdaq Helsinki Ltd approved the application and in accordance with the decision of the Listing Committee, Norvestia's shares were listed for the last day today 15 June 2017.

CapMan Plc ("CapMan") had 15 June 2017 posted a security approved by the arbitral tribunal in connection with the redemption of the minority shares in Norvestia Oyj ("Norvestia") and thus acquired title to all the minority shares in accordance with chapter 18, section 6 of the Companies Act. Following the posting of the security, the minority shares were transferred to CapMan and a right to the redemption price was recorded on the minority shareholders' book-entry securities accounts. The arbitral tribunal will render its final arbitral award, in which the redemption price will be determined, later and on or about September 2017.

## **EVENTS AFTER THE END OF THE REVIEW PERIOD**

There were no other significant events after the review period.

## **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 realization 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 the fund management company is deemed to have received a higher total carried interest income when the fund expires than what it was entitled to under the fund agreement. CapMan books received carried interest income on a cash basis. As such, only realised carried interest income is booked in CapMan's result. 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 7.5 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 forecast to remain good in 2017. Sweden's growth is expected to balance, while the outlook for Finland's economic growth is expected to exceed clearly the European average following strengthened export conditions, investments and demand.<sup>1</sup>

The hunt for yield remains a recurring theme in the capital markets and alternative investments are perceived as increasingly attractive. According to an investor survey by Preqin, 48 per cent of respondents plan to increase allocations in private equity, 36 per cent in real estate, 53 per cent in infrastructure and 62 per cent in private debt.<sup>2</sup>

### Private Equity

Long-term returns of the private equity market have been historically higher compared to other asset classes. 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.<sup>3</sup> Private equity investments by Finnish pension insurance companies have returned on average 10 per cent p.a. during the past 10 years.<sup>4</sup> Almost half of respondents to Preqin's survey expect their private equity portfolio to outperform stock markets by at least 4.1 percentage points.<sup>5</sup>

In line with previous years, distributions from private equity funds have exceeded capital calls in 2016.<sup>6</sup> Attitudes towards private equity have become more positive in recent years. According to Preqin, 84 per cent of investors have a positive perception of the asset class and 95 per cent consider that the development of their private equity portfolio has either met or exceeded their expectations. 94 per cent of investors expect to either increase or maintain allocations into European private equity in the long term. More than half of respondents believe small and mid-sized buyout funds offer the best opportunities.<sup>7</sup>

The prevalent interest in private equity as an asset class is also reflected in the fundraising market. The number of funds in the market has grown steadily since 2013 and target fund sizes are at new record levels. The competition for capital remains intense as new funds enter the market. Investors are increasingly looking to commit bigger tickets to fewer funds compared to the

<sup>1</sup> Danske Bank Nordic Outlook June 2017

<sup>2</sup> Preqin Investor Outlook Alternative Assets H1 2017

<sup>3</sup> Bain & Company Global Private Equity report 2017

<sup>4</sup> Tela

<sup>5</sup> Preqin Private Equity and Venture Capital Spotlight March 2017

<sup>6</sup> Bain & Co Global Private Equity Report 2017

<sup>7</sup> Preqin Private Equity and Venture Capital Spotlight March 2017

past few years.<sup>8</sup> In addition, co-investments or direct investments have become more popular.

Nordic buyout market activity has shown signs of recovering during the first half of 2017 in terms of the value as well as number of deals completed.<sup>9</sup> Relatively high valuations support the exit market and recent Nordic IPO activity indicates that the stock market remains an attractive exit route.

Fundraising for private debt funds has remained strong start in 2017.<sup>9</sup> The high leveraged finance volumes combined with the amount of available liquidity in the market have made substantial relaxations for financial covenants and shortened time frame in pricing the deals to even 3 to 6 months period.<sup>10</sup>

## Real Estate

Based on the preliminary market data, transaction volume in the Nordic real estate market amounted to approximately EUR 22 billion in the first half of 2017, which represents a 19 per cent increase year over year.<sup>11</sup> The acquisition

of Sponda completed by Blackstone in June-July is included in the real estate transaction volume for the first half. The value of the transaction was approximately 1.8 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 3.8 per cent while cap rates for retail properties stood at 4.0 per cent as of Q2 2017.<sup>12</sup> In Denmark, prime office and retail yields stood around 4.0 per cent and 3.3 per cent, respectively, at the end of the quarter.<sup>13</sup> Also, the Finnish property investment market has remained strong in the first half of the year with prime yields ranging between 4.0 per cent (office) and 3.8 per cent (retail) in the Helsinki city centre. When it comes to the secondary stock, pricing of risk still differs substantially across the Nordic countries. Typically, the yield premium obtained from secondary assets over A-class

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<sup>8</sup> Preqin Quarterly Update: Private Equity & Venture Capital Q2 2017

<sup>9</sup> SL Capital Barometer Q2 2017, Preqin Quarterly Update: Private Equity & Venture Capital Q2 2017

<sup>10</sup> Preqin Fundraising Update Q2 2017

<sup>11</sup> Pangea Property Partners, CapMan Real Estate

<sup>12</sup> CapMan Real Estate

<sup>13</sup> Sadolin&Albaek Newsletter Q2 2017, CapMan Real Estate

<sup>14</sup> CapMan Real Estate

<sup>15</sup> KTI, CapMan Real Estate

properties is 100 to 300 basis points depending on the location and qualities of the asset.<sup>14</sup>

The Nordic occupancy markets have benefitted from the macro-economic growth and positive momentum has continued leading to decreasing vacancies and rent hikes. In the first half of 2017, occupancy activity has notably increased in the Helsinki and Copenhagen Metropolitan Area which has previously suffered from high market vacancy.<sup>15</sup>

### **CAPMAN MAINTAINS ITS OUTLOOK ESTIMATE FOR 2017**

CapMan renewed its financial objectives at the end of 2016. 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 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 seasonality. CapMan expects fees from services to have a larger impact on results from the Management Company and Services business in 2017. The Management Company and Services business is profitable before carried interest income and any possible items affecting comparability. The integration of Norvestia and other growth initiatives will generate expenses in 2017.

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 the seasonality affecting services and the Investment business. For these and other above mentioned reasons, CapMan does not provide numeric estimates for 2017.

#### **CapMan Plc**

Board of Directors

CapMan Group's Interim Report for January-September 2017 is published on Thursday 2 November 2017.

Helsinki 10 August 2017

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 30 June 2017

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

Appendix 3: Description of CapMan's business operations

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

€ ('000)	4-6/17	4-6/16	1-6/17	1-6/16	1-12/16
Fee income	6 862	7 385	13 212	13 961	26 632
Carried interest	0	485	0	1 449	45
Dividend and interest income from financial assets held for trading	2 208		3 357		
<b>Turnover</b>	<b>9 070</b>	7 870	<b>16 569</b>	15 410	26 677
Other operating income	8	29	11	58	126
Personnel expenses	-4 975	-3 912	-9 982	-8 312	-18 291
Depreciation and amortisation	-68	-60	-124	-122	-257
Other operating expenses	-2 386	-3 528	-4 590	-5 840	-12 190
Fair value changes of investments	5 606	2 936	15 914	5 987	22 607
<b>Operating profit</b>	<b>7 255</b>	3 335	<b>17 798</b>	7 181	18 672
Financial income and expenses	-846	-880	-1 747	-1 728	-3 139
Share of the income of investments accounted for using the equity method	0	0	0	0	-8
<b>Profit before taxes</b>	<b>6 409</b>	2 455	<b>16 051</b>	5 453	15 525
Income taxes	-621	-160	-1 207	-307	-239
<b>Profit for the period</b>	<b>5 787</b>	2 295	<b>14 844</b>	5 146	15 286
<b>Other comprehensive income:</b>					

Translation differences	20	7	20	38	-195
<b>Total comprehensive income</b>	<b>5 807</b>	2 302	<b>14 864</b>	5 184	15 091
<b>Profit attributable to:</b>					
Equity holders of the company	5 787	2 295	14 844	5 146	15 286
<b>Total comprehensive income attributable to:</b>					
Equity holders of the company	5 807	2 302	14 864	5 184	15 091
<b>Earnings per share for profit attributable to the equity holders of the Company:</b>					
Earnings per share, cents	4,0	2,4	9,9	5,4	16,2
Diluted, cents	3,9	2,4	9,8	5,4	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)	30.6.17	30.6.16	31.12.16
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible assets	153	173	169
Goodwill	6 204	6 204	6 204
Other intangible assets	292	382	277
Investments accounted for using the equity method	87	95	87
Investments at fair value through profit and loss			
Investments in funds	56 059	46 599	51 394
Growth equity investments	28 785	0	37 856
Other financial assets	179	46 894	179
Investments in joint ventures	5 387	7 418	5 376
Receivables	4 010	7 224	5 202
Deferred income tax assets	2 712	4 400	4 887
	<b>103 868</b>	119 389	111 631
<b>Current assets</b>			
Trade and other receivables	6 561	6 085	9 849
Financial assets at fair value through profit and loss	83 454	306	86 213
Cash and bank	32 883	20 576	45 001
	<b>122 898</b>	26 967	141 063
<b>Total assets</b>	<b>226 765</b>	146 356	252 694

€ ('000)	30.6.17	30.6.16	31.12.16
<b>EQUITY AND LIABILITIES</b>			
<b>Capital attributable the Company's equity holders</b>			
Share capital	772	772	772
Share premium account	38 968	38 968	38 968
Other reserves	82 112	27 397	97 111
Translation difference	-81	134	-101
Retained earnings	3 893	-2 974	6 229
<b>Total equity</b>	<b>125 664</b>	<b>64 297</b>	<b>142 979</b>
<b>Non-current liabilities</b>			
Deferred income tax liabilities	8 131	1 955	9 868
Interest-bearing loans and borrowings	46 640	66 389	48 065
Other non-current liabilities	124	0	124
	<b>54 896</b>	<b>68 344</b>	<b>58 057</b>
<b>Current liabilities</b>			
Trade and other payables	25 266	11 645	33 341
Interest-bearing loans and borrowings	18 000	2 000	18 000
Current income tax liabilities	2 940	70	317
	<b>46 206</b>	<b>13 715</b>	<b>51 658</b>
<b>Total liabilities</b>	<b>101 102</b>	<b>82 059</b>	<b>109 715</b>
<b>Total equity and liabilities</b>	<b>226 765</b>	<b>146 356</b>	<b>252 694</b>

**GROUP STATEMENT OF CHANGES IN EQUITY**

	Attributable to the equity holders of the Company					
	Share capital	Share premium account	Other reserves	Translation differences	Retained earnings	Total
€ ('000)						
Equity on 1 January 2016	772	38 968	27 397	96	-2 048	65 185
Profit for the year					5 146	5 146
Other comprehensive income for the year						
Currency translation differences				38		38
Total comprehensive income for the year				38	5 146	5 184
Options					130	130
Dividends					-6 042	-6 042
Hybrid bond, interest and other expenses					-160	-160
Equity on 30 June 2016	772	38 968	27 397	134	-2 974	64 297
Equity on 1 January 2017	772	38 968	97 111	-101	6 229	142 979
Profit for the year					14 844	14 844
Currency translation differences				20		20
Total comprehensive income for the year				20	14 844	14 864
Options			78		13	91
Dividends					-13 047	-13 047
Share issue			-77			-77
Hybrid bond, interest and other expenses			-15 000		-4 146	-19 146
<b>Equity on 30 June 2017</b>	<b>772</b>	<b>38 968</b>	<b>82 112</b>	<b>-81</b>	<b>3 893</b>	<b>125 664</b>

**STATEMENT OF CASH FLOW (IFRS)**

€ ('000)	1-6/17	1-6/16	1-12/16
<b>Cash flow from operations</b>			
Profit for the financial year	14 844	5 146	15 286
Adjustments on cash flow statement	-12 745	-3 139	-18 520
Change in working capital:			
Change in current non-interest-bearing receivables	-1 198	1 140	1 681
Change in current trade payables and other non-interest-bearing liabilities	-2 550	-1 565	2 949
Interest paid	-1 210	-628	-4 213
Taxes paid	-1 255	-446	-310
<b>Cash flow from operations</b>	<b>-4 114</b>	<b>508</b>	<b>-3 126</b>
<b>Cash flow from investing activities</b>			
Acquisition of subsidiaries	-1 117		6 241
Investments in tangible and intangible assets	-123		-23
Investments at fair value through profit and loss	27 387	2 493	10 838
Long-term loan receivables granted	-115	-1 283	-2 295
Proceeds from long-term receivables	1 496	585	3 055
Dividends received	0	3 471	18 841
Interest received	165	268	662

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<b>Cash flow from investing activities</b>	<b>27 692</b>	5 534	37 319
<b>Cash flow from financing activities</b>			
Repayment of long-term loan	<b>-16 500</b>	-1 000	-4 729
Paid withheld tax on dividends	<b>-6 151</b>		
Dividends paid	<b>-13 047</b>	-6 042	-6 040
<b>Cash flow from financing activities</b>	<b>-35 698</b>	-7 042	-10 769
<b>Change in cash and cash equivalents</b>	<b>-12 120</b>	-1 000	23 425
Cash and cash equivalents at start of year	<b>45 001</b>	21 576	21 576
<b>Cash and cash equivalents at end of year</b>	<b>32 883</b>	20 576	45 001

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## ACCOUNTING PRINCIPLES

This unaudited interim report is prepared in accordance with IAS 34 (Interim Financial Reporting) using the same accounting policies and methods of computation as in the previous annual financial statements. Figures in the

accounts have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

## 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)	4-6/17	4-6/16	1-6/17	1-6/16	1-12/16
Turnover	9 070	7 870	16 569	15 410	26 677
Items affecting comparability					
Reassessment of potential repayment risk to the funds					2 278
Items affecting comparability, total				0	2 278
<b>Adjusted turnover</b>	<b>9 070</b>	<b>7 870</b>	<b>16 569</b>	<b>15 410</b>	<b>28 955</b>
Operating profit	7 255	3 335	17 798	7 181	18 672
Items affecting comparability					
Items related to the acquisition of Norvestia, of which:	<b>128</b>	215	488	215	-7 109
transaction costs	<b>51</b>	215	51	215	2 819
integration related costs	<b>77</b>		437		
gain from a bargain purchase					-13 885
loss from the remeasurement of previous ownership at fair value					3 957
Norvestia integration related costs					
Reassessment of potential repayment risk to the funds					2 278

Write-down of a value-added tax receivable		975		975	975
Insurance compensations		-294		-294	-294
Items affecting comparability, total	128	896	488	896	-4 150
<b>Adjusted operating profit</b>	<b>7 383</b>	<b>4 231</b>	<b>18 286</b>	<b>8 077</b>	<b>14 522</b>
Profit for the period	5 787	2 295	14 844	5 146	15 286
Items affecting comparability					
Items related to the acquisition of Norvestia	151	172	439	172	-7 247
Reassessment of potential repayment risk to the funds					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	151	1 191	439	1 191	-4 406
<b>Adjusted profit for the period</b>	<b>5 938</b>	<b>3 486</b>	<b>15 283</b>	<b>6 337</b>	<b>10 880</b>
Earnings per share, cents	4,0	2,4	9,9	5,4	16,2
Items affecting comparability, cents	0,1	1,4	0,3	1,4	-5,0
<b>Adjusted earnings per share, cents</b>	<b>4,1</b>	<b>3,8</b>	<b>10,2</b>	<b>6,8</b>	<b>11,2</b>
Earnings per share, diluted, cents	3,9	2,4	9,8	5,4	16,1
Items affecting comparability, cents	0,1	1,4	0,3	1,4	-4,9
<b>Adjusted earnings per share, diluted, cents</b>	<b>4,0</b>	<b>3,8</b>	<b>10,1</b>	<b>6,8</b>	<b>11,2</b>

## 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.

4-6/2017	Management company and Services business			Investment business	Total
€ ('000)	CapMan Private Equity	CapMan Real Estate	Total		
Turnover	4 889	1 973	6 862	2 208	9 070
Operating profit	119	-38	81	7 174	7 255
Items affecting comparability					
Transaction costs related to the acquisition of Norvestia				51	51
Norvestia integration related costs			0	77	77
Items affecting comparability, total	0	0	0	128	128
<b>Adjusted operating profit</b>	<b>119</b>	<b>-38</b>	<b>81</b>	<b>7 302</b>	<b>7 383</b>
Profit for the period	280	-31	249	5 538	5 787
Items affecting comparability					
Transaction costs related to the acquisition of Norvestia				89	89
Norvestia integration related costs			0	62	62
Items affecting comparability, total	0	0	0	151	151
<b>Adjusted profit for the period</b>	<b>280</b>	<b>-31</b>	<b>249</b>	<b>5 689</b>	<b>5 938</b>
Earnings per share, cents					4,0
Items affecting comparability, cents					0,1
<b>Adjusted earnings per share, cents</b>					<b>4,1</b>
Earnings per share, diluted, cents					3,9
Items affecting comparability, cents					0,1
<b>Adjusted earnings per share, diluted, cents</b>					<b>4,0</b>

4-6/2016	Management company and Services business			Investment business	Total
€ ('000)	CapMan Private Equity	CapMan Real Estate	Total		
Turnover	5 839	2 031	7 870	0	7 870
Operating profit	629	-15	614	2 721	3 335
Items affecting comparability					
Transaction costs related to the acquisition of Norvestia				215	215
Write-down of a value-added tax receivable	975		975		975
Insurance compensations	-294		-294		-294
Items affecting comparability, total	681		681	215	896
<b>Adjusted operating profit</b>	<b>1 310</b>	<b>-15</b>	<b>1 295</b>	<b>2 936</b>	<b>4 231</b>
Profit for the period	503	-12	491	1 804	2 295
Items affecting comparability					
Transaction costs related to the acquisition of Norvestia				172	172
Write-down of a value-added tax receivable	1 255		1 255		1 255
Insurance compensations	-236		-236		-236
Items affecting comparability, total	1 019		1 019	172	1 191
<b>Adjusted profit for the period</b>	<b>1 522</b>	<b>-12</b>	<b>1 510</b>	<b>1 976</b>	<b>3 486</b>
Earnings per share, cents					2,4
Items affecting comparability, cents					1,4
<b>Adjusted earnings per share, cents</b>					<b>3,8</b>
Earnings per share, diluted, cents					2,4
Items affecting comparability, cents					1,4
<b>Adjusted earnings per share, diluted, cents</b>					<b>3,8</b>

1-6/2017 € ('000)	Management company and Services business			Investment business	Total
	CapMan Private Equity	CapMan Real Estate	Total		
Turnover	9 204	4 008	13 212	3 357	16 569
Operating profit	185	-37	148	17 650	17 798
Items affecting comparability					0
Transaction costs related to the acquisition of Norvestia				51	51
Norvestia integration related costs			0	437	437
Items affecting comparability, total	0	0	0	488	488
<b>Adjusted operating profit</b>	<b>185</b>	<b>-37</b>	<b>148</b>	<b>18 138</b>	<b>18 286</b>
Profit for the period	148	-30	118	14 726	14 844
Items affecting comparability					
Transaction costs related to the acquisition of Norvestia				89	89
Norvestia integration related costs			0	350	350
Items affecting comparability, total	0	0	0	439	439
<b>Adjusted profit for the period</b>	<b>148</b>	<b>-30</b>	<b>118</b>	<b>15 165</b>	<b>15 283</b>
Earnings per share, cents					9,9
Items affecting comparability, cents					0,3
<b>Adjusted earnings per share, cents</b>					<b>10,2</b>
Earnings per share, diluted, cents					9,8
Items affecting comparability, cents					0,3
<b>Adjusted earnings per share, diluted, cents</b>					<b>10,1</b>

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Non-current assets	<b>6 227</b>	<b>594</b>	<b>6 821</b>	<b>97 047</b>	<b>103 868</b>
Total assets include:					
Investments accounted for using the equity method	0	0	<b>0</b>	<b>92</b>	<b>92</b>
Investments in joint ventures	0	0	<b>0</b>	<b>5 382</b>	<b>5 382</b>

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1-6/2016	Management company and Services business			Investment business	Total
€ ('000)	CapMan Private Equity	CapMan Real Estate	Total		
Turnover	11 179	4 231	15 410	0	15 410
Operating profit	1 316	93	1 409	5 772	7 181
Items affecting comparability					
Transaction costs related to the acquisition of Norvestia				215	215
Write-down of a value-added tax receivable	975		975		975
Insurance compensations	-294		-294		-294
Items affecting comparability, total	681		681	215	896
<b>Adjusted operating profit</b>	<b>1 997</b>	<b>93</b>	<b>2 090</b>	<b>5 987</b>	<b>8 077</b>
Profit for the period	1 053	74	1 127	4 019	5 146
Items affecting comparability					
Transaction costs related to the acquisition of Norvestia				172	172
Write-down of a value-added tax receivable	1 255		1 255		1 255
Insurance compensations	-236		-236		-236
Items affecting comparability, total	1 019		1 019		1 191
<b>Adjusted profit for the period</b>	<b>2 072</b>	<b>74</b>	<b>2 146</b>	<b>4 191</b>	<b>6 337</b>
Earnings per share, cents					5,4
Items affecting comparability, cents					1,4
<b>Adjusted earnings per share, cents</b>					<b>6,8</b>
Earnings per share, diluted, cents					5,4
Items affecting comparability, cents					1,4
<b>Adjusted earnings per share, diluted, cents</b>					<b>6,8</b>
Non-current assets	6 644	169	6 813	112 576	119 389
Total assets include:					

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Investments accounted for using the equity method	<b>0</b>	<b>0</b>	<b>0</b>	<b>95</b>	<b>95</b>
Investments in joint ventures	<b>0</b>	<b>0</b>	<b>0</b>	<b>7 418</b>	<b>7 418</b>

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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
<b>Adjusted turnover</b>	<b>20 430</b>	<b>8 525</b>	<b>28 955</b>	<b>0</b>	<b>28 955</b>
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
<b>Adjusted operating profit</b>	<b>1 308</b>	<b>373</b>	<b>1 681</b>	<b>12 841</b>	<b>14 522</b>
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
<b>Adjusted profit for the period</b>	<b>1 088</b>	<b>298</b>	<b>1 386</b>	<b>9 494</b>	<b>10 880</b>

Earnings per share, cents					<b>16,2</b>
Items affecting comparability, cents					-5,0
<b>Adjusted earnings per share, cents</b>					<b>11,2</b>
Earnings per share, diluted, cents					<b>16,1</b>
Items affecting comparability, cents					-4,9
<b>Adjusted earnings per share, diluted, cents</b>					<b>11,2</b>
Non-current assets	<b>6 219</b>	<b>591</b>	<b>6 810</b>	<b>104 821</b>	<b>111 631</b>
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

A dividend of EUR 0.09 per share, totalling EUR 13.0 million, for the financial year 2016 was paid to the shareholders on April 3, 2017. A dividend of EUR 0.07 per share, totalling EUR 6.0 million, was paid for the financial year 2015.

## DERIVATIVE CONTRACTS

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

€ ('000)	30.6.17	30.6.16	31.12.16
Index and foreign exchange derivatives, bought call options, sold put options and sold futures			
Fair value	865	553	-113
Underlying value	-26 728	-21 085	-14 416

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

€ ('000)	30.6.17	30.6.16	31.12.16
Book value, Jan 1	51 394	47 249	47 249
Acquisitions			6 393
Additions	2 805	5 177	7 539
Distributions	-3 325	-8 074	-14 416
Fair value gains/losses	5 185	2 247	4 629
<b>Book value at the end of period</b>	<b>56 059</b>	<b>46 599</b>	<b>51 394</b>
Investments in funds by investment area:			
Buyout	25 334	18 693	20 617
Credit	1 704	2 410	2 491
Russia	4 852	3 741	4 399
Real Estate	12 637	13 496	13 163
Other	1 227	7 415	2 078
Funds of funds	1 709	844	1 657
Norvestia	8 596		6 989
<b>In total</b>	<b>56 059</b>	<b>46 599</b>	<b>51 394</b>

Investments in funds include the subsidiary, CapMan Fund Investments SICAV-SIF, with a fair value of EUR 30.3 million at the end of the reporting period.

**Growth Equity investments at fair value through profit or loss**

€ ('000)	30.6.17	30.6.16	31.12.16
Book value, Jan 1	37 856	0	0
Acquisitions			37 940
Additions	1 852		-
Decreases	-20 921		-
Fair value gains/losses	9 998		-84
<b>Book value at the end of period</b>	<b>28 785</b>	<b>0</b>	<b>37 856</b>

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. External valuations are made at least once a year to verify the fair values of growth equity investments.

**Other investments at fair value through profit or loss**

€ ('000)	30.6.17	30.6.16	31.12.16
Book value, Jan 1	179	48 784	48 784
Additions		0	124
Distributions		-3 471	-18 191
Acquisitions			-31 637
Fair value gains/losses		1 581	1 099
<b>Book value at the end of period</b>	<b>179</b>	<b>46 894</b>	<b>179</b>

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)	30.6.17	30.6.16	31.12.16
Book value, Jan 1	5 376	7 651	7 651
Additions	72		
Distributions		0	-2 484
Fair value gains/losses	-61	-233	209
<b>Book value at the end of period</b>	<b>5 387</b>	<b>7 418</b>	<b>5 376</b>

**Fair value hierarchy of financial assets measured at fair value at 30 June 2017**

	<b>Fair value</b>	Level 1	Level 2	Level 3
Investments in funds	<b>56 059</b>		36	56 023
Growth equity investments	<b>28 785</b>			28 785
Joint ventures	<b>5 387</b>			5 387
Other non-current investments	<b>179</b>		124	55
Current financial assets at FVTPL*	<b>83 454</b>	72 170	11 284	

\*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
<b>Investments at fair value through profit or loss</b>				
<b>Investments in funds</b>				
at Jan 1		41	51 353	51 394
Additions			2 805	2 805
Distributions			-3 325	-3 325
Fair value gains/losses		-5	5 190	5 185
at the end of period		36	56 023	56 059
<b>Growth equity investments</b>				
at Jan 1			37 856	37 856
Additions			1 852	1 852
Decreases			-20 921	-20 921
Fair value gains/losses			9 998	9 998
at the end of period			28 785	28 785
<b>Other investments</b>				
at Jan 1		124	55	179
at the end of period		124	55	179
<b>Investments in joint ventures</b>				
at Jan 1			5 376	5 376
Additions			72	72
Disposals				
Fair value gains/losses			-61	-61
at the end of period			5 387	5 387

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**

	<b>Fair value</b>	Level 1	Level 2	Level 3
Investments in funds	<b>51 394</b>		41	51 353
Growth equity investments	<b>37 856</b>			37 856
Joint ventures	<b>5 376</b>			5 376
Other non-current investments	<b>179</b>		124	55
Current financial assets at FVTPL*	<b>86 213</b>	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
<b>Investments at fair value through profit or loss</b>				
<b>Investments in funds</b>				
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	4 656	4 629
at the end of period		41	51 353	51 394
<b>Growth equity investments</b>				
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
<b>Other investments</b>				
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
<b>Investments in joint ventures</b>				
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

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 30 June 2017

Investment area	Fair value MEUR 30.6.2017	Valuation methodology	Unobservable inputs	Used input value (weighted average)	Fair value sensitivity to a +/- 10% change in input value
Norvestia 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	25,3	Peer group	Peer group earnings multiples	EV/EBITDA 2017 9.1x	- 4.1 MEUR / + 4.0 MEUR
			Discount to peer group multiples	25 %	+/- 1.4 MEUR
Real Estate	12,6	Valuation by an independent valuer			
Norvestia investments in PE funds	8,6	Reports from PE fund management company			

<b>Investments in joint ventures</b>	5,4	Discounted cash flows	Discount rate	15 %	- 0.2 MEUR / value increase based on a change in the discount rate is not booked
<b>Russia</b>	4,9	Peer group	Peer group earnings multiples	EV/EBITDA 2017 12.9x	- 0.3 MEUR / + 0.4 MEUR
			Discount to peer group multiples	34 %	- 0.1 MEUR / + 0.2 MEUR
<b>Credit</b>	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
<b>Funds of funds</b>	1,7	Reports from PE fund management company			
<b>Other investment areas</b>	1,2	Peer group	Peer group earnings multiples	EV/EBITDA 2017 8.4x	+/- 0.1 MEUR
			Discount to peer group multiples	20 %	-/+ 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 Equity	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

<b>Russia</b>	<b>4.4</b>	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
<b>Credit</b>	<b>2.5</b>	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
<b>Fund of funds</b>	<b>1.7</b>	Reports from PE fund management company			
<b>Other investment areas</b>	<b>2.0</b>	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.

In the valuation of Norvestia's growth investments, several inputs including acquisition price, the nature of the investment and sector, market conditions and discount rate, trading values on public exchanges for comparable securities, current and projected revenue and operating performance as well as financing transactions subsequent to the acquisition of the investment, are taken into account in valuations. The development stage of the company also has a significant effect on the selection of the valuation method. Comparable peer group analysis is not usually a suitable valuation method for fast growing unlisted companies as the peer group typically consists of significantly larger, mature-stage listed companies. Due to the qualitative nature of the valuation methodologies, they are mainly based on CapMan's judgment.

Valuation methods used in the valuation of growth investments are as follows:

- discounted cash flow
- earnings multiple valuation, whereby public peer group multiples are used to estimate the value of a particular investment

- acquisition price, particularly with new investments.

The value of investments in joint ventures consist almost entirely of investments in Maneq Investments Luxembourg. The investment is valued based on discounted cash flows. The investment is made through several separate instruments and their values are co-dependent. Therefore the investment has been valued as one entity.

**NON-CURRENT LIABILITIES**

€ ('000)	30.6.17	30.6.16	31.12.16
Interest bearing loans at end of review period	<b>46 640</b>	66 389	48 065

**SEASONAL NATURE OF BUSINESS**

Carried interest income is accrued on an irregular schedule depending on the timing of exits.

An exit may have an appreciable impact on the Group's result for the full financial year.

**PERSONNEL**

By country	30.6.17	30.6.16	31.12.16
Finland	<b>71</b>	66	69
Sweden	<b>19</b>	19	22
Denmark	<b>3</b>	0	2
Russia	<b>12</b>	12	11
Luxembourg	<b>1</b>	1	1
United Kingdom	<b>4</b>	3	3
In total	<b>110</b>	101	108

**CONTINGENT LIABILITIES**

€ ('000)	30.6.17	30.6.16	31.12.16
Leasing agreements	3 490	4 992	3 817
Securities and other contingent liabilities	52 244	94 800	42 139
Remaining commitments to funds	33 453	26 484	36 518
Remaining commitments by investment area			
Buyout	12 675	13 920	12 919
Credit	2 690	3 426	3 407
Russia	1 478	1 866	1 831
Real Estate	769	1 839	1 003
Other	4 700	4 702	4 747
Funds of funds	720	731	722
Norvestia	10 421	0	11 889
In total	33 453	26 484	36 518

## 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 January 2017 and it will mature in December 2017.

### Commitments to related parties

€ ('000)	<b>30.6.17</b>	30.6.16	31.12.16
Commitments to Maneq funds	<b>4 075</b>	4 075	4 075

CapMan estimates that EUR 20-25 million of the remaining commitments will be called in the next 4 years, particularly due to unused investment capacity of the older funds.

**TURNOVER AND PROFIT QUARTERLY****2017**

<b>MEUR</b>	<b>1-3/17</b>	<b>4-6/17</b>	<b>1-6/17</b>
Turnover	7,5	9,1	16,6
Fee income	6,4	6,9	13,2
Carried interest	0,0	0,0	0,0
Dividend and interest income from financial assets held for trading	1,1	2,2	3,4
Other operating income	0,0	0,0	0,0
Operating expenses	-7,3	-7,4	-14,7
Fair value changes of investments	10,3	5,6	15,9
Operating profit	10,5	7,3	17,8
Financial income and expenses	-0,9	-0,8	-1,7
Share of the income of investments accounted for using the equity method	0,0	0,0	0,0
Profit / loss before taxes	9,6	6,4	16,1
Profit / loss for the period	9,1	5,8	14,8

## 2016

MEUR	1-3/16	4-6/16	1-6/16	7-9/16	10-12/16	1-12/16
Turnover	7,5	7,9	15,4	6,6	4,6	26,6
Fees	6,5	7,4	13,9	6,3	6,4	26,6
Carried interest	1,0	0,5	1,5	0,3	-1,8	0,0
Other operating income	0,0	0,1	0,1	0,0	0,0	0,1
Operating expenses	-6,8	-7,5	-14,3	-6,7	-9,7	-30,7
Fair value changes of investments	3,1	2,9	6,0	2,9	13,7	22,6
Operating profit	3,8	3,3	7,1	2,8	8,7	18,6
Financial income and expenses	-0,8	-0,9	-1,7	-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	0,0
Profit / loss before taxes	3,0	2,5	5,5	2,1	8,0	15,6
Profit / loss for the period	2,9	2,3	5,2	1,9	8,2	15,3

# Appendix 1: The CapMan Group's funds under management as of 30 June 2017

The tables below show the status of the funds managed by CapMan as of 31 March 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 June 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		
<b>Funds generating carried interest</b>									
FM IIIB, CME VII B, FM III A, CME VII A, CM Sweden, CMPM									
Total	539.8	535.5	33.2	3.1	2.2	844.0	16.9		10-20 %
<b>Funds in exit and value creation phase (current strategies)</b>									
CMB VIII <sup>1)</sup>	440.0	407.7	112.2	126.8	1.1	382.1		286.6	12 %
CMR	118.1	118.1	69.4	88.5	-0.1	23.3		161.6	3,4 %
CMB IX	294.6	298.7	171.9	180.6	0.3	173.0		267.8	10 %
CMM V	95.0	85.2	19.0	23.8	0.0	87.9		8.2	10 %
Total	947.7	909,7	372.5	419.7	1.3	666.3			
<b>Funds in active investment phase (current strategies)</b>									
CMB X <sup>1)</sup>	244.5	224.8	169.4	239.8	0.9	44.5			8 %
CMR II	99.1	44.0	34.2	29.1	0.2	1.0			8 %
NC 2015	100.5	30,7	0.0	29.4	0.2	0.0			6 %
Total	444.1	299.5	232.7	298.3	1.3	45.5			
<b>Other funds</b>									
SWE Tech <sup>1), 2)</sup> , CME VII C, CMM IV <sup>3)</sup> , CMLS IV, CMT 2007 <sup>1)</sup>									
Total	487.2	479.2	47.3	28.8	0.4	465.4			
<b>Total private equity funds</b>	<b>2,418.8</b>	<b>2,223.9</b>	<b>685.7</b>	<b>749.9</b>	<b>5.2</b>	<b>2,021.2</b>	<b>16.9</b>		

## 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 June 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		
<b>Funds/consortiums in exit and value creation phase (current strategies)</b>									
CMRE I <sup>4)</sup>									
Equity and bonds	200.0	200.0	15.3	12.5		215.8	27.4		
Debt financing	300.0	276.6	0.0	0.0					
<b>Total</b>	<b>500.0</b>	<b>476.6</b>	<b>15.3</b>	<b>12.5</b>	<b>13.3</b>	<b>215.8</b>	<b>27.4</b>		
CMRE II									
Equity	150.0	150.0	89.0	72.5		69.2		205.9	12 %
Debt financing	450.0	301.7		0.0					
<b>Total</b>	<b>600.0</b>	<b>451.7</b>	<b>89.0</b>	<b>72.5</b>	<b>14.3</b>	<b>69.2</b>			
CMHRE									
Equity	332.5	325.1	433.8	340.1		132.7		473.2	12 %
Debt financing	617.5	542.6	425.9	425.9					
<b>Total</b>	<b>950.0</b>	<b>867.7</b>	<b>859.7</b>	<b>766.0</b>	<b>0.0</b>	<b>132.7</b>			
Kokoelmakeskus Ky									
Equity	19.3	19.3	19.2	18.0	0.8	0.8		19.6	10 %
Debt financing	0.0	0.0	0.0	0.0					
<b>Total</b>	<b>19.3</b>	<b>19.3</b>	<b>19.2</b>	<b>18.0</b>	<b>0.8</b>	<b>0.8</b>			
<b>Total</b>	<b>2,069.3</b>	<b>1,815.3</b>	<b>983.2</b>	<b>869.0</b>	<b>28.4</b>	<b>418.5</b>			
<b>Funds in active investment phase (current strategies)</b>									
CMNRE									
Equity	273.3	255.5	151.4	216.2	8.2	132.2			8 %
Debt financing	0.0	0.0	0.0	0.0					
<b>Total</b>	<b>273.3</b>	<b>255.5</b>	<b>151.4</b>	<b>216.2</b>	<b>8.2</b>	<b>132.2</b>			
<b>Real Estate funds, total</b>	<b>2,342.6</b>	<b>2,070.8</b>	<b>1,134.6</b>	<b>1,085.2</b>	<b>36.6</b>	<b>550.7</b>	<b>27.4</b>		

In addition to the funds under management there were MEUR 91.0 in total in real estate mandates on June, 30 2017 (MEUR 85.8 June 30, 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](http://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 30 June 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 45.8 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 7.5 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–June 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 the CapMan Technology investment strategy, which does not make new investments but focuses on the value development of its existing portfolio companies. Investments under CapMan Life Science and CapMan Public Market have all but one been exited and the funds are expected to conclude activities in the near future. These investment areas are reported under “Other” in Private Equity.

## CAPMAN PRIVATE EQUITY

### Investments in portfolio companies in Jan–June 2017

Funds managed by CapMan made new and add-on investments in portfolio companies in total of MEUR 48.3 during the review period. In the comparable period last year funds invested in total MEUR 5.1 in portfolio companies.

### Exits from portfolio companies in Jan–June 2017

Funds exited completely and partially from portfolio companies with acquisition cost of MEUR 25.3 in total. Acquisition costs of partial and completed exits during the comparable period last year was MEUR 118.2.

### Events after the review period

There were no significant events after the end of the review period.

## CAPMAN REAL ESTATE

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

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

Additional investments totalling MEUR 5.7 were made in several properties. As of 30 June 2017, real estate funds were committed to providing financing for real estate acquisitions and projects totalling MEUR 31.3. In the comparable period, funds made new and additional investments totalling MEUR 88.2.

### Exits from real estate in Jan-June 2017

CapMan RE fund exited the shopping centre Entresse. In addition, during the review period real estate funds exited from the shopping centre Skanssi and Plaza Presto. Real estate funds made final and partial exits from portfolio companies with acquisition cost of MEUR 279.6 in total. In the comparable period, the combined acquisition cost of all exits completed was MEUR 74.2.

### Events after the review period

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

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

	1-6/2017		1-6/2016	
<b>New and add-on investments</b>				
Private Equity funds	48.3		5.1	
Buyout		4.8		1.9
Credit		29.1		0.0
Russia		14.0		1.5
Others		0.4		1.7
Real Estate funds	19.1		88.2	
<b>Total</b>	<b>67.4</b>		<b>93.3</b>	
<b>Exits*</b>				
Private Equity funds	25.3		118.2	
Buyout		3.3		68.1
Credit		22.0		12.0
Russia		0.0		0.0
Others		0.0		38.1
Real Estate funds	279.6		74.2	
<b>Total</b>	<b>304.9</b>		<b>192.4</b>	

\* including partial exits and repayments of mezzanine loans.

In addition, real estate funds had made commitments to finance real estate acquisitions and projects valued at MEUR 31.3 as of 30 June 2017.

**Funds' combined portfolio\* as of 30 June 2017, MEUR**

	Portfolio at acquisition cost	Portfolio at fair value	Share of portfolio
Private Equity funds	685.6	750.0	40.9
Real Estate funds	1,134.5	1,085.1	59.1
<b>Total</b>	<b>1,820.1</b>	<b>1,835.1</b>	<b>100.0</b>
Private Equity funds			
Buyout	498.7	558.3	74.4
Credit	48.1	53.3	7.1
Russia	103.6	117.5	15.7
Others	35.2	20.9	2.8
<b>Total</b>	<b>685.6</b>	<b>750.0</b>	<b>100.0</b>

\* 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 431 for new and add-on investments as of 30 June 2017. Of their remaining capital, approx. MEUR 245 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 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 44.2 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 pioneering Nordic private equity investment and specialised asset management company. 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.<sup>16</sup> By investing in CapMan, institutional and private investors can benefit from the profit potential of the private equity industry while diversifying their exposure.

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.

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<sup>16</sup> Bain & Co Global Private Equity Report 2017

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.