

# CAPMAN PLC

## FINANCIAL STATEMENTS

### BULLETIN 2016



#### **The acquisition of Norvestia is an important strategic step**

CapMan confirmed the exchange offer for Norvestia's shares on 19 December 2016 and CapMan's ownership in Norvestia has since risen to 92.5%. The acquisition is expected to create added value to shareholders based on growth, benefits from operating as a larger entity in the private equity markets, the improved utilisation of existing capital, as well as tangible cost synergies, among others.

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## CAPMAN PLC'S 2016 RESULTS IMPROVED SIGNIFICANTLY

### Performance and main events for the financial year 1 January – 31 December 2016:

- Group turnover totalled MEUR 26.7 (1 January – 31 December 2015: MEUR 31.8). Comparable adjusted turnover was MEUR 29.0 (MEUR 31.8)
- Operating profit was MEUR 18.7 (MEUR 9.3). Comparable adjusted operating profit was MEUR 14.5 (MEUR 10.1).
- Profit before taxes was MEUR 15.5 (MEUR 6.4).
- Profit after taxes was MEUR 15.3 (MEUR 6.1). Comparable adjusted profit after taxes was MEUR 10.9 (MEUR 6.7).
- Diluted earnings per share for the year were 16.1 cents (5.8 cents). Comparable adjusted diluted earnings per share were 11.2 cents (6.5 cents).
- CapMan's Board of Directors proposes a dividend of 9 cents per share to be paid for 2016.
- CapMan establishes a new investment area: CapMan Infra
- Juha Mikkola, responsible for Growth Equity, to join CapMan's Management Group

### Heikki Westerlund, CEO:

"We accomplished a significant strategic goal at the end of 2016 as the acquisition of Norvestia was completed according to plan and schedule.

Our result development has been good during the year. Our comparable earnings per share were 11 cents and increased by approx. 70 per cent year-over-year. The turnover from services has grown approx. 80 per cent in line with expectations and we expect strong revenue growth from services also in the future. Upcoming real estate funds and the new investment area investing in infrastructure assets support our growth objectives. Our balance sheet strengthened by Norvestia is part of our broader growth strategy.

” *“Our comparable earnings per share were 11 cents and increased by approx. 70 per cent year-over-year.”*

We are currently realising synergies from the combination with Norvestia. We have commenced procedures to redeem the hybrid bond issued in 2013. When redeemed, our financial expenses will be reduced. Growth equity investment is now one of CapMan's core investment strategies and we will continue the activity while strengthening Norvestia's growth equity team. We are also investigating options to commercialise Norvestia's strong market portfolio know-how. We expect to realise the synergies fully starting from 2018.

CapMan transferred to the Mid-Cap category on Nasdaq Helsinki in the beginning of the year. The total return of the stock has been approx. 15 per cent p.a. for the past four years and trading volume has picked up significantly during the last year. I want to warmly welcome Norvestia's former shareholders as part of CapMan's more than 11,000-strong shareholder base.”

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## Financial objectives and 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 Group 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.

## Exchange offer for Norvestia's shares

CapMan made a voluntary public exchange offer for all Norvestia's shares on 3 November 2016 and confirmed the offer on 19 December 2016 in accordance with its terms and conditions. Following the confirmation, CapMan held 90.7 per cent of all Norvestia's shares and their votes. Norvestia Group has been consolidated with CapMan Group as of the date of the acquisition on 19 December 2016 and is reported as part of the Investment business segment. CapMan's ownership in Norvestia as of the publication of this report is 92.5 per cent.



**Group turnover and result in 2016**

The Group's turnover totalled MEUR 26.7 (2015: MEUR 31.8). The decline was mainly due to a MEUR 2.3 increase in the clawback provision. The comparable turnover was MEUR 29.0 (MEUR 31.8) and has been adjusted with items described in Table 1.

Operating expenses were MEUR 30.7 (MEUR 28.0) and included a provision for performance fees for the personnel.

The Group's operating profit was MEUR 18.7 (MEUR 9.3). The approx. 100 per cent increase year-over-year was mainly due to successful investment activities as well as the acquisition of Norvestia. The comparable operating profit was MEUR 14.5 (MEUR

10.1) and has been adjusted with items described in Table 1.

Financial income and expenses amounted to MEUR -3.1 (MEUR -2.9). Profit before taxes was MEUR 15.5 (MEUR 6.4) and profit after taxes was MEUR 15.3 (MEUR 6.1). Comparable adjusted result after taxes was MEUR 10.9 (MEUR 6.7). Earnings per share were 16.2 cents (5.9 cents). Comparable adjusted earnings per share were 11.2 cents (6.6 cents). Diluted earnings per share were 16.1 cents (5.8 cents). Comparable adjusted diluted earnings per share were 11.2 cents (6.5 cents). Net of tax interest on the hybrid bond for the period has been deducted when calculating earnings per share. Adjustments to results and earnings per share are described in Table 1.

The logo for CapMan, featuring the word "CapMan" in a stylized, serif font. The "C" is large and prominent, with the "apMan" following in a smaller, similar font.

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

€ ('000)	1-12/16	1-12/15
Turnover	<b>26,677</b>	31,767
Items affecting comparability		
Reassessment of potential repayment risk to the funds	<b>2,278</b>	
Items affecting comparability, total	<b>2,278</b>	0
<b>Adjusted turnover</b>	<b>28,955</b>	<b>31,767</b>
Operating profit	<b>18,672</b>	9,271
Items affecting comparability		
Items related to the acquisition of Norvestia, of which:		
gain from a bargain purchase	-7,109	779
loss from the remeasurement of previous ownership at fair value	-13,884	
transaction costs	3,957	
Reassessment of potential repayment risk to the funds	2,819	
Write-down of a value-added tax receivable	<b>2,278</b>	
Insurance compensations	<b>975</b>	
Items affecting comparability, total	<b>-294</b>	
<b>Adjusted operating profit</b>	<b>-4,150</b>	779
<b>Adjusted operating profit</b>	<b>14,522</b>	<b>10,050</b>
Profit for the period	<b>15,286</b>	6,054
Items affecting comparability		
Items related to the acquisition of Norvestia	<b>-7,247</b>	623
Reassessment of potential repayment risk to the funds	<b>1,822</b>	
Write-down of a value-added tax receivable	<b>1,255</b>	
Insurance compensations	<b>-236</b>	
Items affecting comparability, total	<b>-4,406</b>	623
<b>Adjusted profit for the period</b>	<b>10,879</b>	<b>6,677</b>
Earnings per share, cents	16.2	5.9
Items affecting comparability, cents	-5.0	0.7
<b>Adjusted earnings per share, cents</b>	<b>11.2</b>	<b>6.6</b>
Earnings per share, diluted, cents	16.1	5.8
Items affecting comparability, cents	-4.9	0.7
<b>Adjusted earnings per share, diluted, cents</b>	<b>11.2</b>	<b>6.5</b>

A quarterly breakdown of turnover and profit, together with turnover, operating profit/loss, and

profit/loss by segment for the financial year can be found in the Tables section of this report.

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### Management Company and Services business

Turnover generated by the Management Company and Services business for the financial year totalled MEUR 26.7 (MEUR 31.8). Fees totalled MEUR 26.6 (MEUR 27.4). 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. The growth in net fees from services was approx. 80 per cent from the previous year.

CapMan received MEUR 2.3 in carried interest in 2016 mainly from the CapMan Equity VII and CapMan Public Market funds. Carried interest income was written down by MEUR 2.3 due to the change in clawback provision. The corresponding period included MEUR 4.4 in carried interest income.

The comparable turnover adjusted for the change in clawback provision was MEUR 29.0 (MEUR 31.8).

The operating loss of the Management Company and Services business was MEUR 1.5 (profit of MEUR 4.1). Comparable adjusted operating profit was MEUR 1.7 (MEUR 4.9). The loss for the financial year was MEUR 1.6 (profit of MEUR 3.3). Comparable adjusted profit was MEUR 1.4 (MEUR 3.9). Items affecting comparability are presented in the Tables section of this report under Segment Information.

### Investment business

Total fair value changes of investments for 2016 were MEUR 22.6 (2015: MEUR 5.2).

Operating profit for the Investment business was MEUR 20.2 (MEUR 5.2). Comparable adjusted operating profit was MEUR 12.8 (MEUR 5.2). Profit for the Investment business was MEUR 16.9 (MEUR 2.8). Comparable adjusted profit was MEUR 9.5 (MEUR 2.8). Items affecting comparability are presented in the Tables section of this report under Segment Information.

**Table 2: CapMan's investments booked at fair value as of 31 December 2016**

	Fair value 31 December 2016 (MEUR)
Investments in funds	51.4
Growth equity investments	37.9
Investments in joint ventures (incl. Maneq)	5.4
Other financial assets	0.2
Current financial assets (incl. trading portfolio)	86.2

Fair value changes of CapMan's fund investments were MEUR 6.7 (MEUR 0.2) representing a 12.5% increase in value (+0.3% in 2015). The positive change in the fair value of fund investments in the beginning of the year was mainly due to exits completed during the year as well as positive development of portfolio companies that are significant for CapMan's own investments.

CapMan invested a total of MEUR 7.5 (MEUR 4.4) in its funds in 2016. Investments were mostly allocated to the CapMan Nordic Real Estate, CapMan Buyout X and CapMan Russia II funds as well as Kokoelmakeskus Ky, which has invested in KOy Mastolan Keskusvarasto. CapMan received distributions from funds totalling MEUR 14.4 (MEUR

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10.7). The majority of the distributions came from the CapMan Buyout IX, CapMan Life Science IV, CapMan Public Market and CapMan Nordic Real Estate funds due to exits completed in 2016.

Additions to fund investments due to the acquisition of Norvestia were MEUR 6.4. The aggregate fair value of fund investments as of 31 December 2016 was MEUR 51.4 (31 December 2015: MEUR 47.2).

The amount of remaining commitments that have not yet been called totalled MEUR 36.5 as of 31 December 2016, including commitments to funds from Norvestia (31 December 2015: MEUR 25.2). CapMan estimates that only MEUR 20-25 of the remaining commitments will be called in the next four years. The lower estimate compared to the remaining commitments is due in particular to unused investment capacity of the older and already wound down funds. CapMan invests 1-5% of the original capital in the new funds that it manages, depending on fund size and investor composition.

Fair value of growth equity investments was MEUR 37.9. Growth investments include direct investments in Nordic unlisted companies.

The fair value of current financial assets was MEUR 86.2 and included Norvestia's trading portfolio investing in market instruments.

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. The status of the funds managed by CapMan is presented in more detail in Appendix 1.

### **Balance sheet and financial position as of 31 December 2016**

CapMan's balance sheet totalled MEUR 252.7 as of 31 December 2016 (31 December 2015: MEUR 149.6). Non-current assets amounted to MEUR 111.6 (MEUR 121.1), of which goodwill totalled MEUR 6.2 (MEUR 6.2).

As of 31 December 2016, fund investments booked at fair value totalled MEUR 51.4 (MEUR 47.2 as of 31 December 2015). Growth equity investments were booked following the acquisition of Norvestia at fair value of MEUR 37.9 (MEUR 0). Other financial assets booked at fair value were MEUR 0.2 (MEUR 48.8). Other assets in the comparable period included the book value of Norvestia's NAV based on CapMan's previous ownership. The fair value of investments in joint ventures was MEUR 5.4 (MEUR 7.7) and consisted mainly of CapMan's investment in Maneq Investments Luxembourg. Long-term receivables amounted to MEUR 5.2 (MEUR 6.1).

Current assets amounted to MEUR 141.1 (MEUR 28.5). Financial assets booked at fair value, i.e. current investments, were MEUR 86.2 (MEUR 0.3) and included the trading portfolio acquired with Norvestia. Cash in hand and at banks amounted to MEUR 45.0 (MEUR 21.6).

CapMan's interest-bearing net debt amounted to MEUR 20.8 as of 31 December 2016 (MEUR 47.5). Net debt in the comparable period included debt related to the additional purchase price of Norvestia's shares in 2015. CapMan's total interest bearing debt as of 31 December 2016 is outlined in Table 3.



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

	<b>Debt amount 31 December 2016</b>	<b>Matures latest</b>	<b>Annual interest</b>	<b>Debt amount 31 December 2015</b>
Bank financing	MEUR 11.5	Q2 2019		MEUR 15
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 15)
(Hybrid bond*)	(MEUR 15)	No maturity	8.0%	(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 has no maturity, but CapMan has 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. The hybrid bond was issued on 11 December 2013.

CapMan Plc's bank loans include financing covenants, which are conditional on the company's equity ratio and the ratio of interest-bearing bank loans to fund investments on the balance sheet. CapMan honoured all covenants as of 31 December 2016.

Trade and other payables totalled MEUR 33.3 (MEUR 13.1).

The Group's cash flow from operations totalled MEUR -3.1 for the financial year (MEUR 0.6). The change was mainly due to adjustments due to

changes in fair values. 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 37.3 (MEUR -39.6) and includes, *inter alia*, investments and repaid capital received by the Group. Cash flow before financing totalled MEUR 34.2 (MEUR -39.0) and reflects the development in the Management Company and Services business and Investment business. Cash flow from financing was MEUR -10.8 (MEUR 32.0) as CapMan repaid bank financing during the financial year.

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### Key figures 31 December 2016

CapMan's return on equity was 14.7 per cent (31 December 2015: 9.3 per cent), its return on investment 10.9 per cent (8.0 per cent) and its net gearing was 14.5 per cent (72.9 per cent) as of 31 December 2016. 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**

	31.12.16	31.12.15
Earnings per share, cents *	16.2	5.9
Diluted, cents *	16.1	5.8
Shareholders' equity / share, cents **	98.6	75.5
Share issue adjusted number of shares	88,382,868	86,290,467
Number of shares at the end of period	143,313,255	86,316,766
Number of shares outstanding	143,286,956	86,290,467
Company's possession of its own shares, end of period	26,299	26,299
Return on equity, %	14.7	9.3
Return on investment,%	10.9	8.0
Equity ratio,%	56.6	43.7
Net gearing,%	14.5	72.9

\*) Hybrid bond of EUR 15 million (EUR 15 million as at December 31, 2015) is recognised to equity. 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.

\*\*) Includes hybrid bond of EUR 15 million (EUR 15 million as at December 31, 2015). Calculation of shareholders' equity per share includes all shares issued as consideration in the acquisition of Norvestia.

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### Board's proposal for distribution of profit

CapMan Plc's policy is to distribute at least 75 per cent of earnings per share as dividends. CapMan Plc's Board of Directors will propose to the Annual General Meeting to be held on 15 March 2017 that a dividend of EUR 0.09 per share will be paid to shareholders, equivalent to a total of approx. MEUR 13.0. A dividend of EUR 0.07 per share, totalling MEUR 6.0, was paid for 2015. CapMan Plc's distributable assets amounted to MEUR 123.1 on 31 December 2016 (MEUR 39.3 on 31 December 2015).

### Capital under management as of 31 December 2016, fundraising status and service business for the financial year

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.

CapMan established a new MEUR 100 Nordic credit fund in May. The fund is managed by Nest Capital, an investment partnership part of CapMan Group and previously known as CapMan Credit. Fundraising for the fund is ongoing.

CapMan Real Estate was awarded an investment mandate from Bayerische Versorgungskammer (BVK), Germany's largest pension scheme group. Based on the mandate, CapMan Real Estate will execute investments worth MEUR 400 in total in residential real estate on behalf of BVK. In 2016, CapMan has advised BVK on the acquisition of two

prime residential portfolios in the Helsinki Metropolitan Area and in Copenhagen totalling MEUR 165 under the investment mandate. BVK has approx. BEUR 62 in assets under management and it invests also through partners. CapMan will receive an annual advisory fee and performance fee.

Capital under management was MEUR 2,692 as of 31 December 2016 (31 December 2015: MEUR 2,805). The establishment of a private debt fund and investments made based on the BVK investment mandate had a positive impact on capital under management. The increase was offset by exits completed in 2016. Of the total capital under management, MEUR 1,408 (MEUR 1,464) was held in real estate funds or investment mandates and MEUR 1,285 (MEUR 1,341) 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.

CapMan's service business has grown more than 80 per cent in 2016. Currently CaPS has the most significant impact on fees obtained from services. 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.

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 partially contributed to advisory fees already in 2016. The majority of fees are success fees, which are paid as a one-off compensation following a successful fundraise.

CapMan has also started monetising services related to fund management. The stringent regulatory environment creates possibilities for established companies like CapMan with sufficient know-how



and resources to offer services related to among others fund establishment, fund management and valuation to smaller players in the industry. The business is still small scale.

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 8,000,000, and the authorisation shall remain in force until the end of the following AGM and 30 June 2017 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 15,000,000 shares and the authorization shall remain in force until the end of the following AGM and 30 June 2017 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 16 March 2016.

### **Decisions of the EGM and authorisations given to the Board**

CapMan's Extraordinary General Meeting held on 8 December 2016 authorised the Board of Directors to decide on the issuance of shares to carry out the exchange offer concerning Norvestia and decided on the amendment of the Articles of Association of CapMan, which was conditional to the consummation of the exchange offer and all A-shares in CapMan were converted into B-shares.

The total number of shares to be issued under the authorisation may not exceed 65,576,292 shares. The amendments to the Articles of Association are registered before the authorisation may be used. The authorisation may be only used to carry out the

exchange offer concerning Norvestia Plc in one or more tranches. The authorisation is valid until 8 December 2021. The authorisation does not cancel other effective authorisations.

The EGM approved all the proposals of the Board of Directors to the EGM. Further details on these decisions and authorisations can be found in the stock exchange release on the decisions taken by the EGM issued on 8 December 2016.

### **Personnel**

CapMan employed a total of 108 people as of 31 December 2016 (31 December 2015: 101), of whom 71 (67) worked in Finland and the remainder in the other Nordic countries, Russia, Luxembourg and the United Kingdom. A breakdown of personnel by country is presented in the Tables section of this report.

### **Shares and share capital**

There were no changes in CapMan Plc's share capital during the financial year. Share capital totalled EUR 771,586.98 as of 31 December 2016. As part of arrangements related to CapMan's exchange offer for Norvestia's shares, CapMan's 5,750,000 A shares were converted into B shares at 1:1 on 20 December 2016, after which CapMan's Articles of Association were amended so that CapMan only had one share series. CapMan issued 56,967,318 new shares as share consideration for Norvestia's shareholders, who had accepted the exchange offer, after which CapMan had 143,313,255 shares outstanding as of 31 December 2016.

All shares generate equal voting rights and rights to a dividend and other distribution to shareholders.

### **Shareholders**

The number of CapMan Plc shareholders increased by 78% from the comparable period and totalled



11,861 as of 31 December 2016 (31 December 2015: 6,660).

The following notifications regarding major shareholder changes were given during the financial year:

Mandatum Life's share of ownership and votes in CapMan exceeded one-twentieth (1/20) following the acquisition of shares.

Mandatum Life's share of ownership and votes in CapMan exceeded one-twentieth (1/20) following the acquisition of shares on 27 December 2016.

Oy Inventiainvest Ab's (Ari Tolppanen) share of ownership and votes in CapMan Plc has fallen below one-twentieth (1/20) as a result of a share issue on 27 December 2016.

Gimv NV's share of ownership in CapMan Plc has fallen below one-twentieth (1/20) on 20 December 2016 as a result of a disposal of shares.

Oy Inventiainvest Ab's (Ari Tolppanen) share of votes in CapMan Plc has fallen below one-tenth (1/10) as a result of the conversion of A shares to B shares (1:1) on 20 December 2016.

Heikki Westerlund's and Heiwes Oy's combined share of votes in CapMan Plc of has fallen below one-twentieth (1/20) as a result of the conversion of A shares to B shares (1:1) on 20 December 2016.

MOM Invest Oy's and Geldegal Oy's (Olli Liitola) combined share of votes in CapMan Plc of has fallen below one-twentieth (1/20) as a result of the conversion of A shares to B shares (1:1) on 20 December 2016.

Tuomo Raasio's and Winsome Oy's combined share of votes in CapMan Plc of has fallen below one-twentieth (1/20) as a result of the conversion of A shares to B shares (1:1) on 20 December 2016.

Gimv NV's share of voting rights has fallen below one-twentieth (1/20) of the voting rights in CapMan

Plc on 4 November 2016 as a result of a disposal of shares.

No notifications regarding major shareholder changes were given in 2015.

### Company shares

As of 31 December 2016, 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 32,874 as of 31 December 2016 (31 December 2015: EUR 26,299). No changes occurred in the number of own shares held by CapMan Plc during the year.

### Trading and market capitalisation

CapMan Plc's shares closed at EUR 1.25 on 31 December 2016 (31 December 2015: EUR 1.00). The trade-weighted average price during 2016 was EUR 1.10 (EUR 1.00). The highest price paid was EUR 1.30 (EUR 1.09) and the lowest EUR 0.91 (EUR 0.83). The number of CapMan Plc shares traded totalled 33.5 million (13.7 million), valued at MEUR 37.0 (MEUR 13.8).

The market capitalisation of CapMan Plc shares as of 31 December 2016 was MEUR 179.1 (31 December 2015: MEUR 86.3, including A shares valued at the closing price of 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 0.75 (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 1.03 (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 1.05 (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 options began on 1 May 2016 and that for 2013B options and 2013C options will begin on 1 May 2017 and 1 May 2018, respectively. 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 31

December 2016. A total of 29,171 new shares had been subscribed to with 2013A options as of 31 December 2016.

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 1.04 (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 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. No stock option entitlements had been allocated by 31 December 2016 under the Option Programme 2016.

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

### **Publication of the Financial Statements and the Report of the Board of Directors, and the Annual General Meeting for 2017**

CapMan Group's Financial Statements and the Report of the Board of Directors for 2016 will be published as part of the company's Annual Report for 2016 in February 2017 during week 8. CapMan Plc's 2017 Annual General Meeting will be held on Wednesday 15 March 2017 at 10:00 a.m. in Helsinki. The Notice to the Annual General Meeting and other proposals of the Board of Directors to the Annual General Meeting are published by 22 February 2017



the latest. Complete financial statements, as required under the terms of the Finnish Companies Act, will be available on CapMan's website by 22 February 2017 at the latest.

### **Corporate Governance Statement**

CapMan Plc's Corporate Governance Statement will be published separately from the Report of the Board of Directors as part of the company's Annual Report for 2016 during week 8 and will be available on the company's website by 22 February 2017 at the latest.

### **Other significant events during the financial year**

CapMan Life Science IV fund managed by CapMan exited its investment in Samsa AB in July 2016. The exit had a MEUR 1.5 result impact and MEUR 5.7 cash flow impact to CapMan Plc.

Funds managed by CapMan exited Esperi Care Oy in June. CapMan is a significant investor in CapMan Buyout IX fund and the result impact from the exit was MEUR 1.4. The exit generated MEUR 6.1 in cash flow to CapMan Plc.

The CapMan Real Estate I fund sold its holding in KOy Mastolan Keskusvarasto to Kokoelmakeskus Ky. The investors of Kokoelmakeskus are a group of Finnish investors, including CapMan. CapMan Real Estate is responsible for managing the asset.

The CapMan Public Market fund exited its final portfolio companies in the beginning of the year. As a result, the fund transferred to carry and will be terminated in the near future. CapMan received carried interest income of MEUR 1.2 from the fund, the majority of which were booked in the first quarter of 2016.

Additional detail regarding the funds' operations are described in Appendix 2.

### **Events after the end of the financial year**

CapMan continued the subsequent offer period for the exchange offer for Norvestia's shares until 9 January 2017. Following the end of the subsequent offer period, CapMan's ownership in Norvestia had risen to 92.5 per cent. CapMan has issued a total of 1,677,096 shares to Norvestia's shareholders, who accepted the exchange offer during the subsequent offer period. CapMan has commenced mandatory redemption proceedings to obtain the remaining Norvestia's shares in accordance with Chapter 18 of the Limited Liability Companies Act.

CapMan has advanced to the Nasdaq Helsinki's Mid-Cap category based on market cap. Trading in the new category commenced on 11 January 2017.

### **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 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 moderate in 2017 supported by a pick-up in global growth. Sweden's growth is expected to slow down somewhat from the brisk pace achieved in the past few years. Denmark's, Norway's and Finland's economies are expected to continue a gradual recovery.<sup>1</sup> The Nordic private equity industry remains positive with investors and fund managers expecting the region's strong economies and high quality investments to generate good returns also in 2017, although the increased competition and high pricing of deals pose a challenge.<sup>2</sup> Russia's GDP is expected to rebound gradually during 2017.<sup>3</sup> It is difficult to estimate the overall economic and business impact of last year's political changes, which

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

<sup>2</sup> Unquote 1.12.2016: Nordic outlook remains upbeat despite 2016 slowdown

<sup>3</sup> Focus Economics 10 January 2017



included Brexit, a new US administration and the rise of populism, among others.

### Private Equity

The exceptionally long-lasting bull market has continued in the beginning of 2017 despite market jitters and geopolitical instability. The low interest rate environment and uncertainty related to the cyclicity of the stock market drives investors to seek out investments with more attractive return profiles. Long-term returns of the private equity market have been historically higher compared to other asset classes. The 10-year median net return of private equity investments made by public pension funds was 13 per cent p.a., which was 8 percentage points higher compared to a comparable stock market index.<sup>4</sup> According to Preqin, private equity funds investing in Europe and established between 2010 and 2013 have returned on average 12 per cent p.a.<sup>5</sup> Private equity investments by Finnish pension insurance companies have returned on average 11 per cent p.a. during the past 10 years.<sup>6</sup> Investors consider new investment commitments carefully and their return expectations have increased. Nordic investments are expected to generate higher returns compared to the rest of Europe.<sup>7</sup>

Generous distributions from private equity funds compared to capital calls enable new private equity investments for institutional investors and encourage additional growth of the asset class in the medium term. According to an investor survey by Preqin, 89 per cent of respondents consider that the development of their private equity portfolio has

either met or exceeded their expectations and 93 per cent of the respondents expect to either increase or maintain allocations into private equity in the long term. Half of respondents believe small and mid-sized buyout funds offer the best opportunities.<sup>8</sup>

The number of established funds as well as funds raised have decreased during 2016, but the number of funds in the market has grown steadily since 2010 and target fund sizes are at record level. Half of funds established in 2016 exceeded their target size when the corresponding figure for 2012 was 32 per cent. The demand for the asset class remains high and new funds enter the market, which means that competition remains intense.<sup>9</sup> Co-investments have become general practice in the Nordics as they enable larger investments compared to funds as a stand-alone and broaden industry know-how.<sup>10</sup> More than two-thirds of Nordic fund managers responding to a survey expected co-investments to increase in the upcoming 12 months.<sup>11</sup>

EBITDA multiples of buyouts were slightly lower in the Nordics towards the end of 2016 compared to the beginning of the year. In Europe, buyout multiples have stabilised somewhat especially in the healthcare and finance sectors following upward momentum in the beginning of the year. Multiples rose in the food & beverages industry.<sup>12</sup> Low interest rates and high multiples have increased interest towards longer-term strategies, such as infrastructure. The longer investment horizon has also increased the attractiveness of buy-and build strategies.<sup>13</sup> The active IPO market in the Nordic countries has boosted M&A activity in the region.

<sup>4</sup> Bain Global Private Equity report 2016

<sup>5</sup> Preqin Private Equity Spotlight syyskuu 2016

<sup>6</sup> Tela

<sup>7</sup> Willis Tower Watson Private Equity Runway Q2 2016

<sup>8</sup> Preqin Investor Outlook Alternative Assets H2 2016

<sup>9</sup> Preqin 2016 Fundraising Update

<sup>10</sup> White & Case: Outlook for Nordic PE: An insider perspective on 2016

<sup>11</sup> Willis Tower Watson Private Equity Runway Q2 2016

<sup>12</sup> Clearwater International Unquote Multiples Heatmap Analysis December 2016

<sup>13</sup> Willis Tower Watson Private Equity Runway Q2 2016





The number of transactions in the Nordic countries increased in the first three months of 2016 despite a simultaneous slowdown in Europe.<sup>14</sup>

The private equity secondary market is becoming an increasingly important part of investors' private equity strategy as they look for options to add liquidity to their alternative asset portfolios and diversify between different vintages, for example. The pricing of secondaries is edging closer to fair value.<sup>15</sup> With the growth of the secondaries market, there is increased demand for advisory services that focus on this segment of the private equity market.

Competition has tightened for private debt funds as new funds have entered the market and momentum in fundraising appears to have slowed down in the second half of 2016. Mezzanine strategies have obtained competition from direct lending. Investors are mostly interested in larger funds and established fund managers.<sup>16</sup>

### Real Estate

Based on the preliminary market data, transaction volume in the Nordic real estate market amounted to EUR 40.5 billion in 2016, which represents a 10 per cent increase year over year. The strong investment volume shows that the market has remained dynamic and liquidity is further improving.<sup>17</sup>

The steady increase in transaction volumes across the Nordic region compressed the yields further. In Sweden prime offices and retail properties traded as low as 3.75 per cent in the first half of 2016, while in Denmark prime office and retail yields stood around 4.0 per cent and 3.2 per cent, respectively, at the year-end. Also the Finnish property investment

market continued on the strong track in 2016 with prime yields ranging between 4.0 per cent (office) and 3.75 per cent (retail) in the Helsinki city centre at the end of the year. Yields also compressed in the secondary stock in 2016 although notable differences in pricing of risk still exist between the different countries in the region. For example, in Stockholm B-grade properties in A-locations or A-grade properties in B-locations traded at only with a slight risk premium to prime assets in the latter part of 2016 whereas in Helsinki the yield gap between prime and secondary assets is still typically at least 200 basis points.<sup>18</sup>

The macro economies of Sweden and Denmark performed relatively well in 2016, which also benefitted countries' occupancy markets resulting in decreasing vacancies and rent hikes. Also the Copenhagen residential market continued to develop favourably in terms of market rents and average sale prices through 2016 although the pace of growth slowed down towards the year end. While the Swedish and Danish economies are performing relatively well, the no-growth environment continued to depress the Finnish occupancy market. As a result, both occupancy rates and rent levels decreased in the Helsinki Metropolitan Area during 2016.<sup>19</sup>

Fundraising for real estate funds has remained strong in 2016 and funds raised are at the highest level since the financial crisis. There was a record number of real estate funds in the market in the beginning of 2017. In addition to value add strategies, investors are increasingly interested in riskier opportunistic strategies.<sup>20</sup> According to a survey by Preqin, Europe

<sup>14</sup> Unquote SL Capital Barometer Q2 & Q3 2016

<sup>15</sup> SEI: Private Equity Liquidity: A Work in Progress

<sup>16</sup> Preqin 2016 Fundraising Update

<sup>17</sup> CapMan Real Estate, CBRE Nordic Investment MarketView Q4 2016

<sup>18</sup> CapMan Real Estate, CBRE Nordic Investment MarketView Q4 2016

<sup>19</sup> CapMan Real Estate, CBRE, Catella, boliga.dk, Sadolin Albaek

<sup>20</sup> Preqin 2016 Fundraising Update



generates the most investor interest.<sup>21</sup> Investments in real estate funds investing in Europe and established between 2009 and 2013 have returned on average 13 per cent p.a.<sup>22</sup>

### **Financial objectives and 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.

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<sup>21</sup> Preqin Investor Outlook Alternative Assets H2 2016

<sup>22</sup> Preqin data

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**CapMan Group will publish its Interim Report for January–March 2017 on Thursday, 4 May 2017.**

Helsinki, 2 February 2017

CAPMAN PLC  
Board of Directors

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**Appendices (after the Tables section):**

Appendix 1: The CapMan Group's funds under management as of 31 December 2016

Appendix 2: Operations of CapMan's funds under management in 2016

Appendix 3: Description of CapMan's business operations

Appendix 4: Unaudited pro forma financial information

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## ACCOUNTING PRINCIPLES

This financial statement release is prepared in accordance with IAS 34 (Interim Financial Reporting) using the same accounting policies and methods of computation as in the previous annual financial statements, except for the addition related to the accounting principles of derivative financial instruments and growth equity investments (refer to the chapter "Derivative contracts" and "Growth equity investments at fair value through profit or loss"). The full-year figures in this release are audited.

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

The Group has implemented these new or amended IAS/IFRS standards and interpretations mandatory as of January 1, 2016:

- Amendments to IAS 1: Presentation of Financial Statements – Disclosure Initiative
- Annual Improvements to IFRSs 2012–2014 cycle
- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment entities – Applying the Consolidation Exception

The adoption of the changed standards above had no material impact on the reported results or financial position.

The logo for CapMan, featuring the word "CapMan" in a stylized, serif font. The "C" is large and prominent, with the "ap" in a smaller font size. The "M" is also large and prominent, with the "an" in a smaller font size.

## GROUP STATEMENT OF COMPREHENSIVE INCOME (IFRS)

€ ('000)	10-12/16	10-12/15	1-12/16	1-12/15
<b>Turnover</b>	<b>4,633</b>	7,105	<b>26,677</b>	31,767
Other operating income	<b>38</b>	28	<b>126</b>	314
Personnel expenses	<b>-5,296</b>	-4,003	<b>-18,291</b>	-17,066
Depreciation and amortisation	<b>-74</b>	-86	<b>-257</b>	-322
Other operating expenses	<b>-4,357</b>	-2,620	<b>-12,190</b>	-10,574
Fair value changes of investments	<b>13,731</b>	4,663	<b>22,607</b>	5,152
<b>Operating profit</b>	<b>8,675</b>	5,087	<b>18,672</b>	9,271
Financial income and expenses	<b>-647</b>	-1,204	<b>-3,139</b>	-2,875
Share of the income of investments accounted for using the equity method	<b>-8</b>	53	<b>-8</b>	53
<b>Profit before taxes</b>	<b>8,020</b>	3,936	<b>15,525</b>	6,449
Income taxes	<b>207</b>	107	<b>-239</b>	-395
<b>Profit for the period</b>	<b>8,227</b>	4,043	<b>15,286</b>	6,054
<b>Other comprehensive income:</b>				
Translation differences	<b>-255</b>	22	<b>-195</b>	-41
<b>Total comprehensive income</b>	<b>7,972</b>	4,065	<b>15,091</b>	6,013
<b>Profit attributable to:</b>				
Equity holders of the company	<b>8,227</b>	4,043	<b>15,286</b>	6,054
<b>Total comprehensive income attributable to:</b>				
Equity holders of the company	<b>7,972</b>	4,065	<b>15,091</b>	6,013
<b>Earnings per share for profit attributable to the equity holders of the Company:</b>				
Earnings per share, cents	<b>8.4</b>	4.4	<b>16.2</b>	5.9
Diluted, cents	<b>8.4</b>	4.4	<b>16.1</b>	5.8

Accrued interest payable on the hybrid bond has been taken into consideration for the review period when calculating earnings per share.

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## GROUP BALANCE SHEET (IFRS)

€ ('000)	31.12.16	31.12.15
<b>ASSETS</b>		
<b>Non-current assets</b>		
Tangible assets	169	189
Goodwill	6,204	6,204
Other intangible assets	277	487
Investments accounted for using the equity method	87	95
Investments at fair value through profit and loss		
Investments in funds	51,394	47,249
Growth equity investments	37,856	0
Other financial assets	179	48,784
Investments in joint ventures	5,376	7,651
Receivables	5,202	6,062
Deferred income tax assets	4,887	4,400
	<b>111,631</b>	121,121
<b>Current assets</b>		
Trade and other receivables	9,849	6,637
Financial assets at fair value through profit and loss	86,213	306
Cash and bank	45,001	21,576
	<b>141,063</b>	28,519
<b>Total assets</b>	<b>252,694</b>	149,640



€ ('000)	31.12.16	31.12.15
<b>EQUITY AND LIABILITIES</b>		
<b>Capital attributable the Company's equity holders</b>		
Share capital	772	772
Share premium account	38,968	38,968
Other reserves	97,111	27,397
Translation difference	-101	96
Retained earnings	6,229	-2,048
<b>Total equity</b>	<b>142,979</b>	65,185
<b>Non-current liabilities</b>		
Deferred income tax liabilities	9,868	1,958
Interest-bearing loans and borrowings	48,065	69,389
Other non-current liabilities	124	0
	<b>58,057</b>	71,347
<b>Current liabilities</b>		
Trade and other payables	33,341	13,108
Interest-bearing loans and borrowings	18,000	0
Current income tax liabilities	317	0
	<b>51,658</b>	13,108
<b>Total liabilities</b>	<b>109,715</b>	84,455
<b>Total equity and liabilities</b>	<b>252,694</b>	149,640

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## GROUP STATEMENT OF CHANGES IN EQUITY

€ ('000)	Attributable to the equity holders of the Company					
	Share capital	Share premium account	Other reserves	Translation differences	Retained earnings	Total
Equity on 1 January 2015	772	38,968	27,175	137	-1,485	65,567
Profit for the year					6,054	6,054
Other comprehensive income for the year						
Currency translation differences				-41		-41
Total comprehensive income for the year				-41	6,054	6,013
Options			222		25	247
Dividends					-5,177	-5,177
Hybrid bond, interest					-960	-960
Other changes					-505	-505
Equity on 31 December 2015	772	38,968	27,397	96	-2,048	65,185
Equity on 1 January 2016	772	38,968	27,397	96	-2,048	65,185
Profit for the year					15,286	15,286
Other comprehensive income for the year						
Currency translation differences				-197		-197
Total comprehensive income for the year				-197	15,286	15,089
Share subscriptions with options			22			22
Options			64		151	215
Dividends					-6,040	-6,040
Share issue			69,628			69,628
Hybrid bond, interest and other expenses					-1,120	-1,120
<b>Equity on 31 December 2016</b>	<b>772</b>	<b>38,968</b>	<b>97,111</b>	<b>-101</b>	<b>6,229</b>	<b>142,979</b>





## STATEMENT OF CASH FLOW (IFRS)

€ ('000)	1-12/16	1-12/15
<b>Cash flow from operations</b>		
Profit for the financial year	15,286	6,054
Adjustments on cash flow statement	-18,520	2,996
Change in working capital:		
Change in current non-interest-bearing receivables	1,681	-1,383
Change in current trade payables and other non-interest-bearing liabilities	2,949	-1,926
Interest paid	-4,213	-4,317
Taxes paid	-310	-852
<b>Cash flow from operations</b>	<b>-3,126</b>	<b>572</b>
<b>Cash flow from investing activities</b>		
Acquisition of subsidiaries	6,241	
Investments in tangible and intangible assets	-23	-6
Investments at fair value through profit and loss	10,838	-37,771
Long-term loan receivables granted	-2,295	-2,095
Receivables from long-term receivables	3,055	12
Dividends received	18,841	27
Interest received	662	222
<b>Cash flow from investing activities</b>	<b>37,319</b>	<b>-39,611</b>
<b>Cash flow from financing activities</b>		
Proceeds from borrowings	0	63,900
Repayment of long-term loan	-4,729	-26,758
Dividends paid	-6,040	-5,177
<b>Cash flow from financing activities</b>	<b>-10,769</b>	<b>31,965</b>
<b>Change in cash and cash equivalents</b>	<b>23,425</b>	<b>-7,074</b>
Cash and cash equivalents at start of year	21,576	28,650
<b>Cash and cash equivalents at end of year</b>	<b>45,001</b>	<b>21,576</b>



## 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.

The logo for CapMan, featuring the word "CapMan" in a stylized, serif font. The "C" is large and prominent, with the "apMan" following in a smaller, similar font.

€ ('000)	10-12/16	10-12/15	1-12/16	1-12/15
Turnover	<b>4,633</b>	7,105	<b>26,677</b>	31,767
Items affecting comparability				
Reassessment of potential repayment risk to the funds	<b>2,278</b>		<b>2,278</b>	
Items affecting comparability, total	<b>2,278</b>	0	<b>2,278</b>	0
<b>Adjusted turnover</b>	<b>6,911</b>	<b>7,105</b>	<b>28,955</b>	<b>31,767</b>
Operating profit	<b>8,675</b>	5,087	<b>18,672</b>	9,271
Items affecting comparability				
Items related to the acquisition of Norvestia, of which:	<b>-7,324</b>	183	<b>-7,109</b>	779
gain from a bargain purchase	-13,885		-13,885	
loss from the re-measurement of previous ownership at fair value	3,957		3,957	
transaction costs	2,604		2,819	
Reassessment of potential repayment risk to the funds	<b>2,278</b>		<b>2,278</b>	
Write-down of a value-added tax receivable			<b>975</b>	
Insurance compensations			<b>-294</b>	
Items affecting comparability, total	<b>-5,045</b>	183	<b>-4,150</b>	779
<b>Adjusted operating profit</b>	<b>3,629</b>	<b>5,270</b>	<b>14,522</b>	<b>10,050</b>
Profit for the period	<b>8,227</b>	4,043	<b>15,286</b>	6,054
Items affecting comparability				
Items related to the acquisition of Norvestia	<b>-7,419</b>	146	<b>-7,247</b>	623
Reassessment of potential repayment risk to the funds	<b>1,822</b>		<b>1,822</b>	
Write-down of a value-added tax receivable			<b>1,255</b>	
Insurance compensations			<b>-236</b>	
Items affecting comparability, total	<b>-5,597</b>	146	<b>-4,406</b>	623
<b>Adjusted profit for the period</b>	<b>2,630</b>	<b>4,189</b>	<b>10,879</b>	<b>6,677</b>
Earnings per share, cents	8.4	4.4	16.2	5.9
Items affecting comparability, cents	-5.9	0.2	-5.0	0.7
<b>Adjusted earnings per share, cents</b>	<b>2.5</b>	<b>4.6</b>	<b>11.2</b>	<b>6.6</b>
Earnings per share, diluted, cents	8.4	4.4	16.1	5.8
Items affecting comparability, cents	-5.9	0.1	-4.9	0.7
<b>Adjusted earnings per share, diluted, cents</b>	<b>2.5</b>	<b>4.5</b>	<b>11.2</b>	<b>6.5</b>

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## 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.

The logo for CapMan, featuring the word "CapMan" in a serif font. The "C" is significantly larger and more stylized than the other letters, which are in a smaller, more standard serif font.

10-12/2016	Management company and Services business			Investment business	Total
	CapMan Private Equity	CapMan Real Estate	Total		
€ ('000)					
Turnover	4 563	70	4 633	0	4 633
Items affecting comparability					
Reassessment of potential repayment risk to the funds		2 278	2 278	0	2 278
Items affecting comparability, total	0	2 278	2 278	0	2 278
<b>Adjusted turnover</b>	<b>4 563</b>	<b>2 348</b>	<b>6 911</b>	<b>0</b>	<b>6 911</b>
Operating profit	-579	-2 035	-2 614	11 289	8 675
Items affecting comparability					
Items related to the acquisition of Norvestia, of which:					
gain from a bargain purchase				-7 324	-7 324
loss from the remeasurement of previous ownership at fair value				-13 885	-13 885
transaction costs				3 957	3 957
Reassessment of potential repayment risk to the funds		2 278	2 278		2 278
Write-down of a value-added tax receivable					0
Insurance compensations					0
Items affecting comparability, total		2 278	2 278	-7 324	-5 046
<b>Adjusted operating profit</b>	<b>-579</b>	<b>243</b>	<b>-336</b>	<b>3 965</b>	<b>3 629</b>
Profit for the period	-896	-1 628	-2 524	10 751	8 227
Items affecting comparability					
Items related to the acquisition of Norvestia	0			-7 419	-7 419
Reassessment of potential repayment risk to the funds		1 822	1 822		1 822
Write-down of a value-added tax receivable	0		0		0
Insurance compensations	0		0		0
Items affecting comparability, total	0	1 822	1 822	-7 419	-5 597
<b>Adjusted profit for the period</b>	<b>-896</b>	<b>194</b>	<b>-702</b>	<b>3 332</b>	<b>2 630</b>
Earnings per share, cents					8,4
Items affecting comparability, cents					-5,9
<b>Adjusted earnings per share, cents</b>					<b>2,5</b>
Earnings per share, diluted, cents					8,4
Items affecting comparability, cents					-5,9
<b>Adjusted earnings per share, diluted, cents</b>					<b>2,5</b>

1-12/2016 € ('000)	Management company and Services business			Investment business	Total
	CapMan Private Equity	CapMan Real Estate	Total		
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					16,2
Items affecting comparability, cents					-5,0
<b>Adjusted earnings per share, cents</b>					<b>11,2</b>
Earnings per share, diluted, cents					16,1
Items affecting comparability, cents					-4,9
<b>Adjusted earnings per share, diluted, cents</b>					<b>11,2</b>

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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

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CapMan

10-12/2015 1 000 EUR	Management company and Services business			Investment business	Total
	CapMan Private Equity	CapMan Real Estate	Total		
Turnover	4 864	2 241	7 105	0	7 105
Operating profit	414	10	424	4 663	5 087
Items affecting comparability					
Transaction costs related to the acquisition of Norvestia	183		183	0	183
Items affecting comparability, total	183	0	183	0	183
<b>Adjusted operating profit</b>	<b>597</b>	<b>10</b>	<b>607</b>	<b>4 663</b>	<b>5 270</b>
Profit for the period	118	-15	103	3 940	4 043
Items affecting comparability					
Transaction costs related to the acquisition of Norvestia	146		146	0	146
Items affecting comparability, total	146	0	146	0	146
<b>Adjusted profit for the period</b>	<b>264</b>	<b>-15</b>	<b>249</b>	<b>3 940</b>	<b>4 189</b>
Earnings per share, cents					4,4
Items affecting comparability, cents					0,2
<b>Adjusted earnings per share, cents</b>					<b>4,6</b>
Earnings per share, diluted, cents					4,4
Items affecting comparability, cents					0,1
<b>Adjusted earnings per share, diluted, cents</b>					<b>4,5</b>

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1-12/2015	Management company and Services business			Investment business	Total
	CapMan Private Equity	CapMan Real Estate	Total		
1 000 EUR					
Turnover	22 933	8 834	31 767	0	31 767
Operating profit	3 487	632	4 119	5 152	9 271
Items affecting comparability					
Transaction costs related to the acquisition of Norvestia	779		779		779
Items affecting comparability, total	779	0	779	0	779
<b>Adjusted operating profit</b>	<b>4 266</b>	<b>632</b>	<b>4 898</b>	<b>5 152</b>	<b>10 050</b>
Profit for the period	2 790	506	3 296	2 758	6 054
Items affecting comparability					
Transaction costs related to the acquisition of Norvestia	623		623		623
Items affecting comparability, total	623	0	623	0	623
<b>Adjusted profit for the period</b>	<b>3 413</b>	<b>506</b>	<b>3 919</b>	<b>2 758</b>	<b>6 677</b>
Earnings per share, cents					5,9
Items affecting comparability, cents					0,7
<b>Adjusted earnings per share, cents</b>					<b>6,6</b>
Earnings per share, diluted, cents					5,8
Items affecting comparability, cents					0,7
<b>Adjusted earnings per share, diluted, cents</b>					<b>6,5</b>
Non-current assets	6 729	206	6 935	114 186	121 121
Total assets include:					
Investments accounted for using the equity method	0	0	0	95	95
Investments in joint ventures	0	0	0	7 651	7 651

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## 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

The Board of Directors of CapMan Plc will propose a dividend of EUR 0.09 per share to be paid to shareholders, equivalent to a total of approx. MEUR 13.0.

A dividend of EUR 0.07 per share, totalling MEUR 6.0 was paid for 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 re-measured at fair value. The fair value of futures corresponds to the futures' gain or loss. Hedge accounting is not used.

€ ('000)	31.12.16	31.12.15
Index derivatives, bought call options and sold futures		
Fair value	-113	-
Underlying value	-14,416	-

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## NON-CURRENT ASSETS

## Fund investments at fair value through profit and loss

€ ('000)	31.12.16	31.12.15
Book value, Jan 1	47,249	55,258
Acquisitions	6,393	0
Additions	7,539	4,355
Distributions	-14,416	-10,745
Fair value gains/losses	4,629	-1,619
<b>Book value at the end of period</b>	<b>51,394</b>	<b>47,249</b>
Investments in funds by investment area:		
Buyout	20,617	21,921
Credit	2,491	3,061
Russia	4,399	3,799
Real Estate	13,163	9,751
Other	3,121	7,509
Funds of funds	614	1,208
Norvestia	6,989	0
<b>In total</b>	<b>51,394</b>	<b>47,249</b>

Investments in funds include the subsidiary, CapMan Fund Investments SICAV-SIF, with a fair value of EUR 27.7 million at the end of the reporting period.

## Growth equity investments at fair value through profit and loss

€ ('000)	31.12.16	31.12.15
Book value, Jan 1	0	0
Acquisitions	37,940	0
Fair value gains/losses	-84	0
<b>Book value at the end of period</b>	<b>37,856</b>	<b>0</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 and loss**

€ ('000)	31.12.16	31.12.15
Book value, Jan 1	48,784	121
Additions	124	44,335
Distributions	-18,191	-66
Acquisitions	-31,637	0
Fair value gains/losses	1,099	4,394
<b>Book value at the end of period</b>	<b>179</b>	<b>48,784</b>

Until acquiring the control in Norvestia Oyj on 19 December 2016, other investments mainly included shares in CapMan's associated company, Norvestia Oyj. At the end of the comparison period, on December 31, 2015, the fair value of these shares amounted to EUR 48.7 million and CapMan's share in Norvestia was 28.7% of Norvestia's total shares. The fair value change of the associated company was recognised in CapMan's income statement based on the change in Norvestia's reported NAV / share. The associated company was fair valued through profit and loss because CapMan has been qualified as an investment entity under IFRS 10.

**Investments in joint ventures at fair value through profit and loss**

€ ('000)	31.12.16	31.12.15
Book value, Jan 1	7,651	9,014
Distributions	-2,484	-1,307
Fair value gains/losses	209	-56
<b>Book value at the end of period</b>	<b>5,376</b>	<b>7,651</b>

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

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

\*fair value through profit or loss

The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) 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

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	Level 1	Level 2	Level 3	Total
<b>Investments at fair value through profit and loss</b>				
<b>Investments in funds</b>				
at Jan 1		548	46,701	47,249
Acquisitions		0	6,393	6,393
Additions		0	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			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 in Level 2 are investments in the CapMan Public Market fund. All other fund investments are included in Level 3.

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

Investments in joint ventures reported in 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.

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## Fair value hierarchy of financial assets measured at fair value at 31 December 2015

	Fair value	Level 1	Level 2	Level 3
Investments in funds	47,249		548	46,701
Joint ventures	7,651			7,651
Other non-current investments	48,784			48,784
Current financial assets at FVTPL*	306		306	

\*fair value through profit or loss

	Level 1	Level 2	Level 3	Total
<b>Investments at fair value through profit and loss</b>				
<b>Investments in funds</b>				
at Jan 1		2,993	52,265	55,258
Additions		37	4,318	4,355
Distributions		-2,433	-8,312	-10,745
Fair value gains/losses		-49	-1,570	-1,619
at the end of period		548	46,701	47,249
<b>Other investments</b>				
at Jan 1			121	121
Additions			44,335	44,335
Distributions			-66	-66
Fair value gains/losses			4,394	4,394
at the end of period			48,784	48,784
<b>Investments in joint ventures</b>				
at Jan 1			9,014	9,014
Disposals			-1,307	-1,307
Fair value gains/losses			-56	-56
at the end of period			7,651	7,651

Fund investments in Level 2 are investments in the CapMan Public Market fund.

All other fund investments are included in Level 3.

Investments in joint ventures reported in Level 3 include investments in Maneq Investments Luxembourg.

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



## Sensitivity analysis of Level 3 investments at 31 December 2016

Investment area	Fair value MEUR	Valuation methodology	Unobservable inputs	Used input value (weighted average)	Fair value (MEUR) sensitivity to a +/- 10% change in input value
	31.12.2016				
Norvestia growth investments	37.9	Discounted cash flows	Discount rate	12 %	-2.3 / +3.0
		Peer group	Peer group earnings multiples	EV/Sales 2017 1.3x EV/EBITDA 2017 11.8x	+/- 1.4
			Discount to peer group multiples	4 %	-/+ 0.5
Buyout	20.6	Peer group	Peer group earnings multiples	EV/EBITDA 2016 9.1x	+/- 3.2
			Discount to peer group multiples	23 %	+/- 1.1
Real Estate	13.2	Valuation by an independent valuer	NA	NA	NA
Norvestia investments in PE funds	7.0	Reports from PE fund management company	NA	NA	NA
Investments in joint ventures	5.4	Discounted cash flows	Discount rate	15 %	- 0.2 / value increase based on a change in the discount rate is not booked
Russia	4.4	Peer group	Peer group earnings multiples	EV/EBITDA 2016 13.0x	- 0.4 / + 0.3 MEUR
			Discount to peer group multiples	35 %	- 0.2 / + 0.1
Credit	2.5	Discounted cash flows	Discount rate; market rate and risk premium	11 %	- 0.1 / value increase based on a change in the discount rate is not booked
Funds of funds	1.7	Reports from PE fund management company	NA	NA	NA
Other investment areas	2.0	Peer group	Peer group earnings multiples	EV/EBITDA 2016 9.0x	+/- 0.1
			Discount to peer group multiples	20 %	-/+ 0.0



## Sensitivity analysis of Level 3 investments at 31 December 2015

Investment area	Fair value MEUR 31.12.2015	Valuation methodology	Unobservable inputs	Used input value (weighted average)	Fair value sensitivity (MEUR) to a +/- 10% change in input value
<b>Norvestia</b>	<b>48.7</b>	Net assets (amended NAV based on Norvestia's stock exchange releases)	NA	NA	NA
<b>Buyout</b>	<b>21.9</b>	Peer group	Peer group earnings multiples	EV/EBITDA 2015 8.6x	+/-4.1
			Discount to peer group multiples	21%	-1.2 / +1.1
<b>Real Estate</b>	<b>9.8</b>	Valuation by an independent valuer	NA	NA	NA
<b>Investments in joint ventures</b>	<b>7.7</b>	Discounted cash flows	Discount rate	15%	-0.3 / value increase based on a change in the discount rate is not booked
<b>Russia</b>	<b>3.8</b>	Peer group	Peer group earnings multiples	EV/EBITDA 2015 11.6x	+/- 0.3
			Discount to peer group multiples	36%	-/+ 0.2
<b>Credit</b>	<b>3.1</b>	Discounted cash flows	Discount rate; market rate and risk premium	11%	- 0.1 / value increase based on a change in the discount rate is not booked
<b>Other investment areas</b>	<b>5.5</b>	Peer group	Peer group earnings multiples	EV/EBITDA 2015 10.9x	+/- 0.4
			Discount to peer group multiples	32%	-/+ 0.2





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 and 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:

The logo for CapMan, featuring the word "CapMan" in a stylized, serif font. The "C" is large and prominent, with the "ap" in a smaller size. The "M" is also large and prominent, with the "an" in a smaller size. The logo is positioned at the bottom left of the page.

**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.

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## NON-CURRENT LIABILITIES

€ ('000)	31.12.16	31.12.15
Interest bearing loans at end of review period	48,065	69,389

## 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	31.12.16	31.12.15
Finland	71	67
Sweden	22	20
Russia	11	10
Luxembourg	1	1
United Kingdom	3	3
In total	108	101

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## CONTINGENT LIABILITIES

€ ('000)	31.12.16	31.12.15
Leasing agreements	3,817	2,018
Securities and other contingent liabilities	42,139	95,108
Remaining commitments to funds	36,518	25,195
Remaining commitments by investment area		
Buyout	12,919	13,018
Credit	3,407	2,487
Russia	1,831	1,921
Real Estate	1,003	2,272
Other	4,747	4,751
Funds of funds	722	746
Norvestia	11,889	0
In total	36,518	25,195

## 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 granted in January 2016 and it will mature in January 2017.

The group has also granted a key person of Idean Enterprise a loan of 470 thousand euros, the interest rate of which being 3%. The loan has been granted in December 2016 and it will mature in December 2018 by latest. The group has received shares in Idean Enterprise as a guarantee.

### Commitments to related parties

€ ('000)	31.12.16	31.12.15
Commitments to Maneq funds	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.



## ACQUISITIONS

### Acquisition of Norvestia

On November 3, 2016, CapMan offered to acquire all of Norvestia Oyj's shares and subscription rights entitling to shares which are not held by Norvestia Group or CapMan Group in a voluntary public exchange offer. Before the exchange offer, CapMan held 28.7 per cent of Norvestia's shares. In the exchange offer, CapMan offered six (6) new shares of CapMan Plc for each Norvestia's share. The initial offer period of the Exchange Offer ended on 16 December 2016, and the shares of shareholders who had accepted the Exchange Offer during the initial offer period together with Norvestia's shares owned by CapMan represented approx. 90.6 per cent of all Norvestia's shares and votes. As after the initial offer period all the conditions to the completion of the Exchange Offer had been fulfilled, it became unconditional, and on December 19, 2016, being the acquisition date, CapMan announced that it would consummate the Exchange Offer in accordance with its terms and conditions. CapMan also decided to continue the subsequent offer period until January 9, 2017, to acquire the remaining of Norvestia Oyj's shares and subscription rights entitling to its shares.

Norvestia Group has been consolidated into CapMan's consolidated financial statements in full and reported as part of CapMan's segment "Investment business" as of the acquisition date December 19, 2016. Combining the businesses of CapMan and Norvestia ("Combined Group") is expected to create added value to both CapMan's and Norvestia's shareholders based on growth, benefits from operating as a larger entity in the private equity field, a more effective utilisation of the existing asset base, as well as tangible cost synergies, among others. The objective of the Combined Group is to offer the best private equity experience and have a positive impact on the economic development of its stakeholders.

As of the acquisition date, the consolidated comprehensive income for 2016 includes EUR 0.0 million of turnover and EUR 0.5 million of profit for the financial year contributed by Norvestia. Had Norvestia been consolidated from January 1, 2016, consolidated income statement would show pro forma turnover of EUR 32.2 million and profit for the financial year of EUR 18.8 million, excluding the provisional bargain purchase gain and re-measurement loss of previous holding in Norvestia. Consolidating Norvestia from January 1, 2016 and excluding transaction related costs impacting the 2016 results, pro forma operating profit excl. items affecting comparability for 2016 would have been EUR 29.8 million. The presented pro forma figures are unaudited.

The shares of shareholders who accepted the exchange offer during the initial and subsequent offer periods together with Norvestia's shares owned by CapMan represent approx. 92.5 per cent of all Norvestia's shares and votes. Based on the authorisation of the extraordinary general meeting held on December 8, 2016, CapMan Plc's Board of Directors resolved to issue 58,644,414 new CapMan shares as a share consideration for Norvestia Oyj's shares and securities. The fair value of the issued shares, EUR 70.4 million, was based on the closing price of EUR 1.20 of CapMan Plc's B-share on December 19, 2016, and was recorded in the invested unrestricted equity fund.

As CapMan's ownership exceeds 90 per cent of all shares and votes in Norvestia, CapMan has submitted an application to the Redemption Committee of the Finnish Central Chamber of Commerce to commence arbitration proceedings of all Norvestia Oyj's shares held by minority shareholders. CapMan will offer in such compulsory redemption proceeding EUR 7.14 per share in cash to Norvestia's shareholders. The offer corresponds to the market value of CapMan's shares (EUR 1.19 per share) offered as share consideration for Norvestia's shares in the exchange offer on 16 December 2016, which was the last day of the initial offer period. The total estimated

The logo for CapMan, featuring the word "CapMan" in a stylized, serif font. The "C" is large and prominent, with the "apMan" following in a smaller, similar font.

redemption price of the shares to be redeemed totals EUR 8.2 million, based on the number of Norvestia shares outstanding, 1,148,515 shares. The final redemption price will be determined by the Arbitral Tribunal as designated by the Redemption Committee of the Finnish Central Chamber of Commerce.

In the purchase price allocation, the fair value of assets acquired and liabilities assumed is based on the same valuation principles as Norvestia applied for reporting its net asset value prior to the acquisition and which CapMan used for valuing its previous holding in Norvestia. The provisional bargain purchase gain of EUR 13.9 million is mainly attributable to Norvestia's share price being historically and still connected to a significant discount on net asset value. During the 30-day period preceding the announcement of the exchange offer, Norvestia's market value (average of EUR 142.3) was approximately 16 per cent lower than Norvestia's net asset value as at 30 September 2016 (EUR 169.8 million). On the acquisition date, December 19, 2016, the net asset value discount was approximately 11 per cent taking into account Norvestia's extra dividend. The bargain purchase gain recognised in Fair value gains/losses of investments of the consolidated income statement is not expected to be taxed for income tax purposes. Using the cost for acquiring the control, the fair value measurement of previous holding at the time of acquisition resulted in a loss of EUR 4.0 million, and is included in Fair value gains/losses of investments of the consolidated income statement in 2016.

The expenses arising from the share issue, EUR 0.7 million, have been deducted from the amount recognized in the invested unrestricted equity fund, whereas the expenses related to the acquisition, EUR 2.2 million, have been included in Other operating expenses of the consolidated income statement. In addition, Fair value gains/losses of investments include EUR 0.4 million of charges related to CapMan's share of incurred transaction costs to Norvestia before the acquisition date.

The purchase price allocation is provisional. The following table summarizes the provisional consideration, the fair value of identifiable assets acquired and liabilities assumed at the acquisition date, and the provisional bargain purchase gain:

<b>€ ('000)</b>	
<b>Consideration</b>	<b>Fair value</b>
Share consideration (58,644,414 x EUR 1.20)	70,373
Fair value of previous holding at the time of acquisition	31,637
Redemption liability (1,148,515 x EUR 7,14)	8,200
<b>Total consideration</b>	<b>110,210</b>

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<b>€ ('000)</b>	
<b>ASSETS</b>	
<b>Non-current assets</b>	
Tangible assets	15
Intangible assets	5
Investments at fair value through profit and loss	
Growth equity investments	37,939
Investments in funds	6,393
	44,352
<b>Current assets</b>	
Trade and other receivables	1,691
Financial assets at fair value through profit and loss	115,390
Cash and bank	24,716
	141,797
<b>Total assets</b>	<b>186,149</b>
<b>Non-current liabilities</b>	
Deferred tax liabilities	7,805
	7,805
<b>Current liabilities</b>	
Trade and other payables	1,723
Liability for dividend distribution	51,310
Interest-bearing loans and borrowings	1,217
	54,250
<b>Total liabilities</b>	<b>62,055</b>
<b>Net assets</b>	<b>124,094</b>
<b>Consideration</b>	<b>110,210</b>
<b>A gain from a bargain purchase</b>	<b>13,884</b>

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## TURNOVER AND PROFIT QUARTERLY

<b>2016</b>					
<b>MEUR</b>	<b>1-3/16</b>	<b>4-6/16</b>	<b>7-9/16</b>	<b>10-12/16</b>	<b>1-12/16</b>
Turnover	7.5	7.9	6.6	4.6	26.6
Fees	6.5	7.4	6.3	6.4	26.6
Carried interest	1.0	0.5	0.3	-1.8	0.0
Other operating income	0.0	0.1	0.0	0.0	0.1
Operating expenses	-6.8	-7.5	-6.7	-9.7	-30.7
Fair value changes of investments	3.1	2.9	2.9	13.7	22.6
Operating profit	3.8	3.3	2.8	8.7	18.6
Financial income and expenses	-0.8	-0.9	-0.8	-0.6	-3.1
Share of the income of investments accounted for using the equity method	0.0	0.0	0.0	0.0	0.0
Profit / loss before taxes	3.0	2.5	2.1	8.0	15.6
Profit / loss for the period	2.9	2.3	1.9	8.2	15.3

<b>2015</b>					
<b>MEUR</b>	<b>1-3/15</b>	<b>4-6/15</b>	<b>7-9/15</b>	<b>10-12/15</b>	<b>1-12/15</b>
Turnover	7.3	8.5	8.9	7.1	31.8
Fees	6.8	6.5	7.0	7.1	27.4
Carried interest	0.5	2.0	1.9	0.0	4.4
Other operating income	0.0	0.1	0.2	0.0	0.3
Operating expenses	-6.8	-7.4	-7.1	-6.7	-28.0
Fair value changes of investments	0.4	1.6	-1.5	4.7	5.2
Operating profit	0.9	2.8	0.5	5.1	9.3
Financial income and expenses	-0.4	-0.6	-0.7	-1.2	-2.9
Share of the income of investments accounted for using the equity method	0.0	0.0	0.0	0.1	0.1
Profit / loss before taxes	0.5	2.1	-0.1	4.0	6.5
Profit / loss for the period	0.5	1.7	-0.2	4.1	6.1

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## APPENDIX 1: THE CAPMAN GROUP'S FUNDS UNDER MANAGEMENT AS OF 31 DECEMBER 2016

The tables below show the status of the funds managed by CapMan as of 31 December 2016. 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.



## FUNDS INVESTING IN PORTFOLIO COMPANIES, 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 31 December 2016	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 IIB, CME VII B <sup>5)</sup> , FM III A, CME VII A <sup>5)</sup> , CME Sweden <sup>5)</sup> , CPM									
<b>Total</b>	<b>539.8</b>	<b>535.6</b>	<b>33.3</b>	<b>11.7</b>	<b>2.9</b>	<b>843.9</b>	<b>16.9</b>		<b>10-20%</b>
<b>Funds in exit and value creation phase (current strategies)</b>									
CMB VIII <sup>1) 5)</sup>	440.0	404.1	110.4	106.7	0.1	382.1		272.4	12 %
CMR	118.1	117.6	69.4	85.8	0.3	23.3		155.1	3.4 %
CMB IX	294.6	297.6	175.2	147.4	0.6	167.1		264.0	10 %
CMM V	95.0	84.7	41.0	49.8	-0.2	58.3		35.6	10 %
<b>Total</b>	<b>947.7</b>	<b>904.0</b>	<b>396.0</b>	<b>389.7</b>	<b>0.8</b>	<b>630.8</b>			
<b>Funds in active investment phase (current strategies)</b>									
CMB X <sup>1)</sup>	244.5	224.8	166.4	188.1	13.7	37.2			8 %
CMR II	99.1	28.9	20.2	14.2	0.1	0.9			8 %
NC 2015	100.5	1.2	0.0	0.0	-0.3	0.0			6 %
<b>Total</b>	<b>444.1</b>	<b>254.9</b>	<b>186.6</b>	<b>202.3</b>	<b>13.5</b>	<b>38.1</b>			
<b>Other funds</b>									
SWE LS <sup>2)</sup> , SWE Tech <sup>1), 2)</sup> , CME VII C <sup>5)</sup> , CMM IV <sup>3)</sup> , CMLS IV, CMT 2007 <sup>1)</sup>									
<b>Total</b>	<b>535.2</b>	<b>525.6</b>	<b>47.0</b>	<b>31.9</b>	<b>6.1</b>	<b>477.8</b>			
<b>Total private equity funds</b>	<b>2 466.8</b>	<b>2 220.1</b>	<b>662.9</b>	<b>635.6</b>	<b>23.3</b>	<b>1 990.6</b>		<b>16.9</b>	

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## REAL ESTATE FUNDS, MEUR

	Investment capacity	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 31 December 2016	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 II									
Equity and bonds	150.0	150.0	140.3	111.1		55.7		191.5	12%
Debt financing	450.0	301.7	131.6	131.6					
<b>Total</b>	<b>600.0</b>	<b>451.7</b>	<b>271.9</b>	<b>242.7</b>	<b>7.5</b>	<b>55.7</b>			
CMRHE									
Equity and bonds	332.5	325.1	442.4	363.1		114.8		473.1	12%
Debt financing	617.5	542.6	437.3	437.3					
<b>Total</b>	<b>950.0</b>	<b>867.7</b>	<b>879.7</b>	<b>800.4</b>	<b>0.1</b>	<b>114.8</b>			
Kokoelmakeskus Ky									
Equity and bonds	19.3	19.3	19.4	18.0		0.8		19.5	10%
Debt financing	0.0	0.0	0.0	0.0					
<b>Total</b>	<b>19.3</b>	<b>19.3</b>	<b>19.4</b>	<b>18.0</b>	<b>1.1</b>	<b>0.8</b>			
<b>Total</b>	<b>1,569.3</b>	<b>1,338.7</b>	<b>1 171.0</b>	<b>1 061.1</b>	<b>8.7</b>	<b>171.3</b>			
<b>Funds in active investment phase (current strategies)</b>									
CMNRE									
Equity and bonds	273.3	239.1	143.2	198.4		113.2			8%
Debt financing	0.0	0.0	0.0	0.0					
<b>Total</b>	<b>273.3</b>	<b>239.1</b>	<b>143.2</b>	<b>198.4</b>	<b>5.4</b>	<b>113.2</b>			
<b>Other funds</b>									
CMRE I <sup>5)</sup>									
Equity and bonds	200.0	200.0	58.6	31.1		207.8	27.4		
Debt financing	300.0	276.6	22.2	22.2					
<b>Total</b>	<b>500.0</b>	<b>476.6</b>	<b>80.8</b>	<b>53.5</b>	<b>1.2</b>	<b>207.8</b>	<b>27.4</b>		
<b>Real Estate funds and mandates, total</b>	<b>2,342.6</b>	<b>2,054.4</b>	<b>1,395.0</b>	<b>1,313.0</b>	<b>15.3</b>	<b>492.3</b>	<b>27.4</b>		

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**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	FV	= Finnventure Fund
CMHRE	= CapMan Hotels RE	NC 2015	= Nest Capital 2015 Fund Ky
CMNRE	= CapMan Nordic Real Estate	SWE LS	= Swedestart Life Science
CMPM	= CapMan Public Market Fund	SWE Tech	= Swedestart Tech
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 31 December 2016.
- 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 42.3 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.

- 5) CapMan Group's Board of Directors made a decision in early 2012 to increase the Buyout investment teams' share of carried interest to better reflect prevailing industry practices. In CapMan Buyout VIII fund the investment team's share is approximately 40%, and in CapMan Equity VII funds the investment team's share is approximately 25%.



## APPENDIX 2: OPERATIONS OF CAPMAN'S FUNDS UNDER MANAGEMENT IN 2016

The operations of the private equity funds managed by CapMan during the year 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 2016

CapMan Buyout X fund invested in Forenom and funds managed by CapMan made several add-on investments during the year mostly in existing Buyout portfolio companies. The investments totalled MEUR 35.6. Funds made three new investments and several add-on investments valued at a total of MEUR 41.5 in 2015.

#### Exits from portfolio companies in 2016

CapMan Buyout IX fund exited Esperi Care Oy, CapMan Buyout X fund exited Suomen Lämpöikkuna Oy and CapMan LifeScience IV fund exited Samsa AB and Neoventa Medical AB. Technology funds managed by CapMan exited Connode Holding Ab. In addition, CapMan Public Market fund exited all its

remaining investments. Funds also made partial exits from several portfolio companies. The combined acquisition cost of all exits completed and partial exits during the year was MEUR 132.2. The combined acquisition cost of completed and partial exits in 2015 was MEUR 130.4.

#### Events after the end of the financial year

There were no significant events for private equity funds after the end of the financial year.

### CAPMAN REAL ESTATE

#### Investments in and commitments to real estate acquisitions and projects in 2016

CapMan Nordic Real Estate fund invested in the Ringsted outlet center in Denmark, an office building on Hämeentie 15 in Helsinki, a residential portfolio in Copenhagen, a retail property in Uppsala and the Heron City retail centre in Stockholm. The project specific real estate company Kokoelmakeskus Ky invested in KOy Mastolan Keskusvarasto. The combined acquisition cost of investments was MEUR 104.5. Funds made add-on investments in several existing projects totalling MEUR 24.7. Real estate funds were committed to providing financing for real estate acquisitions and projects totalling MEUR 48.9 as of 31 December 2016. CapMan's real estate funds made a number of new and add-on investments totalling MEUR 88.7 in 2015, while commitments to finance new projects totalled MEUR 61.9 as of 31 December 2015.

#### Exits from real estate investments in 2016

Real estate funds managed by CapMan exited the Apelsinen and Bergshamra Bro office properties and the International English School property in Stockholm, one office building and two residential properties in Copenhagen, the Centrum retail centre in Turku, KOy Mastolan Keskusvarasto in Vantaa and



the hotels Cumulus Pinja in Tampere and Rantasipi Sveitsi in Hyvinkää with combined acquisition costs of MEUR 166.4. CapMan Nordic Real Estate fund also agreed to exit a hotel property on Yrjönkatu in central Helsinki in June. The transaction is expected to close in the summer of 2017. CapMan's real estate

funds made two exits in 2015 with an acquisition cost of MEUR 12.2.

#### **Events after the end of the financial year**

There were no significant events for real estate funds after the end of the financial year.

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## FUND INVESTMENT ACTIVITIES IN FIGURES

## Investments and exits made by funds at acquisition cost, MEUR

	1-12/2016	1-12/2015
<b>New and add-on investments</b>		
Funds investing in portfolio companies	35.6	41.5
Buyout	34,1	10.2
Credit	0,0	23.0
Russia	1,5	7.3
Others	0,0	1.0
Real Estate funds	129.3	88.7
<b>Total</b>	<b>164.9</b>	<b>130.2</b>

## Exits, MEUR

	1-12/2016	1-9/2015
Funds investing in portfolio companies	132.2	130.4
Buyout	68.1	50.9
Credit	12.0	9.8
Russia	0.2	0.1
Others	51.9	69.6
Real Estate funds	166.4	12.2
<b>Total</b>	<b>298.6</b>	<b>142.6</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 48.9 as of 31 December 2016.

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**Funds' combined portfolio\* as of 31 December 2016, MEUR**

	Portfolio at acquisition cost	Portfolio at fair value	Share of portfolio
Funds investing in portfolio companies	662.6	635.5	32.2
Real Estate funds	1,420.1	1,338.1	67.8
<b>Total</b>	<b>2,082.7</b>	<b>1,973.6</b>	<b>100.0</b>
Funds investing in portfolio companies			
Buyout	497.2	465.0	73.2
Credit	41.0	49.8	7.8
Russia	89.6	100.0	15.7
Others	34.8	20.7	3.3
<b>Total</b>	<b>662.6</b>	<b>635.5</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 558 for new and add-on investments as of 31 December 2016. Of their remaining capital, approx. MEUR 280 was earmarked for buyout investments (incl. mezzanine investments for older mezzanine

funds), approx. MEUR 115 for investments by the Nest Capital team (previously Capman Credit), approx. MEUR 58 for technology investments, approx. MEUR 2 for life science investments and approx. MEUR 103 for investments by the CapMan Russia team. Real estate funds had a remaining investment capacity of approx. MEUR 64 which has been reserved for new investments and for the development of funds' existing investments.

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## APPENDIX 3: DESCRIPTION OF BUSINESS OPERATIONS

CapMan Group is a pioneering Nordic private equity investment and 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<sup>23</sup>, and the industry's long-term prospects are favourable. 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.

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 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

<sup>23</sup> Bain & Company, Global Private Equity Report 2016



## APPENDIX 3: DESCRIPTION OF BUSINESS OPERATIONS

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.

The logo for CapMan, featuring the word "CapMan" in a serif font. The "C" is significantly larger and more stylized than the other letters, which are in a smaller, more standard serif font.

## APPENDIX 4. UNAUDITED PRO FORMA FINANCIAL INFORMATION

### **Basis of compilation of unaudited pro forma financial information**

The following unaudited pro forma financial information is presented to illustrate the financial impact of the acquired Norvestia on the income statement and earnings per share of CapMan assuming that the combination had been completed on January 1, 2016. This unaudited pro forma information is presented for illustrative purposes only. Because of its nature, the unaudited pro forma information illustrates a hypothetical situation and, therefore, does not represent the actual results of operations of CapMan. The unaudited pro forma information is not intended to project the results of

operations of the combined Group as of any future date.

The following unaudited pro forma statement of comprehensive income is based on financial information derived from Capman's and Norvestia's audited consolidated financial statements as at and for the year ended December 31, 2016. The unaudited pro forma statement of comprehensive income has been prepared on a basis consistent with IFRS as adopted by the EU and in a manner consistent with the accounting principles applied in CapMan's consolidated financial statements.

CapMan

**Unaudited pro forma statement of comprehensive income for the financial year ended December 31, 2016**

€ ('000)	CapMan adjusted (A)	Norvestia reclassified (B)	Pro forma adjustments (C)	CapMan Pro Forma (D)	Other items affecting comparability (E)	CapMan Pro Forma (F)
<b>Turnover</b>	26 677	5 559	0	<b>32 236</b>	2 278 (E1)	<b>34 513</b>
Other operating income	126	0	0	126	0	126
Personnel expenses	-18 240	-1 977	0	-20 217	0	-20 217
Depreciation and amortisation	-255	-7	0	-262	0	-262
Other operating expenses	-11 957	-2 554	3 929 (C1)	-10 582	681 (E2), (E3)	-9 902
Fair value changes of investments	21 876	21 656	-14 983 (C2)	28 549	0	28 549
<b>Operating profit</b>	<b>18 226</b>	<b>22 678</b>	<b>-11 054</b>	<b>29 850</b>	<b>2 959</b>	<b>32 808</b>
Financial income and expenses	-3 136	-9	0	<b>-3 145</b>	280 (E2)	-2 865
Share of the income of investments accounted for using the equity method	-8	0	0	<b>-8</b>	0	-8
<b>Profit before taxes</b>	<b>15 082</b>	<b>22 668</b>	<b>-11 054</b>	<b>26 696</b>	<b>3 239</b>	<b>29 935</b>
Income taxes	-258	-3 736	-360 (C1)	<b>-4 354</b>	-397 (E1), (E3)	-4 751
<b>Profit for the period</b>	<b>14 824</b>	<b>18 932</b>	<b>-11 415</b>	<b>22 341</b>	<b>2 842</b>	<b>25 184</b>
<b>Other comprehensive income:</b>						
Translation differences	-197	0	0	<b>-197</b>	0	-197
<b>Total comprehensive income</b>	<b>14 627</b>	<b>18 932</b>	<b>-11 415</b>	<b>22 144</b>	<b>2 842</b>	<b>24 987</b>
<b>Profit attributable to:</b>						
Equity holders of the company	14 824	18 932	-11 415	<b>22 341</b>	2 842	<b>25 184</b>
<b>Total comprehensive income attributable to:</b>						
Equity holders of the company	14 627	18 932	-11 415	<b>22 144</b>	2 842	<b>24 987</b>
<b>Earnings per share for profit attributable to the equity holders of the Company:</b>						
Earnings per share, cents				14,7		16,7
Diluted, cents				14,7		16,7

CapMan

## APPENDIX 4. UNAUDITED PRO FORMA FINANCIAL INFORMATION

Accrued interest payable on the hybrid bond has been taken into consideration for the review period when calculating earnings per share.

(A) Adjusted CapMan Group for the financial year ended December 31, 2016, excluding consolidation of Norvestia as of December 19, 2016.

(B) Reclassified Norvestia Group for the financial year ended December 31, 2016. Certain reclassifications were made to align Norvestia's income statement items to CapMan's financial statement presentation. The dividend and interest income stemming from Norvestia's financial assets held for trading are included in turnover and other turnover items reported by Norvestia are included in Fair value changes of investments.

(C) Adjustments for items relating to acquisition of Norvestia and affecting comparability

(C1) Transaction costs in the income statement of CapMan ja Norvestia and their income tax impact

(C2) Gain from the bargain purchase and loss from the remeasurement of previous ownership at fair value and Norvestia's fair value change included in CapMan's income statement until acquiring the control in Norvestia

(D) Combined CapMan and Norvestia group excluding Norvestia acquisition related items affecting comparability assuming that the combination had been completed on January 1, 2016

(E) Other items affecting comparability

(E1) Reassessment of potential repayment risk to the funds and the related income tax impact

(E2) Write-down of a value-added tax receivable

(E3) Insurance compensations and the related income tax impact

(F) Combined CapMan and Norvestia group excluding Norvestia acquisition related and other items affecting comparability assuming that the combination had been completed on January 1, 2016

The logo for CapMan, featuring the word "CapMan" in a stylized, serif font. The "C" is large and prominent, with the "apMan" following in a smaller, similar font.