

CapMan Plc Stock Exchange Release – 3 February 2012 at 9.00 a.m. EET

## CapMan Group's Financial Statements Bulletin for 2011

### Performance and main events during 2011:

- Group turnover totalled MEUR 32.4 (January-December 2010: MEUR 38.2).
- The Group's operating profit was MEUR 11.1 (The Group's operating profit for 2010 was MEUR 6.3 excluding one-off items and MEUR 21.0 including one-off items).
- The Management Company business recorded an operating loss of MEUR -1.1 (MEUR 18.9). The Fund Investment business recorded an operating profit of MEUR 12.2 (MEUR 2.1), of which exits accounted for approximately 40%.
- Profit before taxes was MEUR 13.7 (MEUR 23.9) and profit after taxes was MEUR 11.1 (MEUR 17.6).
- Profit attributable to the owners of the parent company was MEUR 10.9 (MEUR 17.3). Earnings per share were 10.1 cents (17.7 cents).
- Capital under management as of 31 December 2011 totalled MEUR 3,065.9 (31 December 2010: MEUR 3,231.1).
- A total of MEUR 35 of new capital was raised for the CapMan Mezzanine V fund during the last quarter, and the fund's final size reached MEUR 95.
- The Board of Directors of CapMan Plc will propose paying a dividend of EUR 0.07 per share for 2011.

### Future outlook:

CapMan's next major fundraising rounds will take place in 2012. The development of the company's management fees during 2012 will depend on the timing of exits made from current funds and the size and timing of new funds to be established.

Our operating expenses will continue to decline as a result of various efficiency enhancement measures taken. Due to our fundraising efforts, management fees will not fully cover operating expenses until the new funds currently in the process of being established reach an adequate size.

The fair value of CapMan's fund investments developed favourably during 2011. We believe that our portfolio companies are well-placed to continue performing well in this respect during 2012, which would have a positive effect on the fair value development of our fund investments.

The Group's overall result for 2012 will mainly depend on whether new exits are made by funds already generating carried interest, whether new funds will transfer to carry, and on how the value of investments develops in those funds in which CapMan is a substantial investor. Due to difficulties to forecast these developments, CapMan will not issue guidance on its result for the full year.

### CEO Lennart Simonsen:

"Our result for 2011 was satisfactory, given the challenging nature of our operating environment, particularly during the latter half of the year. The portfolio companies and real estate owned by our funds developed well on the whole. As a result, the fair values of our fund investments developed favourably, although stock market performance was weak during the year. The strong development of our portfolio companies indicates that we have been successful in implementing our strategy, with its focus on constantly improving our performance.

The decline in M&A activity in Europe towards the end of the year was also reflected in CapMan's operations and delayed a number of exits. The bank financing has continued to be available in the Nordic region, particularly for small and medium-sized M&A transactions and for real estate investments.

Economic uncertainty was also reflected in the fundraising market, and the amount of capital raised for new funds globally during 2011 was historically at a low level\*. We believe that the fundraising market will remain challenging during 2012, when we will launch our next major rounds of fundraising. CapMan's strong market position, long-term investor relations, historically good levels of returns, and more than 20 years' experience in the private equity industry will, however, provide a solid foundation for the success of our fundraising activities. Compared to other areas of



Europe, international investors' interest in the Nordic countries has increased in relative terms as a result of the European debt crisis, which should support our fundraising in 2012."

## Business operations

CapMan Group is a private equity fund manager operating in the Nordic countries and Russia, and also makes investments in its own funds. The guiding principle for the investment activities of the funds managed by CapMan is to work actively and directly towards increasing the value of investments. The Group has two operating segments: a Management Company business and a Fund Investment business.

Income from the Management Company business is derived from management fees paid by funds and carried interest received from funds. Management fees normally cover the company's operating costs and generally represent a steady and highly predictable source of income.

Income from the Fund Investment business comes from changes in the fair value of investments and realised returns on CapMan's own fund investments. Depending on the development of funds' investments and the general market situation, these can have a significant positive or negative impact on the Group's result.

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.

## Group turnover and result in 2011

The Group's turnover in 2011 was lower compared to 2010 and totalled MEUR 32.4 (2010: MEUR 38.2). Turnover was impacted by lower management fees compared to 2010.

Operating expenses totalled MEUR 34.9 (MEUR 42.8). The lower expenses booked in 2011 compared to 2010 were largely the result of the one-off expenses booked during the last quarter of 2010, which served to increase operating expenses for the year as a whole. Operating expenses were higher during the last quarter of 2011 than the other quarters of the year, mainly because of costs associated with reductions in personnel numbers during the quarter.

The Group recorded an operating profit of MEUR 11.1 (MEUR 21.0). This compares to an operating profit for 2010, excluding one-off items, of MEUR 6.3. The rise in operating profit compared to 2010 was largely the result of the positive development of the value of CapMan's own fund investments.

Financial income and expenses amounted to MEUR 0.6 (MEUR 0.6). CapMan's share of the profit of its associated companies was MEUR 2.1 (MEUR 2.4).

Profit attributable to the owners of the parent company was MEUR 10.9 (MEUR 17.3). Earnings per share were 10.1 cents (17.7 cents).

A quarterly breakdown of turnover and profit, together with turnover, operating profit/loss, and profit/loss by segment for the review period, can be found in the Tables section of this report.

## Management Company business

Turnover generated by the Management Company business during the year totalled MEUR 32.4 (MEUR 38.2). Management fees decreased, as expected, compared to 2010 and totalled MEUR 27.1 (MEUR 32.9). This was attributable to exits made after the 2010 financial year and the decision taken in the last quarter of 2010 to reduce the size of the CapMan Technology 2007 fund.

Following the sale of the real estate consulting business, income from real estate consulting was lower than in 2010 and totalled MEUR 1.0 (MEUR 1.6). The aggregate total of management fees and income from real estate consulting was MEUR 28.1 (MEUR 34.5).

Carried interest income totalled MEUR 3.1 (MEUR 2.6) and came mainly from the Finnventure V fund, following the exit from A&R Carton, and from the Finnmezzanine III B fund, following its transfer to carry after exiting OneMed Group.

The Management Company business recorded an operating loss of MEUR -1.1 (MEUR 18.9) and a loss for the year of MEUR -1,7 (MEUR 14.1). The status of the funds managed by CapMan is presented in more detail in Appendix 1.



## Fund Investment business

Fair value changes related to fund investments during 2011 were MEUR 12.8 (MEUR 2.7) and represented a 21.8% increase in value over the year (4.2% increase in value during 2010). Fair value changes during the last quarter were MEUR 2.6 (MEUR 11.1) and represented a 3.9% increase in value during the quarter (1.6% increase in value during Q4 2010). Fair value development was good, despite negative developments in the fair value of listed peer companies, which forms part of the valuation criteria applied to CapMan's portfolio companies. This positive trend was the result of the good financial progress made by portfolio companies during 2011. Completed exits accounted for approximately MEUR 5.0 of fair value changes or approximately 40% of total fair value changes. The aggregate fair value of fund investments as of 31 December 2011 was MEUR 70.2 (31 December 2010: MEUR 66.5).

Operating profit for the Fund Investment business was MEUR 12.2 (MEUR 2.1) and profit for the year MEUR 12,8 (MEUR 3.5). CapMan's share of the result of its Maneq associated companies impacted profit performance. Changes in the fair value of Maneq fund investments impacted the performance of Maneq companies.

CapMan made new investments in its funds totalling MEUR 11.9 (MEUR 11.8) during 2011. The majority of these were made in the CapMan Buyout IX and CapMan Public Market funds. CapMan received distributions from funds totalling MEUR 19.5 (MEUR 6.8), the majority coming from the CapMan Buyout VIII fund following its exits from OneMed and Proxima. CapMan did not make any new commitments to funds during the review period.

The amount of remaining commitments totalled MEUR 24.4 as of 31 December 2011 (31 December 2010: MEUR 36.3). The aggregate fair value of existing investments and remaining commitments as of the same date was MEUR 94.6 (MEUR 102.8). CapMan's objective is to invest 1-5% of the original capital in the new funds that it manages, depending on fund size, fund demand, and CapMan's own investment capacity.

Investments in portfolio companies are valued at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines (IPEVG), while real estate assets are valued in accordance with the value appraisals of external experts, as detailed in Appendix 1.

Investments at fair value and remaining investment capacity by investment area are presented in the Tables section.

## Balance sheet and financial position as of 31 December 2011

CapMan's balance sheet totalled MEUR 142.5 as of 31 December 2011 (31 December 2010: MEUR 155.8). Non-current assets amounted to MEUR 111.3 (MEUR 112.7), of which the carrying amount of goodwill totalled MEUR 6.2 (MEUR 6.4). A goodwill write-down of approximately MEUR 0.2 was made as a result of the sale of the real estate consulting business during the third quarter.

Fund investments booked at fair value totalled MEUR 70.2 (MEUR 66.5). Long-term receivables amounted to MEUR 19.6 (MEUR 24.8), of which MEUR 18.7 (MEUR 23.5) were loan receivables from Maneq funds. Both CapMan Plc and CapMan personnel are investors in Maneq funds. The expected returns from CapMan's Maneq investments are broadly in line with the return expectations for CapMan's other investments in its own funds, and Maneq funds pay market rate interest on loans they receive from CapMan Plc.

Current assets amounted to MEUR 27.7 (MEUR 39.6). Liquid assets (cash in hand and at banks, plus other financial assets at fair value through profit and loss) amounted to MEUR 22.3 (MEUR 35.0) as a result of the OneMed and Proxima exits made during the review period.

The size of CapMan Plc's hybrid bond stands at MEUR 29.0. Due to the dividends paid, the interest on the bond for the financial year is deducted from equity in line with the terms of the loan. The interest on the bond is payable semi-annually. CapMan Plc had a bank financing package totalling MEUR 44.4 (MEUR 50.6) available as of 31 December 2011, of which MEUR 34.4 (MEUR 40.6) was utilised. Trade and other payables totalled MEUR 15.3 (MEUR 17.4). The Group's interest-bearing net debts amounted to MEUR 12.7 (MEUR 6.6).

The Group's cash flow from operations totalled MEUR -8.2 (MEUR 6.0). 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 14.6 (MEUR 20.0) and is related to fund investments and repaid capital received by the company. Cash flow before financing totalled MEUR 6.4 (MEUR 26.0), while cash flow from financing was MEUR -18.6 (MEUR -9.9). Cash flow from financing includes the dividend paid to shareholders in April, which totalled MEUR 10.3.



## Key figures 31 December 2011

CapMan's equity ratio as of 31 December 2011 was 61.9% (31 December 2010: 58.5%), its return on equity 12.4% (20.8%), and its return on investment 11.9% (19.7%). Taking one-off items into account, the return on equity for 2010 was 8.7% and the return on investment 6.7%. The target level for the company's equity ratio is at least 60% and over 20% for return on equity.

### Key figures

	31.12.11	31.12.10
Earnings per share, cents	10.1	17.7**
Earnings per share, diluted, cents	10.1	17.7**
Shareholders' equity / share, cents*	104.7	107.7
Share issue-adjusted number of shares	84,255,467	84,255,467
Number of shares as of 30.9	84,281,766	84,281,766
Number of shares outstanding	84,255,467	84,255,467
Number of company shares held by CapMan as of 30.9	26,299	26,299
Return on equity, % p.a.*	12.4	20.8**
Return on investment, % p.a.	11.9	19.7**
Equity ratio, %	61.9	58.5
Net gearing, %	14.4	7.3

\* In line with IFRS standards, the MEUR 29.0 hybrid bond has been included in equity when calculating equity per share and return on equity. The net interest on the hybrid bond for the review period has been included when calculating earnings per share.

\*\* Figures include one-off items.

### Board's proposal for distribution of profit

CapMan Plc's goal is to distribute at least 50% of net profit as dividends. CapMan Plc's distributable assets amounted to MEUR 13.8 on 31 December 2011 (MEUR 17.4 on 31 December 2010). CapMan Plc's Board of Directors will propose to the Annual General Meeting to be held on 14 March 2012 that a dividend of EUR 0.07 per share should be paid from the distributable assets for 2011 to shareholders, equivalent to a total of approx. MEUR 5.9. A dividend of EUR 0.12 per share was paid for 2010.

### Fundraising during 2011 and capital under management as of 31 December 2011

Capital under management refers to the remaining investment capacity of funds and capital already invested at acquisition cost. Capital increases as fundraising for new funds progresses and declines as exits are made.

Increased economic uncertainty during the second half of 2011 was reflected in the global fundraising market. The slow-down in the M&A market delayed the exits made by private equity funds and the resulting distributions made to investors. The reduction in the amount of capital repaid to investors has affected their ability to make new investment commitments.\* Over the short term, investors' interest in private equity funds has also declined as a result of the lower value generated by other classes of investments and increased regulation affecting the industry. Globally, the overall amount of capital raised for new funds was historically at a low level during 2011\*, and the fundraising market is expected to continue to remain challenging during 2012.

CapMan continued fundraising for its CapMan Mezzanine V fund during 2011, and the final size of the fund reached MEUR 95. CapMan also initiated fundraising preparations for a Nordic real estate fund. CapMan's next significant new fundraising rounds will take place in 2012. Despite the challenging market situation, CapMan's fundraising is well-placed to succeed, thanks to CapMan's strong market position, long-term investor relations, historically good levels of returns, and more than 20 years' experience in the private equity industry.



Capital under management totalled MEUR 3,065.9 as of 31 December 2011 (31 December 2010: MEUR 3,231.1). The reduction in the size of this capital compared to 2010 is attributable to the exits made in 2011. Of total capital under management, MEUR 1,632.0 (MEUR 1,795.2) was held in funds making investments in portfolio companies and MEUR 1,433.9 (MEUR 1,435.9) in real estate funds.

Funds under management, together with their investment activities, are presented in more detail in Appendices 1 and 2.

### **Other events during the review period**

CapMan sold its real estate consulting business to the business' management at the end of June. The transaction did not have a substantive impact on CapMan's 2011 result. Following the divestment, CapMan Real Estate will focus on managing the company's real estate funds. CapMan Partner Mika Matikainen was appointed Head of the CapMan Real Estate team as of 1 July 2011.

CapMan acquired Corintium Oy's 20% stake in the managing companies of CapMan's current real estate funds at the end of June and now owns these companies in full. These transactions did not have a substantive impact on CapMan's result for 2011 or the administration and carried interest agreements related to existing real estate funds.

CapMan signed a partnership agreement in September with NEP Partners, a real estate investment and management company founded in 2005 that operates mainly in Sweden. The aim of the new partnership is to extend CapMan Real Estate's operations to the broader Nordic market, and, in line with this, CapMan has initiated fundraising preparations for establishing a Nordic real estate private equity fund.

### **Events after the end of the review period**

CapMan Plc issued a flagging notice on 3 January 2012 linked to the change in Legg Mason Inc.'s ownership of CapMan Plc that took place on 28 December 2011, stating that the total number of CapMan Plc shares held by Legg Mason Inc. had fallen below 5%.

Based on the recommendation by the Remuneration Committee, CapMan Plc's Board of Directors decided on 2 February 2012 to increase the proportion of carried interest payable to the Buyout team to reflect general practice in the field and investors' requirements regarding compensation of investment professionals. The aim is to align the interests of fund investors and investment professionals and thereby create the basis for even more successful fund management business operations over the long term. The share of carried interest payable to the investment teams was changed in respects of the CapMan Equity VII A, B, C, and Sweden funds and in the CapMan Buyout VIII fund. Investment professionals' share of CapMan's carried interest is approximately 40% in the CapMan Buyout VIII fund and 25% on average in CapMan Equity VII funds.

### **Personnel**

CapMan employed a total of 122 people as of 31 December 2011 (31.12.2010: 150), of whom 79 (103) worked in Finland and the remainder in the other Nordic countries, Russia, and Luxembourg. The drop in personnel numbers during 2011 is largely attributable to the sale of the real estate consulting business and efficiency enhancement measures carried out during the year. A breakdown of personnel by country and team is presented in the Tables section.

### **Authorisations held by the Board of Directors**

Following a decision by the Annual General Meeting, CapMan Plc's Board of Directors is authorised to purchase CapMan B shares and accept them as pledges, and decide on a share issue and the issuance of stock option rights and other entitlements related to CapMan shares. These authorisations will remain in force until 30 September 2012 and their content is covered in more detail in the stock exchange release related to the decisions adopted by the AGM issued on 30 March 2011.



## Shares and share capital

There were no changes in CapMan Plc's share capital during 2011. Share capital as of 31 December 2011 totalled EUR 771,586.98. Although no changes took place in the total of number of shares, the numbers of B and A shares changed following the share conversion announced on 22 December 2011, which resulted in the number of B shares as of the end of the year standing at 78,531,766 and the number of A shares at 5,750,000. As of the end of 2010, the number of B shares totalled 78,281,766 and the number of A shares 6,000,000.

B shares entitle holders to one vote per share and A shares to 10 votes per share.

## Shareholders

The number of CapMan Plc shareholders increased by over 15% during 2011 and totalled 5,659 as of 31 December 2011 (31 December 2010: 4,834). Five flagging notices were issued during the year.

As a result of share transactions carried out by shareholders of CapMan Plc A shares on 6 October 2011, the Ilmarinen Mutual Pension Insurance Company's share of the total number of CapMan Plc's shares and voting rights exceeded 5%, while Ari Tolppanen's and Oy Aristo-Invest Ab's combined share of the total number of shares in CapMan Plc fell below 10% and their combined share of voting rights in CapMan Plc exceeded 20%. Heikki Westerlund's and Heiwes Oy's combined share of the voting rights in CapMan Plc exceeded 10%, and CapMan Partners B.V.'s share of the total number of shares and voting rights in CapMan Plc fell below 5%. Flagging notices related to the above changes in share ownership were issued on 6 October 2011.

In addition, a flagging notice was issued on 22 December 2011 announcing that Ari Tolppanen and Oy Aristo-Invest Ab's combined share of voting rights in CapMan Plc had fallen below 20%.

CapMan Plc issued a flagging notice on 3 January 2012 linked to the change in Legg Mason Inc.'s ownership of CapMan Plc that took place on 28 December 2011, stating that the total number of CapMan Plc shares held by Legg Mason Inc. had fallen below 5%.

## Company shares

As of 31 December 2011, CapMan Plc held a total of 26,299 CapMan Plc B shares. There were no changes in the number of shares held by CapMan Plc during the year.

## Stock option programmes

As of 31 December 2011, CapMan Plc had one stock option programme in place – Option Programme 2008 – as part of its incentive and commitment arrangements for personnel. The maximum number of stock options issued under Option Programme 2008 will be 4,270,000, which will carry an entitlement to subscribe to a maximum of 4,270,000 new B shares. The programme is divided into A and B series, both of which cover a maximum of 2,135,000 option entitlements. The share subscription price of the 2008A options is EUR 2.53 and of the 2008B option EUR 0.96. The subscription period for 2008A options started on 1 May 2011 and will start on 1 May 2012 for 2008B options. Receivables from shares subscribed to under these options will be entered in the company's unrestricted shareholders' equity. As of the end of December 2011, 1,809,750 2008A stock option entitlements and 1,490,000 2008B stock option entitlements were allocated.

## Trading and market capitalisation

CapMan Plc's B shares closed at EUR 1.01 on 31 December 2011 (31 December 2010: EUR 1.78). The average price during the year was EUR 1.39 (EUR 1.98). The highest price paid was EUR 1.84 (EUR 1.98) and the lowest EUR 0.90 (EUR 1.28). The number of CapMan Plc B shares traded was significantly higher than during 2010, with a total of 24.1 million (14.1 million) shares traded, valued at MEUR 32.0 (MEUR 22.0).

The market capitalisation of CapMan Plc B shares as of 31 December 2011 was MEUR 79.3 (31 December 2010: MEUR 139.3). The market capitalisation of all company shares, including A shares valued at the closing price of B shares, was MEUR 85.1 (MEUR 150.0).



## **Publication of the Financial Statements and the Report of the Board of Directors, and the Annual General Meeting for 2012**

The key details of the CapMan Group's Financial Statements and the Report of the Board of Directors for 2011 will be published in the company's Annual Report for 2011 in Week 8. CapMan Plc's 2012 Annual General Meeting will be held on Wednesday 14 March 2012 at 10.00 am in Helsinki. Complete financial statements, as required under the terms of the Finnish Companies Act, will be available on CapMan's website by 22 February 2012 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 electronic Annual Report for 2011 in Week 8 and will be available on the company's website.

### **Significant risks and short-term uncertainties**

CapMan's Management Company business is generally profitable on an annual basis, but a major element of uncertainty is associated with forecasting the company's overall financial performance because of the timing of revenue generated from possible carried interest and the development of the fair value of fund investments. Should the current uncertainty surrounding general economic developments continue, it will impact CapMan's operations through a weakening of the exit market and a decline in the fair value of CapMan's own fund investments.

If prolonged, the uncertainty in the market is also likely to impact fundraising by reducing fund investors' willingness to make new commitments as a result of postponed distributions and the denominator affecting allocations between different asset classes. The fundraising environment is expected to remain challenging during 2012, which could impact the outcome of fundraising during the year. The EU's Basel III and Solvency II legislative initiatives limit the ability of European banks and insurance companies to invest in private equity funds, and could also impact CapMan's fundraising and the amount of capital that it has under management, as well as any new management fees that CapMan might receive.

### **Business environment**

Long-term growth prospects in terms of the demand for private equity funds continue to remain good, but the current market turmoil and its impact have reduced activity in the private equity industry. It is difficult at the moment to predict how the prevailing uncertainty will affect investors' willingness to make new commitments in the near future. International investor interest is currently focused primarily on small and mid-cap buyout funds. Compared to other areas of Europe, interest in the Nordic countries has increased in relative terms as a result of the European debt crisis.

Private equity has consolidated its position in financing M&A activities and growth, and continues to focus typically on sector consolidation, family successions, and the privatisation of public services and functions. Real estate funds, for their part, have gained an established share of institutional investors' investment allocations.

CapMan funds investing in portfolio companies will continue to implement their investment strategies. Bank financing continues to be available especially for small and mid-sized M&A transactions and real estate investments in the Nordic countries. Continued financial turmoil reduces the visibility of both deal flow and bank financing during the early part of the year. As a result, the future development of the exit market is uncertain. The portfolios of CapMan's funds contain a number of investments that the company is now ready to exit.

The development of our portfolio companies during 2011 was largely good, and profit and growth projections for 2011 were generally achieved. The turnover and profit projections for portfolio companies in 2012 are also largely positive. In accordance with IPEVG criteria, the fair value development of portfolio companies will also be impacted by how the profit projections and market valuations of listed companies develop and by how the currencies used in our areas of operations perform against the Euro. We plan to keep sufficient reserves in our funds to support the growth and financing of portfolio companies. Long-term cooperation with the Nordic banks is particularly important for us, and has worked well.

In the real estate market, a significant proportion of transactions in recent years have taken place between Finnish investors, mainly institutional investors. International investor interest in the Finnish real estate market has mainly



focused on prime properties with a lower risk ratio, but the number of these on offer has been small. Demand for higher-risk properties was low in 2011 and led to a low overall number of real estate transactions. This low volume was also impacted in part by the lower level of loan capital available. The leasing market remained reasonably stable, although some downward pressure on rate levels was seen. Growth in the retail sector continued during the fourth quarter, although at a significantly lower level than during the third quarter.

CapMan funds investing in portfolio companies have some MEUR 537 available for making new and add-on investments, while real estate funds have an investment capacity of approximately MEUR 61, mainly for developing their existing portfolios.

The European Directive on Alternative Investment Fund Managers (AIFM directive) came into force on 21 July 2011, after which member states will have 24 months to integrate it into national legislation. The directive stipulates an operating license for participants, as well as other significant requirements, including fund investor and authority reporting. Thanks to its organisation and operating model, CapMan is in a good position to operate within the requirements of these new regulations.

### **Changes in reporting**

We have amended the table of funds presented in Appendix 1 to make it easier for investors to evaluate the carried interest potential of our funds. The biggest changes affect the way that funds are categorised and the projections provided regarding when they will transfer to carry. We estimate that funds in exit and value creation phase will transfer to carry within 1-5 years. In respect of funds in this category, we also report the cash flow as of the reporting date that must be repaid to investors before the funds in question can transfer to carry. In the future, we will not provide any projections on the timetable under which individual funds are expected to transfer to carry. A more detailed description of these changes in reporting can be found in Appendix 1.

We have also changed the method we use for calculating the capital managed by our real estate funds. This new method has been adopted as of 31 December 2011. Under this, calculations of the amount of capital managed by CapMan's real estate funds do not take account of uninvested loan capital, on which no management fee is payable under fund agreements. As a result, the figure given for the amount of capital under management provides a better picture of the management fee base represented by CapMan's funds. The adoption of the new calculation method reduced the amount of capital managed by CapMan as of 31 December 2011 by MEUR 271.8. To ensure comparability, the figures for 31 December 2010 have been restated using the new method in respect of capital under management.

### **Future outlook**

CapMan's next major fundraising rounds will take place in 2012. The development of the company's management fees during 2012 will depend on the timing of exits made from current funds and the size and timing of new funds to be established.

Our operating expenses will continue to decline as a result of various efficiency enhancement measures taken. Due to our fundraising efforts, management fees will not fully cover operating expenses until the new funds currently in the process of being established reach an adequate size.

The fair value of CapMan's fund investments developed favourably during 2011. We believe that our portfolio companies are well-placed to continue performing well in this respect during 2012, which would have a positive effect on the fair value development of our fund investments.

The Group's overall result for 2012 will mainly depend on whether new exits are made by funds already generating carried interest, whether new funds will transfer to carry, and on how the value of investments develops in those funds in which CapMan is a substantial investor. Due to difficulties to forecast these developments, CapMan will not issue guidance on its result for the full year.



The CapMan Group will publish its Interim Report for 1 January - 31 March 2012 on Friday, 4 May 2012.

Helsinki, 3 February 2012

CAPMAN PLC  
Board of Directors

**Press conference:**

A press conference (in Finnish) for analysts and the media will be held today at 12.00 EET in CapMan's offices at Korkeavuorenkatu 32, Helsinki at which CapMan's CEO Lennart Simonsen will present the result and review the market situation. A light lunch will be served.

Presentation material for the press conference will be published in Finnish and English on the CapMan Group's website once the conference has started.

**Further information:**

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\* Preqin Private Equity Spotlight, December 2011

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

Appendix 1: The CapMan Group's funds under management as of 31 December 2011, MEUR  
Appendix 2: Operations of CapMan's funds under management, 1 January – 31 December 2011

The logo for CapMan, featuring the word "CapMan" in a serif font. The "C" is significantly larger and more stylized than the other letters, and the "a" is lowercase. The text is white and set against a dark grey rectangular background.

## Accounting principles

The Financial Statements Bulletin has been prepared in accordance with the International Financial Standards (IFRS) and interpretations in force as of 31 December 2011. The information presented in the Financial Statements Bulletin is un-audited.

### GROUP STATEMENT OF COMPREHENSIVE INCOME (IFRS)

€ ('000)	10-12/11	10-12/10	1-12/11	1-12/10
<b>Turnover</b>	<b>6,832</b>	8,488	<b>32,440</b>	38,150
Other operating income	<b>29</b>	22,898	<b>670</b>	22,963
Personnel expenses	<b>-5,975</b>	-9,597	<b>-22,349</b>	-25,241
Depreciation and amortisation	<b>-178</b>	-223	<b>-811</b>	-884
Impairment of goodwill	<b>0</b>	-3,839	<b>0</b>	-3,839
Other operating expenses	<b>-3,286</b>	-3,739	<b>-11,704</b>	-12,835
Fair value gains / losses of investments	<b>2,629</b>	1,055	<b>12,849</b>	2,707
<b>Operating profit</b>	<b>51</b>	15,043	<b>11,095</b>	21,021
Financial income and expenses	<b>346</b>	397	<b>559</b>	560
Share of associated companies' result	<b>-698</b>	-122	<b>2,055</b>	2,358
<b>Profit / loss before taxes</b>	<b>-301</b>	15,318	<b>13,709</b>	23,939
Income taxes	<b>877</b>	-4,790	<b>-2,622</b>	-6,383
<b>Profit for the period</b>	<b>576</b>	10,528	<b>11,087</b>	17,556
<b>Other comprehensive income:</b>				
Translation differences	<b>-32</b>	148	<b>-31</b>	461
<b>Total comprehensive income</b>	<b>544</b>	10,676	<b>11,056</b>	18,017
<b>Profit attributable to:</b>				
Equity holders of the company	<b>576</b>	10,538	<b>10,899</b>	17,328
Non-controlling interests	<b>0</b>	-10	<b>188</b>	228
<b>Total comprehensive income attributable to:</b>				
Equity holders of the company	<b>544</b>	10,686	<b>10,868</b>	17,789
Non-controlling interests	<b>0</b>	-10	<b>188</b>	228
<b>Earnings per share for profit attributable to the equity holders of the Company:</b>				
Earnings per share, cents	<b>0.0</b>	11.8	<b>10.1</b>	17.7
Diluted, cents	<b>0.0</b>	11.8	<b>10.1</b>	17.7

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



**GROUP BALANCE SHEET (IFRS)**

€ ('000)	31.12.11	31.12.10
<b>ASSETS</b>		
<b>Non-current assets</b>		
Tangible assets	438	602
Goodwill	6,204	6,406
Other intangible assets	1,881	2,42
Investments in associated companies	8,347	6,400
Investments at fair value through profit and loss		
Investments in funds	70,167	66,504
Other financial assets	597	619
Receivables	19,601	24,778
Deferred income tax assets	4,025	4,923
	<b>111,260</b>	112,656
<b>Current assets</b>		
Trade and other receivables	5,467	4,619
Other financial assets at fair value through profit and loss	378	980
Cash and bank	21,887	34,049
	<b>27,732</b>	39,648
Non-current assets held for sale	3,501	3,501
<b>Total assets</b>	<b>142,493</b>	155,805
<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	38,679	38,679
Translation difference	38	69
Retained earnings	9,784	12,241
	<b>88,241</b>	90,729
<b>Non-controlling interests</b>	<b>0</b>	273
<b>Total equity</b>	<b>88,241</b>	91,002
<b>Non-current liabilities</b>		
Deferred income tax liabilities	2,569	3,078
Interest-bearing loans and borrowings	28,753	35,371
Other liabilities	1,131	1,331
	<b>32,453</b>	39,780

**Current liabilities**

Trade and other payables	15,269	17,395
Interest-bearing loans and borrowings	6,250	6,250
Current income tax liabilities	280	1,378
	<b>21,799</b>	<b>25,023</b>

**Total liabilities** 54,252 64,803

**Total equity and liabilities** 142,493 155,805

**GROUP STATEMENT OF CHANGES IN EQUITY****Attributable to the equity holders of the Company**

EUR ('000)	Share capital	Share premium account	Other reserves	Translation differences	Retained earnings	Total	Non-controlling interest	Total equity
<b>Equity on 1 Jan 2010</b>	772	38,968	37,347	-392	1,097	77,792	413	78,205
Options			1,332		-729	603		603
Dividends					-3,370	-3,370	-309	-3,679
Hybrid bond, interest (net of tax)					-2,414	-2,414		-2,414
Other changes					329	329	-59	270
Comprehensive profit				461	17,328	17,789	228	18,017
<b>Equity on 31 Dec 2010</b>	772	38,968	38,679	69	12,241	90,729	273	91,002
<b>Equity on 1 Jan 2011</b>	772	38,968	38,679	69	12,241	90,729	273	91,002
Options					591	591		591
Dividends					-10,114	-10,114	-222	-10,336
Hybrid bond, interest (net of tax)					-2,414	-2,414		-2,414
Other changes					384	384		384
Comprehensive profit				-31	10,899	10,868	188	11,056
Acquisition of non-controlling interests					-1,803	-1,803	-239	-2,042
<b>Equity on 30 Sep 2011</b>	772	38,968	38,679	38	9,784	88,241	0	88,241



**STATEMENT OF CASH FLOW (IFRS)**

€ ('000)	1-12/11	1-12/10
<b>Cash flow from operations</b>		
Profit for the financial year	<b>11,087</b>	17,556
Adjustments	<b>-10,350</b>	-15,958
<b>Cash flow before change in working capital</b>	<b>737</b>	1,598
Change in working capital	<b>-1,142</b>	9,003
Financing items and taxes	<b>-7,788</b>	-4,580
<b>Cash flow from operations</b>	<b>-8,193</b>	6,021
<b>Cash flow from investments</b>	<b>14,607</b>	19,979
<b>Cash flow before financing</b>	<b>6,414</b>	26,000
Dividends paid	<b>-10,336</b>	-3,679
Other net cash flow	<b>-8,240</b>	-6,250
<b>Financial cash flow</b>	<b>-18,576</b>	-9,929
<b>Change in cash funds</b>	<b>-12,162</b>	16,071
Cash funds at start of the period	<b>34,049</b>	17,978
<b>Cash funds at end of the period</b>	<b>21,887</b>	34,049

## Segment information

The Group reports two segments: Management Company business and Fund Investment business.

10-12/2011 € ('000)	Management Company business			Fund	Total
	CapMan Private Equity	CapMan Real Estate	Total	Investment business	
Turnover	5,427	1,405	6,832	0	6,832
Operating profit/loss	-1,603	-685	-2,288	2,339	51
Profit/loss for the financial year	-2,033	-685	-2,718	3,294	576

10-12/2010 € ('000)	Management Company business			Fund	Total
	CapMan Private Equity	CapMan Real Estate	Total	Investment business	
Turnover	6,426	2,062	8,488	0	8,488
Operating profit/loss	15,284	-993	14,291	752	15,043
Profit/loss for the financial year	11,397	-1,305	10,092	436	10,528

1-12/2011 € ('000)	Management Company business			Fund	Total
	CapMan Private Equity	CapMan Real Estate	Total	Investment business	
Turnover	24,633	7,807	32,440	0	32,440
Operating profit/loss	-45	-1,024	-1,069	12,164	11,095
Profit/loss for the financial year	-651	-1,024	-1,675	12,762	11,087
Assets	8,362	627	8,989	102,271	111,260
Total assets includes:					
Investments in associated companies	0	0	0	8,347	8,347
Non-current assets held for sale	3,501	0	3,501	0	3,501

1-12/2010 € ('000)	Management Company business			Fund	Total
	CapMan Private Equity	CapMan Real Estate	Total	Investment business	
Turnover	29,745	8,405	38,150	0	38,150
Operating profit/loss	19,844	-908	18,936	2,085	21,021
Profit/loss for the financial year	15,326	-1,235	14,091	3,465	17,556
Assets	9,272	1,519	10,791	101,865	112,656
Total assets includes:					
Investments in associated companies	0	0	0	6,400	6,400
Non-current assets held for sale	3,501	0	3,501	0	3,501



## 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.

After completing a tax audit in Finland, the Finnish tax authorities asserted that some of the operations of the Group's parent company, CapMan Plc, include financial services exempt from VAT and that the parent company should not deduct VAT on certain costs incurred as a result. CapMan Plc disagrees with this assertion and intends to appeal the decision and submit a request for rectification. The claim from the tax authorities is approximately MEUR 1.0. CapMan has not booked a contingency to cover this in its Financial Statements for 2011.

## Dividend

A dividend of €0.12 per share, total €10.1 million, was paid for 2010. The dividend was paid to shareholders on 11 April 2011 (A dividend of €0.04 per share, totalling €3.4 million, was paid for 2009.)

## Non-current assets

€ ('000)	31.12.11	31.12.10
Investments in funds at fair value through profit and loss at Jan 1	<b>66,504</b>	59,421
Additions	<b>11,847</b>	11,822
Distributions	<b>-19,530</b>	-6,759
Fair value gains/losses on investments	<b>11,346</b>	2,020
Investments in funds at fair value through profit and loss at end of the period	<b>70,167</b>	66,504

## Investments in funds at fair value through profit and loss at the end of period

	31.12.11	31.12.10
Buyout	<b>37,458</b>	36,933
Mezzanine	<b>3,835</b>	4,238
Russia	<b>2,836</b>	1,488
Public Market	<b>3,631</b>	3,610
Real Estate	<b>6,038</b>	5,302
Other	<b>11,961</b>	10,307
Access	<b>4,408</b>	4,626
In total	<b>70,167</b>	66,504

## Transactions with related parties (associated companies)

€ ('000)	31.12.11	31.12.10
Receivables - non-current at end of review period	<b>18,682</b>	23,126
Receivables - current at end of review period	<b>890</b>	765

## Non-current liabilities

€ ('000)	31.12.11	31.12.10
Interest bearing loans at end of review period	<b>28,753</b>	35,371



## Seasonal nature of CapMan's business

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

### Personnel

<b>By country</b>	<b>31.12.11</b>	<b>31.12.10</b>
Finland	<b>79</b>	103
Denmark	<b>2</b>	3
Sweden	<b>18</b>	22
Norway	<b>8</b>	7
Russia	<b>14</b>	14
Luxembourg	<b>1</b>	1
In total	<b>122</b>	150

### By team

CapMan Private Equity	<b>54</b>	64
CapMan Real Estate	<b>21</b>	43
CapMan Platform	<b>47</b>	43
In total	<b>122</b>	150

### Contingent liabilities

<b>€ ('000)</b>	<b>31.12.11</b>	<b>31.12.10</b>
Leasing agreements	<b>7,534</b>	9,191
Securities and other contingent liabilities	<b>67,143</b>	68,146
Remaining commitments to funds	<b>24,425</b>	36,299
Remaining commitments by investment area		
Buyout	<b>10,008</b>	15,910
Mezzanine	<b>4,826</b>	5,069
Russia	<b>2,113</b>	3,225
Public Market	<b>299</b>	1,443
Real Estate	<b>942</b>	1,215
Other	<b>4,328</b>	7,414
Access	<b>1,909</b>	2,023
In total	<b>24,425</b>	36,299



## Turnover and profit quarterly

2011

MEUR	1-3/11	4-6/11	7-9/11	10-12/11	1-12/11
Turnover	8.2	7.6	9.8	6.8	32.4
Management fees	7.1	6.8	6.8	6.4	27.1
Carried interest	0.4	0.0	2.6	0.1	3.1
Real Estate consulting	0.5	0.5	0.0	0.0	1.0
Other income	0.2	0.3	0.4	0.3	1.2
Other operating income	0.0	0.6	0.0	0.0	0.6
Operating expenses	-8.3	-9.2	-7.9	-9.5	-34.9
Fair value gains of investments	4.1	6.2	-0.1	2.6	12.8
Operating profit	4.0	5.2	1.8	0.1	11.1
Financial income and expenses	0.4	0.0	-0.2	0.4	0.6
Share of associated companies' result	0.5	1.9	0.4	-0.7	2.1
Profit before taxes	4.8	7.2	2.0	-0.3	13.7
Profit for the period	3.7	5.2	1.6	0.6	11.1

2010

MEUR	1-3/10	4-6/10	7-9/10	10-12/10	1-12/10
Turnover	11.4	9.6	8.7	8.5	38.2
Management fees	8.4	8.9	7.9	7.7	32.9
Carried interest	2.4	0.1	0.1	0.0	2.6
Real Estate consulting	0.4	0.4	0.4	0.4	1.6
Other income	0.2	0.2	0.3	0.4	1.1
Other operating income	0.1	0.0	0.0	22.9	23.0
Operating expenses	-8.3	-8.6	-8.5	-17.4	-42.8
Fair value gains / losses of investments	1.1	-0.7	1.3	1.0	2.7
Operating profit	4.3	0.2	1.5	15.0	21.0
Financial income and expenses	-0.1	0.1	0.2	0.4	0.6
Share of associated companies' result	0.8	1.1	0.6	-0.1	2.4
Profit after financial items	5.0	1.4	2.2	15.3	23.9
Profit for the period	3.5	1.7	1.8	10.6	17.6

CapMan

## APPENDIX 1: THE CAPMAN GROUP'S FUNDS UNDER MANAGEMENT AS OF 31 DECEMBER 2011, MEUR

The tables below show the status of the funds managed by CapMan as of 31 December 2011. CapMan groups its funds into four categories in terms of their life cycle as follows: 1) Funds generating carried interest; 2) Funds in exit and value creation phase; 3) Funds in active investment phase; and 4) Funds with no carried interest potential for CapMan. We amended the categories in the table of funds as of 31 December 2011. A comparison between the old and new categories is shown below.

<b>Old category</b>	<b>New category</b>
Funds generating carried interest	Funds generating carried interest
Funds that are expected to transfer to carry during 2011-2012	Funds in exit and value creation phase
Other funds not yet in carry	Funds in active investment phase
Funds with no carried interest potential to CapMan	Funds with no carried interest potential for CapMan

Exits made by funds generating carried interest provide CapMan with immediate carry revenue, 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 active investment phase is likely to be realised over the next 5-10 years. The last category comprises funds that 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 (relevant especially 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. The definitions of the column headings are shown below the table.



## FUNDS INVESTING IN PORTFOLIO COMPANIES

	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 31.12.2011	CapMan's share of cash flow if fund generates carried interest
			At cost	At fair value		To investors	To mgmt company		
<b>Funds generating carried interest</b>									
Fenno Program <sup>1)</sup> , FM II B, FV V, FM III B									
Total	258.0	252.2	18.1	13.6	1.3	406.8	17.4		10-20%
<b>Funds in exit and value creation phase</b>									
FM III A	101.4	100.6	22.6	23.3	2.6	120.8		9.4	20%
CME VII A <sup>6)</sup>	156.7	152.9	72.4	75.6	4.5	148.0		61.3	15%
CME VII B <sup>6)</sup>	56.5	56.5	26.3	31.4	2.4	69.1		9.0	13%
CME Sweden <sup>6)</sup>	67.0	66.4	31.0	32.4	1.9	63.6		27.6	15%
CMB VIII <sup>2) 6)</sup>	440.0	374.6	244.8	262.5	6.7	153.1		345.1	12%
CMLS IV	54.1	47.1	31.1	34.0	1.7	12.1		47.8	10%
CMT 2007 <sup>2)</sup>	99.6	68.4	42.3	55.5	0.2	2.4		84.3	10%
CMPM	138.0	129.4	101.6	100.5	0.1	53.4		88.7	10%
Total	1,113.3	995.9	572.1	615.2	20.1	622.5		673.2	
<b>Funds in active investment phase</b>									
CMR	118.1	73.3	48.8	59.6	0.4				3.4%
CMB IX	294.6	208.7	178.5	194.6	2.3	9.4			10%
CMM V	95.0	19.3	18.0	20.0	0.5	0.5			10%
Total	507.7	301.3	245.3	274.2	3.2	9.9			
<b>Fund with no carried interest potential for CapMan</b>									
FV IV, FV VET, SWE LS <sup>3)</sup> , SWE Tech <sup>2), 3)</sup> , CME VII C <sup>6)</sup> , FM II A, C, D <sup>2)</sup> , FM III C, CMM IV <sup>4)</sup>									
Total	579.5	552.2	185.4	164.7	19.4	359.0			
<b>Total-private equity funds</b>	<b>2,458.5</b>	<b>2,101.6</b>	<b>1,020.9</b>	<b>1,067.7</b>	<b>44.0</b>	<b>1,398.2</b>	<b>17.4</b>	<b>673.2</b>	



## REAL ESTATE FUNDS

	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 31.12.2011	CapMan's share of cash flow if fund generates carried interest
			At cost	At fair value		To investors	To mgmt-company		
<b>Funds in exit and value creation phase</b>									
CMRE I <sup>5)</sup>									
Equity and bonds	200.0	188.5	59.9	45.9		205.3	27.4		26%
Debt-financing	300.0	277.2	70.5	70.5					
<b>Total</b>	<b>500.0</b>	<b>465.7</b>	<b>130.4</b>	<b>116.4</b>	<b>1.6</b>	<b>205.3</b>	<b>27.4</b>	<b>65.0</b>	
CMRE II									
Equity and bonds	150.0	109.5	116.9	108.6		0.5			12%
Debt-financing	450.0	268.4	257.2	257.2					
<b>Total</b>	<b>600.0</b>	<b>377.9</b>	<b>374.1</b>	<b>365.8</b>	<b>-2.4</b>	<b>0.5</b>		<b>145.9</b>	
<b>Total</b>	<b>1,100.0</b>	<b>843.6</b>	<b>504.5</b>	<b>482.2</b>	<b>-0.8</b>	<b>205.8</b>	<b>27.4</b>	<b>210.9</b>	
<b>Funds in active-investment phase</b>									
CMRHE									
Equity and bonds	332.5	315.3	361.6	307.0		27.2			12%
Debt-financing	617.5	537.6	507.1	507.1					
<b>Total</b>	<b>950.0</b>	<b>852.9</b>	<b>868.7</b>	<b>814.1</b>	<b>-3.6</b>	<b>27.2</b>			
PSH Fund									
Equity and bonds	5.0	3.5	3.5	6.2		0.5			10%
Debt-financing	8.0	8.0	7.8	7.8					
<b>Total</b>	<b>13.0</b>	<b>11.5</b>	<b>11.3</b>	<b>14.0</b>	<b>0.1</b>	<b>0.5</b>			
<b>Total</b>	<b>963.0</b>	<b>864.4</b>	<b>880.0</b>	<b>828.1</b>	<b>-3.5</b>	<b>27.7</b>			
<b>Real Estate funds total</b>	<b>2,063.0</b>	<b>1,708.0</b>	<b>1,384.5</b>	<b>1,310.3</b>	<b>-4.3</b>	<b>233.5</b>	<b>27.4</b>	<b>210.9</b>	



**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	PSH Fund	= Project Specific Hotel Fund
CMPM	= CapMan Public Market Fund	SWE LS	= Swedestart Life Science
CMR	= CapMan Russia Fund	SWE Tech	= Swedestart Tech

**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:**

Fund investments in portfolio companies are valued at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines (IPEVG, [www.privateequityvaluation.com](http://www.privateequityvaluation.com)), and investments in real estate assets are valued in accordance with the appraisals of external experts.

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.

Cash flow, in this context, includes both profit distributed by funds and repayments of capital. After the previous distribution of profits, any new capital called in, as well as any annual preferential returns on it, must be returned to investors before any new distribution of profits can be paid.

**Footnotes to the tables**

- 1) The Fenno Fund (established in 1997, transferred to carry in 2005) and the Skandia I fund (established in 1997, transferred to carry in 2005) together form the Fenno Program, which is jointly managed with Fenno Management Oy.
- 2) The fund comprises two or more legal entities (parallel funds are presented separately only if the focuses of their investment or portfolios differ significantly).
- 3) Currency items are valued at the average exchange rates quoted on 31 December 2011.



- 4) CapMan Mezzanine IV: The paid-in commitment includes a MEUR 192 bond issued by Leverator Plc. Distributed cash flow includes payments to both bond subscribers and to the fund's partners.
- 5) 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 43.9 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 that further carried interest will be provided by the CapMan Real Estate I fund. As a result, the fund is no longer included in the category of funds in carry. A total of some MEUR 6 of carried interest was not entered in CapMan's profit in 2007 but held in reserve in case some carried interest might have to be returned to investors in the future.

- 6) CapMan Plc's Board of Directors made a decision on 2 February 2012 to increase Buyout investment teams' share of carried interest to better reflect the prevailing industry practices. In the case of the CapMan Buyout VIII fund, the investment teams' share is approximately 40%, and in the case of the CapMan Equity VII funds approximately 25%.

## **APPENDIX 2: OPERATIONS OF CAPMAN'S FUNDS UNDER MANAGEMENT, 1 JANUARY – 31 DECEMBER 2011**

The operations of the private equity funds managed by CapMan in 2011 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 areas in the Nordic countries and one in Russia. These are mid-size buyouts (CapMan Buyout), investments in mid-sized companies operating in Russia (CapMan Russia), and significant minority shareholdings in listed small and mid-cap companies (CapMan Public Market). The investment focus of CapMan's real estate funds is on real estate properties in Finland and the other Nordic countries. CapMan also has two other investment areas (CapMan Technology and CapMan Life Science), which do not make new investments, but concentrate instead on developing the value of their existing portfolio companies. These two latter investment areas are reported under "Other" in Private Equity.

### **CAPMAN PRIVATE EQUITY**

#### **Investments in portfolio companies in 2011**

CapMan funds made nine new investments in 2011, together with a number of add-on investments, investing MEUR 168.7 in all. Add-on investments accounted for under a third of the total. New investments were made in B&B Tools AB, Design-Talo Oy, Eastway Oy, Expert Photo, Lumex, Siberian Networks, Solera AS, Virial, as well as an investment by CapMan's Public Market fund that has not yet been disclosed. Major add-on investments were made in Esperi Care Oy, Nice Entertainment Oy, and Walki Group Oy. During 2010, CapMan funds made nine new investments and several add-on investments totalling MEUR 196.2

#### **Exits from portfolio companies in 2011**

CapMan funds exited completely from 14 companies during 2011. Final exits were made from Aerocrine AB, Affecto Plc, EM4 Inc, Fastrax Oy, Jolife AB, Mirasys Oy, Moventas Oy, Movial Applications Oy, OneMed Group, Proxima Intressenter AB, Region Avia, SaaSplaza B.V, SMEF Group A/S, and A&R Carton AB. Partial exits were made from Cardinal Foods Oy and Ordyhna Holding. Exits had a combined acquisition cost of MEUR 205.4. During 2010, complete exits were made from 11 companies and partial exits from two, with a combined acquisition cost of MEUR 114.4.

#### **Events after the close of the review period**

The CapMan Technology 2007 fund exited Inmeta Crayon ASA in January 2012. The exit will not have a substantive impact on CapMan Plc's result for 2012, as the fund is not in carry.



The CapMan Equity VII A, B, and Sweden funds made a complete exit and the Finnmezzanine III A and III B funds a partial exit from Ordyhna Holding A/S in January 2012. These exits will not have an impact on CapMan Plc's result for 2012 or have a significant impact on cash flow.

## CAPMAN REAL ESTATE

### Investments in and commitments to real estate acquisitions and projects in 2011

The CapMan RE II fund invested in an office property in Helsinki in May. A number of add-on investments were also made by the company's real estate funds, the most significant of which were linked to a shopping centre site in Hyvinkää, a business property in Turku, and a hotel property in the centre of Helsinki. New and add-on investments totalled MEUR 56.6, with the majority focused on developing existing properties. In addition, funds were committed to finance real estate acquisitions and projects valued at MEUR 43.0 as of 31 December 2011. During 2010, funds made one new investment and a number of add-on investments totalling MEUR 45.6. Commitments to finance new projects totalled MEUR 45.0 as of 31 December 2010.

### Exits from real estate investments in 2011

The CapMan Real Estate I fund exited two properties – Kiinteistö Oy Munkkiniemen puistotie 25 and Kiinteistö Oy Tuusulan Pysäkkikuja 1 – during the review period, with a combined acquisition cost of MEUR 35.1. During the comparable period last year, one exit was made, with an acquisition cost of MEUR 8.7.

## FUND INVESTMENT ACTIVITIES IN FIGURES

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

	1-12/2011	1-12/2010	
<b>New and add-on investments</b>			
Funds investing in portfolio companies	<b>168.7</b>	196.2	
Buyout	<b>108.7</b>		118.0
Russia	<b>20.6</b>		14.4
Public Market	<b>31.8</b>		35.6
Other	<b>7.6</b>		28.2
Real estate funds	<b>56.6</b>	45.6	
<b>Total</b>	<b>225.3</b>	241.8	
<b>Exits*</b>			
Funds investing in portfolio companies	<b>205.4</b>	114.4	
Buyout	<b>159.3</b>		66.3
Russia	<b>10.0</b>		-
Public Market	<b>6.5</b>		19.1
Other	<b>29.6</b>		29.0
Real estate funds	<b>35.1</b>	8.7	
<b>Total</b>	<b>240.5</b>	123.1	

\* 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 43.0 as of 31 December 2011.

**Funds' combined portfolio\* as of 31 December 2011, MEUR**

	<b>Portfolio at acquisition cost</b>	<b>Portfolio at fair value</b>	<b>Share of portfolio (fair value) %</b>
Funds investing in portfolio companies	1,020.9	1,067.7	44.9
Real estate funds	1,384.5	1,310.3	55.1
<b>Total</b>	<b>2,405.4</b>	<b>2,378.0</b>	<b>100.0</b>
Funds investing in portfolio companies			
Buyout	717.7	763.7	71.5
Russia	48.8	59.6	5.6
Public Market	101.6	100.5	9.4
Other	152.8	143.9	13.5
<b>Total</b>	<b>1,020.9</b>	<b>1,067.7</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 537 for new and add-on investments as of 31 December 2011. Of their remaining capital, approx. MEUR 362 was earmarked for buyout investments (incl. mezzanine investments), approx. MEUR 69 for technology investments, approx. MEUR 16 for life science investments, approx. MEUR 59 for investments by the CapMan Russia team, and approx. MEUR 31 for investments by the CapMan Public Market team. Real estate funds had a remaining investment capacity of approx. MEUR 61, which has been reserved primarily for developing funds' existing investments.