

CapMan Plc Financial Statements Bulletin 2018

Significant strategic projects were completed

CapMan has raised more than €400 million new capital under management since October 2018.



CapMan Plc 2018 Financial Statements Bulletin – Significant strategic projects were completed

Performance and main events

- Group turnover was MEUR 36.0 1 Jan–31 Dec 2018 (MEUR 34.8 1 Jan–31 Dec 2017).
- Management fees and fees from services were MEUR 32.5 combined (MEUR 26.7), growth was 22 per cent.
- Change in fair value of investments was MEUR 5.1 (MEUR 17.6). Developments in the trading portfolio had a MEUR 5.7 negative impact on fair values in the last quarter of the year.
- Operating profit was MEUR 12.0 (MEUR 19.5).
- Profit for the period after taxes was MEUR 8.5 (MEUR 15.5).
- Diluted earnings per share for the period were 5.4 cents (10.2 cents).
- CapMan Real Estate's investment mandate from BVK increased to MEUR 820 in the end of 2018. The mandate is fully invested.
- CapMan Infra fund held a second close of MEUR 141 in the end of 2018.
- CapMan has today announced an acquisition of 60 per cent of JAM Advisors, a reporting, analysis and wealth management firm.
- CapMan's Board of Directors proposes a dividend of EUR 0.12 per share for 2018 to be distributed to shareholders.

Growth in fees in 2018

+22%

Fee-based profitability and growth in 2018*

€6.2m

+108%

Capital under management as of 31 Dec 2018

€3,043m

Dividend proposal

€0.12/share

**Fee-based profitability includes Management Company and Service business operating profit less carried interest and any items affecting comparability.*

Joakim Frimodig, CEO:

“Our core business developed strongly in 2018. Fees from fund and investment management and services grew by 22 per cent in 2018. The growth will continue strong in 2019. Since October 2018, we have raised more than MEUR 400 new capital under management. This new capital will contribute over MEUR 4 in fee income to CapMan annually, in full already in 2019. The growth of our service business will also continue strong.



Since October 2018, we have raised more than MEUR 400 new capital under management

Fee-based profitability was more than MEUR 6 in 2018, growing more than 100 per cent from 2017. We expect this positive trend to continue in 2019 following growth in management fees and continued good cost efficiency. Stronger fee-based profitability enables us to smooth out fluctuations in profitability and improve the predictability of our business.

We expand our product and service portfolio in line with our strategy and strengthen our distribution. Significant projects completed in the last few months support these objectives:

Our infrastructure fund was established in October and had raised more than MEUR 140 in equity commitments by the end of the year. Fundraising continues as planned in 2019. There is international interest in investing in Nordic infrastructure and we are among the frontrunners in bringing products that specialise in this strategy to market;

We completed two significant mandate-based real estate and infrastructure deals in December and January to large international investors: German BVK and Korean NHIS and NH-Amundi. The mandates demonstrate CapMan’s ability to serve international investors in a flexible manner parallel with traditional fund-based products;

We have today announced an acquisition of JAM Advisors, a Finnish company providing reporting, analysis and wealth management services. The acquisition supports our objective to develop specialised, high value-add services, while expanding our customer networks. CapMan’s objective is to grow JAM’s services significantly and scale up its commercial operations in full. We also seek to offer select private assets products to JAM’s customer base in addition to the existing service portfolio.

Despite the positive developments in the Management Company and Services businesses, the general weak development of the capital markets in the last few months of the year had a negative impact on the fair value of our trading portfolio, and by extension on the fourth quarter result for the Group. We have sold more than MEUR 35 (net) in shares and other market instruments from our trading portfolio and invested proceeds mainly in our own new products in accordance with our strategy. Market investments are not part of CapMan’s core business, and we aim to continue reducing the trading portfolio during 2019. Investments into own funds and products have performed well, returning approx. 10 per cent in 2018.

CapMan’s Board of Directors proposes that a dividend of EUR 0.12 per share to be paid. CapMan’s growing business, strong balance sheet and significant liquid and distributable earnings support our long-term objective to distribute an annually growing dividend to our shareholders.”

Group turnover and result in 2018

The Group's turnover totalled MEUR 36.0 (Jan-Dec 2017: MEUR 34.8). The growth in turnover was mainly due to the increase in management fees and fees from services, which were MEUR 32.5 (MEUR 26.7) combined and grew by 22 per cent from the comparison year.

Operating expenses were MEUR 29.1 (MEUR 33.0). Excluding MEUR 4.2 in items affecting comparability in 2017, expenses were stable.

Fair value changes of investments were MEUR 5.1 (MEUR 17.6). The smaller change compared to the comparison period was mainly due to the MEUR 5.7 decrease in the fair value of the trading portfolio especially in the last quarter of the year.

The Group's operating profit was MEUR 12.0 (MEUR 19.5).

Financial income and expenses amounted to MEUR -2.7 (MEUR -3.2) and it included an arrangement fee of MEUR 0.2 related to the pay back of MEUR 30 bond. Financial expenses decreased due to the repayment of the bond in Q4 2017 and the repayment of the bond and the bank loan in Q2 2018.

Profit before taxes was MEUR 9.3 (MEUR 16.2) and profit after taxes was MEUR 8.5 (MEUR 15.5). Profit before taxes and profit after taxes for the comparison period were significantly affected by the exit from Idean, which contributed a total of MEUR 9.4 before taxes and MEUR 7.5 after taxes.

Earnings per share were 5.5 (10.4) cents. Diluted earnings per share were 5.4 (10.2) cents. Accrued interest payable on the hybrid bond, net of taxes, as well as penalties related to the early redemption for the corresponding period last year has been deducted when calculating earnings per share.

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

Management Company business

Turnover generated by the Management Company business for the review period totalled MEUR 24.2 (MEUR 25.1).

Management fees totalled MEUR 22.1 (MEUR 19.5). The growth in management fees consisted mainly of management fees from CapMan Nordic Infrastructure I, CapMan Nordic Property Income, CapMan Nordic Real Estate II and CapMan Growth funds. In addition, the fees from CapMan Infra's first investment, Elenia, were included in turnover.

Carried interest income for the review period totalled MEUR 1.0 (MEUR 4.4) and was mainly received from the exit from InfoCare as well as from Access Capital funds. In the comparison period, CapMan received carried interest income from Access Capital funds as well as CapMan Equity VII fund.

Operating expenses of the Management Company business amounted to MEUR 21.4 (MEUR 22.4). Operating profit of the Management company business totalled MEUR 2.8 (MEUR 2.7). Profit for the review period was MEUR 2.3 (MEUR 2.2).

Service business

Turnover generated by Service business totalled MEUR 8.7 (MEUR 5.6) and the growth consisted mainly of the success fees of Scala Fund Advisory offering fundraising and advisory services and the continued strong growth in net sales of procurement service CaPS. A significant part of the fees for Scala are success fees, which were recognised especially in the first half of the year. Success fees may vary from one period to the next.

Operating expenses of the Service business amounted to MEUR 4.8 (MEUR 3.6). The operating profit of the Service business was MEUR 4.4 (MEUR 2.3). The profit for the review period was MEUR 3.4 (MEUR 1.8). The improved profit for the segment was due to the success fees recorded for the review period and the overall increase in fee income.

Investment business

Turnover of the Investment business was MEUR 2.5 in 2018 (MEUR 3.7 in 2017) and comprised dividend and interest income from financial assets held for trading. Turnover decreased due to disposal of assets from the trading portfolio during the review period.

Operating profit for the Investment business was MEUR 6.5 (MEUR 17.3). Profit for the Investment business was MEUR 4.2 (MEUR 13.7). The significantly lower profit of the Investment business compared to the previous year was mainly due to the MEUR 5.7 decrease in fair value of the trading portfolio during the last quarter of the year in line with general market development. In 2017, the exit from Idean contributed MEUR 9.4 to operating profit and MEUR 7.5 to profit.

Table 1: CapMan's investments booked at fair value as at 31 December 2018

	Fair value 31 Dec 2018 (MEUR)
Fund investments	80.6
Investments in joint ventures	4.5
Other financial assets	2.5
Trading portfolio	39.0
Total	126.1

Fair value of **fund investments** was MEUR 80.6 on 31 December 2018 (MEUR 58.3). Fair value changes of fund investments were MEUR 8.1 (MEUR 3.4) in 2018, representing a 9.0% increase in value (2017: +6.6%). The positive change in the fair value of fund investments during the year was mainly due to exits completed during 2018 as well as positive development in the valuation of portfolio companies and real estate. Fund investments also include investments in funds not managed by CapMan.

CapMan invested a total of MEUR 31.9 (MEUR 10.5) in funds in 2018. CapMan made investments, among others, into CapMan Growth-, CapMan Nordic Real Estate II- and CapMan Nordic Property- funds and into Elenia, the first investment of CapMan Infra. CapMan received distributions from funds totalling MEUR 17.4 (MEUR 7.2). The majority of the distributions came from CapMan Growth fund's exit from Fluido and Buyout VIII fund's exit from Walki. The amount of remaining commitments that have not yet been called totalled MEUR 98.0 as at 31 December 2018 (31 December 2017: MEUR 67.1). The commitments include approx. MEUR 30 into CapMan Nordic Infrastructure I fund.

The fair value of the **trading portfolio**, which invests in market instruments, was MEUR 39.0 on 31 December 2018 (MEUR 77.1 on 31 December 2017). The fair value of the trading portfolio decreased by MEUR 5.7 during the last quarter of the year and approx. MEUR 15 was divested during the quarter. In 2018, a total of approx. MEUR 35.0 of the assets in trading portfolio were allocated to CapMan's funds and other investments, as well as cash instruments.

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

Balance sheet and financial position as

at 31 December 2018

CapMan's balance sheet totalled MEUR 206.0 as at 31 December 2018 (31 December 2017: MEUR 211.3). Non-current assets amounted to MEUR 99.8 (MEUR 102.1), of which goodwill totalled MEUR 4.7 (MEUR 4.5).

As at 31 December 2018, fund investments booked at fair value totalled MEUR 80.6 (MEUR 58.3 as at 31 December 2017).

Other financial assets booked at fair value were MEUR 2.5 (MEUR 0.1). The fair value of investments in joint ventures was MEUR 4.5 (MEUR 4.9).

Long-term receivables amounted to MEUR 5.1 (MEUR 3.1).

Current assets amounted to MEUR 106.2 (MEUR 109.2). Financial assets booked at fair value, i.e. current investments, were MEUR 39.0 (MEUR 77.1) and included the trading portfolio. Cash in hand and at banks amounted to MEUR 54.5 (MEUR 23.3).

CapMan's interest-bearing net debt amounted to MEUR 5.2 as at 31 December 2018 (MEUR 24.6). CapMan's total interest-bearing debt as at 31 December 2018 is outlined in Table 2.

Table 2: CapMan's interest bearing debt

	Debt amount 31 Dec 2018 (MEUR)	Matures latest	Annual interest (%)	Debt amount 31 Dec 2017 (MEUR)
Bank financing	-	-	-	8.5
Multi-issuer bond (issued in 2014)	10	Q2 2019	1.85	10
Senior bond (issued in 2015)	-	-	-	30
Senior bond (issued in 2018)	50	Q2 2023	4.13	-
Long-term credit facility (available)	(20)	-	-	(10)

CapMan Plc's long-term credit facility include financing covenants, which are conditional on the company's equity ratio and net gearing ratio. CapMan honoured all covenants as at 31 December 2018.

Trade and other payables totalled MEUR 16.8 (MEUR 26.8).

The Group's cash flow from operations totalled MEUR -4.7 for the review period (MEUR -3.6). 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 +39.6 (MEUR +33.7) and includes, *inter alia*, investments and repaid capital received by the Group.

Cash flow before financing totalled MEUR +34.9 (MEUR +30.1) and reflects the development in the Management Company business,

Service business and Investment business. Cash flow from financing was MEUR -3.7 (MEUR -51.8), due to the new bond issued in April 2018 with the principal amount of MEUR 50.

Board's proposal for distribution of profit

CapMan Plc's objective is to distribute an annually growing dividend to shareholders. CapMan Plc's Board of Directors will propose to the Annual General Meeting to be held on 13 March 2019 that a dividend of EUR 0.12 per share will be paid to shareholders, equivalent to a total of approx. MEUR 17.7. A dividend of EUR 0.11 per share, totalling MEUR 16.1, was paid for 2017. CapMan Plc's distributable earnings amounted to MEUR 90.3 on 31 December 2018 (MEUR 111.9 on 31 December 2017).

Capital under management as at 31 December 2018

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

Capital under management was MEUR 3,043 as at 31 December 2018 (31 December 2017: MEUR 2,924). The increase in capital under management was mainly due to the establishment of CapMan Nordic Infrastructure I fund and the growth in the mandate from BVK, and in the last quarter of the year, capital under management grew by MEUR 362, or 14 per cent. Capital under management per fund type is displayed in Table 3.

Table 3: Capital under management

	31.12.18 (MEUR)	31.12.17 (MEUR)
Real Estate funds	1,896	1,758
Private Equity funds	809	1,032
Infra and Credit funds	338	134
Total capital under management	3,043	2,924

Capital under management as of 31 December 2018 does not include the Infra mandate that was completed after the end of the financial year.

In June 2018, CapMan has clarified the calculation method of capital under management in order to better reflect the amount of the assets at the reporting date. Due to this, the figures in the comparison period differ from figures reported earlier.

Key figures 31 December 2018

CapMan's return on equity was 6.5 per cent (31 December 2017: 11.5 per cent) and return on investment 6.7 per cent (10.1 per cent). Equity ratio was 58.7 per cent (60.0 per cent).

According to the CapMan's long-term financial targets, the target level for the company's return on equity is on average over 20 per cent. The objective for the equity ratio is more than 60 per cent p.a.

Table 4: CapMan's key figures

	31.12.18	31.12.17
Earnings per share, cents	5.5	10.4
Diluted, cents	5.4	10.2
Shareholders' equity / share, cents	82.6	87.3
Share issue adjusted number of shares	146,521,760	145,179,460
Number of shares at the end of period	147,142,163	145,625,985
Number of shares outstanding	147,115,864	145,599,686
Company's possession of its own shares, end of period	26,299	26,299
Return on equity, %, p.a.	6.5	11.5
Return on investment, %, p.a.	6.7	10.1
Equity ratio, %	58.7	60.0
Net gearing, %	4.3	19.4
Net interest-bearing liabilities, EUR million	5.2	24.6

Authorisations given to the Board by the AGM

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

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

Publication of the Financial Statements and the Report of the Board of Directors, and the Annual General Meeting for 2019

CapMan Group's Financial Statements and the Report of the Board of Directors for 2018 will be published as part of the company's Annual Report for 2018 in February 2019 during week 8. CapMan Plc's 2019 Annual General Meeting will be held on Wednesday 13 March 2019 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 20 February 2019 the latest.

Complete financial statements, as required under the terms of the Finnish Companies Act, will be available on CapMan's website by 20 February 2019 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 2018 during week 8 and will be available on the company's website by 20 February 2019 the latest.

Shares and shareholders

Shares and share capital

There were no changes in CapMan Plc's share capital during the review period.

Share capital totalled EUR 771,586.98 as at 31 December 2018. CapMan had 147,142,163 shares outstanding as at 31 December 2018.

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

Company shares

As at 31 December 2018, CapMan Plc held a total of 26,299 CapMan shares, representing 0.02 % of shares and voting rights. The market value of own shares held by CapMan was EUR 38,660 as at 31 December 2018 (31 December 2017: EUR 46,549). No changes occurred in the number of own shares held by CapMan Plc during the review period.

Trading and market capitalisation

CapMan Plc's shares closed at EUR 1.47 on 31 December 2018 (31 December 2017: EUR 1.77). The trade-weighted average price for the review period was EUR 1.60 (EUR 1.58). The highest price paid was EUR 1.81 (EUR 1.80) and the lowest EUR 1.39 (EUR 1.24). The number of CapMan Plc shares traded totalled 29.4 million (49.7 million), valued at MEUR 46.9 (MEUR 78.1).

The market capitalisation of CapMan Plc shares as at 31 December 2018 was MEUR 216.6 (31 December 2017: MEUR 257.8).

Shareholders

The number of CapMan Plc shareholders increased by 13 per cent from the corresponding period last year and totalled 18,278 as at 31 December 2018 (31 December 2017: 16,237). There were no flagging notices issued in 2018.

Personnel

CapMan employed 117 people in average during 2018 (2017 average: 113), of whom 77 (71) worked in Finland and the remainder in the other Nordic countries, Russia, Luxembourg and the United Kingdom. A breakdown of personnel by country is presented in the Tables section of this report.

Compensation schemes

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

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

The long-term scheme of CapMan consists of an investment based long-term share-based incentive plan for key employees.

In the investment based long-term share-based incentive plan the participants are committed to shareholder value creation by investing a significant amount into the CapMan Plc share. The investment-based long-term incentive plan includes one performance period. The performance period will commence on 1 April 2018 and end on 31 March 2021. The participants may earn a matching reward and a performance-based reward from the performance period. The prerequisite for receiving reward on the basis of the plan is that a participant acquires company's shares or allocates previously owned company's shares up to the number determined by the Board of Directors. The performance-based reward from the plan is based on the company share's Total Shareholder Return (TSR) and on a participant's employment or service upon reward payment. The rewards from the Plan will be paid fully in the company's shares in 2021. The Board shall resolve whether new Shares or existing Shares held by the Company are given as reward. The target group of the Plan consists of approximately 20 people, including the members of the Management Group.

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

option plans 2013 and 2016. The terms of the option programmes can be found on CapMan's website at www.capman.com.

Significant events during the financial year

CapMan Real Estate's Nordic investment mandate from BVK grew to MEUR 820 following a significant transaction in the end of 2018. Following the acquisition, the mandate is fully invested and generates long-term advisory and performance fees for CapMan.

In October, CapMan Nordic Infrastructure I fund held its first close and by the end of the year, it had received commitments of MEUR 141. The funds target size is more than MEUR 300. The fund pays CapMan management fees and carried interest in line with industry standards.

CapMan announced a new dividend policy and updated long-term financial objectives in August. The company's objective is to pay an annually increasing dividend to its shareholders. The combined growth objective for Management Company and Service business is more than 10 per cent p.a. on average. The return on equity target is more than 20 per cent p.a. on average. The objective for the equity ratio is more than 60 per cent.

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

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

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

Events after the review period

CapMan has announced that it will acquire 60 per cent of Finnish analysis, reporting and wealth management company JAM Advisors Oy. The acquisition provides CapMan with significant new and technologically advanced service business and wealth management

services and expands CapMan's networks among new customer segments. The acquisition will be completed with a directed issue of 5,110,000 new CapMan shares to the owners of JAM Advisors. The acquisition is expected to be completed in February 2019.

CapMan Infra completed its second investment based on a mandate from NHIS and NH-Amundi, leading Korean financial institutions. The investment was made into an onshore wind park in Sweden.

Significant risks and short-term uncertainties

General risks

Private equity investment is generally subject to a risk of non-liquid investments, among others, which means uncertainty of the realisation of any increase in value, a risk concerning general economic development and market situation and a risk concerning the economy and political situation of target countries. The general risks are heightened in CapMan's operations in Russia, which may impair CapMan's goodwill.

Market risks

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, including its trading portfolio.

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.

Risks related to the success of the business

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 reasons that are independent of CapMan may make it more difficult to raise funds from new or current investors in the future.

Gaining new customers or the launch of new investment areas, products or service businesses may also fail, which may prevent or hamper the realisation of CapMan's growth objectives.

Risks related to fair value changes in portfolio companies, real estate or infrastructure investments

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

The fair values of real estate and infrastructure investments may also vary between review periods based on changes in, inter alia, demand, capacity, condition or exit process. The variations are typically smaller compared to the variations in the fair value of portfolio companies.

Risks related to carried interest and other performance-based income

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

Group companies managing a fund may in certain circumstances, pursuant to the terms of the fund agreement, have to return carried interest income they have received (so-called clawback). The obligation to return carried interest income applies typically when, according to the final distribution of funds, the carried interest income received by the fund management company exceeds the carried interest it is entitled to when the fund expires.

CapMan recognises revenue from carried interest, to the extent carried interest is based on realised cash flows and repayment risk is estimated to be very low, CapMan is entitled to carried interest, a confirmation on the amount has been received and CapMan is relatively close to receiving it in cash. Returned carried interest income based on clawback conditions would in turn have a negative impact on CapMan's result as a potential clawback provision may not be sufficient. CapMan has recorded a EUR 7.6 million clawback provision for the CapMan Real Estate I KY fund. The sufficiency of the provision is reviewed quarterly by the management but its actual amount will only be known after all target investments of the fund have been liquidated. One real estate investment remains in the fund. The realisation of the clawback liability would have a negative cash flow impact and it is possible that the provision made is not sufficient.

Risks related to the availability or cost of financing

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.

Risks related to the change in the regulatory environment

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.

Financial objectives and outlook estimate for 2019

CapMan's objective is to pay an annually increasing dividend to its shareholders.

The combined growth objective for Management Company and Service 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. CapMan's equity ratio target is more than 60 per cent.

CapMan expects to achieve these financial objectives gradually and key figures are expected to show fluctuation on an annual basis considering the nature of the business. CapMan expects management fees and fees from services to continue growing in aggregate in 2019. Our objective is to improve the aggregate profitability of Management Company and Service businesses before carried interest income and any possible items affecting comparability.

The return on CapMan's investments have a substantial impact on CapMan's overall result. The development of industries and local economies, market instrument and inflation development, valuation multiples of peer companies, exchange rates and various other factors outside of CapMan's control, as well as the combined effect of the aforementioned factors, influence fair value development of CapMan's overall investments in addition to portfolio company and asset-specific development.

CapMan's objective is to improve results in the longer term, taking into account annual fluctuations affecting the business. For these and other above-mentioned reasons, CapMan does not provide numeric estimates for 2019.

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

Helsinki 31 January 2019

CAPMAN PLC

Board of Directors

CapMan Group's 1–3 2019 Interim Report is published on Thursday 25 April 2019.

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www.capman.com

Group Statement of Comprehensive Income (IFRS)

€ ('000)	10-12/18	10-12/17	1-12/18	1-12/17
Management fees	5 592	5 202	22 123	19 583
Sale of services	2 927	2 119	10 337	7 108
Carried interest	122	1 291	1 022	4 418
Dividend and interest income from financial assets held for trading	244	230	2 510	3 735
Turnover	8 885	8 842	35 992	34 843
Other operating income	0	3	4	15
Personnel expenses	-5 030	-7 433	-19 863	-21 366
Depreciation and amortisation	-27	-1 541	-171	-1 716
Other operating expenses	-2 788	-3 010	-9 102	-9 876
Fair value changes of investments	-3 987	-306	5 092	17 582
Operating profit	-2 947	-3 445	11 951	19 482
Financial income and expenses	-672	-761	-2 669	-3 171
Share of the income of investments accounted for using the equity method		-87		-87
Profit before taxes	-3 619	-4 293	9 282	16 224
Income taxes	443	1 098	-801	-757
Profit for the period	-3 176	-3 195	8 481	15 467
Other comprehensive income:				
Translation differences	118	-247	71	-256
Total comprehensive income	-3 058	-3 442	8 552	15 211

Profit attributable to:				
Equity holders of the company	-2 979	-3 189	8 064	15 473
Non-controlling interest	-197	-5	418	-5
Total comprehensive income attributable to:				
Equity holders of the company	-2 861	-3 437	8 134	15 216
Non-controlling interest	-197	-5	418	-5
Earnings per share for profit attributable to the equity holders of the Company:				
Earnings per share, cents	-2,0	-2,2	5,5	10,4
Diluted, cents	-2,0	-2,2	5,4	10,2

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

Group Balance Sheet (IFRS)

€ ('000)	31.12.18	31.12.17
ASSETS		
Non-current assets		
Tangible assets	317	287
Goodwill	4 704	4 547
Other intangible assets	85	208
Investments accounted for using the equity method		
Investments at fair value through profit and loss		
Investments in funds	80 583	58 264
Growth equity investments		28 840
Other financial assets	2 548	142
Investments in joint ventures	4 470	4 917
Receivables	5 075	3 143
Deferred income tax assets	2 026	1 752
	99 808	102 100
Current assets		
Trade and other receivables	12 646	8 725
Financial assets at fair value through profit and loss	39 006	77 144
Cash and bank	54 544	23 291
	106 196	109 160
Total assets	206 003	211 259

€ ('000)	31.12.18	31.12.17
EQUITY AND LIABILITIES		
Capital attributable the Company's equity holders		
Share capital	772	772
Share premium account	38 968	38 968
Other reserves	83 812	82 550
Translation difference	-286	-357
Retained earnings	-2 728	4 766
Total capital attributable to the Company's equity holders	120 537	126 699
Non-controlling interests	433	-5
Total equity	120 970	126 694
Non-current liabilities		
Deferred income tax liabilities	3 285	8 573
Interest-bearing loans and borrowings	49 705	45 215
Other non-current liabilities	167	124
	53 157	53 912
Current liabilities		
Trade and other payables	16 808	26 837
Interest-bearing loans and borrowings	9 989	3 000
Current income tax liabilities	5 078	816
	31 875	30 653
Total liabilities	85 032	84 565
Total equity and liabilities	206 003	211 259

Group Statement of Changes in Equity

€ ('000)	Attributable to the equity holders of the Company						Non-controlling interests
	Share capital	Share premium account	Other reserves	Translation differences	Retained earnings	Total	
Equity on 1 January 2017	772	38 968	97 111	-101	6 229	142 979	
Profit for the year					15 473	15 473	-5
Other comprehensive income for the year							
Currency translation differences				-256		-256	
Total comprehensive income for the year				-256	15 473	15 217	-5
Share subscriptions with options			421			421	
Options			96		61	157	
Dividends					-13 047	-13 047	
Share issue			-78			-78	
Hybrid bond, interest and other expenses			-15 000		-3 950	-18 950	
Equity on 31 December 2017	772	38 968	82 550	-357	4 766	126 699	-5
Equity on 1 January 2018	772	38 968	82 550	-357	4 766	126 699	-5
Profit for the year					8 064	8 064	418
Other comprehensive income for the year							
Currency translation differences				71		71	
Total comprehensive income for the year				71	8 064	8 135	418
Share issue of non-controlling interests							20
Share subscriptions with options			1 139			1 139	
Options and Performance Share Plan			116		520	636	
Dividends					-16 079	-16 079	
Other changes			7			7	
Equity on 31 December 2018	772	38 968	83 812	-286	-2 728	120 537	433

Statement of Cash Flow (IFRS)

€ ('000)	1-12/18	1-12/17
Cash flow from operations		
Profit for the financial year	8 481	15 468
Adjustments on cash flow statement	-766	-11 810
Change in working capital:		
Change in current non-interest-bearing receivables	-5 853	-1 812
Change in current trade payables and other non-interest-bearing liabilities	-1 031	19
Interest paid	-2 438	-3 864
Taxes paid	-3 078	-1 624
Cash flow from operations	-4 686	-3 623
Cash flow from investing activities		
Acquisition of subsidiaries	-8 399	-1 173
Investments in tangible and intangible assets	-77	-260
Investments at fair value through profit and loss	47 204	32 560
Long-term loan receivables granted	-155	-236
Proceeds from long-term receivables	972	2 304
Dividends received		210
Interest received	67	286
Cash flow from investing activities	39 612	33 690
Cash flow from financing activities		
Share issue	1 146	421
Proceeds from borrowings	49 748	9 000
Repayment of long-term loan	-38 489	-42 000
Paid withheld tax on dividends	0	-6 151
Dividends paid	-16 079	-13 047
Cash flow from financing activities	-3 674	-51 777
Change in cash and cash equivalents	31 253	-21 710
Cash and cash equivalents at start of year	23 291	45 001
Cash and cash equivalents at end of year	54 544	23 291

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 new standards adopted, as presented below. 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.

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

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

With respect to IFRS 15, CapMan has disaggregated the turnover related disclosures in the statement of comprehensive income and segment information. The new standards did not have a material effect on the net profit or financial position of the group.

Items affecting comparability and alternative performance measures

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

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

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

Segment information

CapMan has three operating segments: the **Management Company business**, **Service business** and **Investments business**.

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

In the **Service business**, CapMan offers procurement services to companies in Finland and Sweden through CapMan Procurement Services (CaPS) and private equity advisory and fundraising services to private equity fund managers and investors through Scala Fund Advisory. Income from the Services business include fees from CapMan Procurement Services (CaPS) and fundraising advisory services (Scala).

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

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

Segment information 10-12/2018

€ ('000)	Management company business	Service business	Investment business	Other	Total
Management fees	5 592				5 592
Service fees	500	2 044		383	2 927
Carried interest	122				122
Dividend and interest income from financial assets held for trading			244		244
Turnover, external	6 214	2 044	244	383	8 884
Turnover, internal		98		-98	
Other operating income	0				0
Personnel expenses, of which	-3 084	-678	-43	-1 225	-5 030
Salaries and bonuses	-3 084	-678	-43	-1 046	-4 851
Share-based payment				-179	-179
Depreciation, amortisation and impairment	-13	-2		-12	-27
Other operating expenses	-1 699	-352	7	-744	-2 788
Internal service fees	-880	-310	-172	1 362	0
Fair value changes of investments			-3 987		-3 987
Operating profit	538	801	-3 951	-334	-2 947
Financial items			-672		-672
Income taxes	-108	-161	642	70	443
Profit for the period	431	640	-3 982	-264	-3 176
Earnings per share, cents					-2,0
Earnings per share, diluted, cents					-2,0

Segment information 10-12/2017

€ ('000)	Management Company business	Service business	Investment business	Other	Total
Management fees	5 168			34	5 202
Sale of services	240	1 506		372	2 119
Carried interest	1 291				1 291
Dividend and interest income from financial assets held for trading			230		230
Turnover, external	6 699	1 506	230	406	8 842
Turnover, internal		78		-78	0
Other operating income			3		3
Personnel expenses, of which	-4 103	-370	-663	-2 296	-7 433
Salaries and bonuses	-4 103	-370	-663	-2 273	-7 409
Share-based payment				-24	-24
Depreciation, amortisation and impairment	-1 533	1	-1	-8	-1 541
Other operating expenses	-1 638	-283	-305	-783	-3 010
Overhead costs	-1 011	-98	-186	1 294	0
Fair value changes of investments			-306		-306
Operating profit	-1 585	834	-1 228	-1 466	-3 445
Items affecting comparability					
Reassessment of potential repayment risk to the funds	117				117
Norvestia acquisition related costs			433		433
Norvestia integration related costs			497		497
Reorganisation costs	956				956
Goodwill impairment	1 500				1 500
Items affecting comparability, total	2 573		930		3 503
Adjusted operating profit	987	834	-298	-1 467	57

€ ('000)	Management Company business	Service business	Investment business	Other	Total
Financial items			-761		-761
Share of the income of investments accounted for using the equity method			-87		-87
Income taxes	310	-167	671	284	1 098
Profit for the period	-1 276	667	-1 405	-1 182	-3 195
Items affecting comparability					
Reassessment of potential repayment risk to the funds	94				94
Norvestia acquisition related costs			402		402
Norvestia integration related costs			460		460
Reorganisation costs	759				759
Goodwill impairment	1 500				1 500
Items affecting comparability, total	2 352		863		3 215
Adjusted profit for the period	1 077	667	-542	-1 182	20
Earnings per share, cents					-2,2
Items affecting comparability, cents					2,2
Adjusted earnings per share, cents					0,0
Earnings per share, diluted, cents					-2,2
Items affecting comparability, cents					2,1
Adjusted earnings per share, diluted, cents					-0,1

Segment information 1-12/2018

€ ('000)	Management Company business	Service business	Investment business	Other	Total
Management fees	22 123				22 123
Service fees	1 054	8 680		603	10 337
Carried interest	1 022				1 022
Dividend and interest income from financial assets held for trading			2 510		2 510
Turnover, external	24 199	8 680	2 510	603	35 992
Turnover, internal		442		-442	0
Other operating income	2			1	4
Personnel expenses, of which	-12 569	-2 417	-229	-4 647	-19 863
Salaries and bonuses	-12 569	-2 417	-229	-4 011	-19 226
Share-based payment				-636	-636
Depreciation, amortisation and impairment	-118	-7		-46	-171
Other operating expenses	-5 104	-1 086	-236	-2 677	-9 102
Internal service fees	-3 569	-1 240	-687	5 496	0
Fair value changes of investments			5 092		5 092
Operating profit	2 842	4 372	6 450	-1 712	11 951
Financial items			-2 669		-2 669
Income taxes	-568	-963	387	342	-801
Profit for the period	2 274	3 409	4 168	-1 369	8 481
Earnings per share, cents					5,5
Earnings per share, diluted, cents					5,4
Non-current assets	7 255	2 338	92 159	-1 944	99 808
Total assets include:					
Investments in joint ventures			4 470		4 470

Segment information 1-12/2017

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

€ ('000)	Management Company business	Service business	Investment business	Other	Total
Items affecting comparability					
Reassessment of potential repayment risk to the funds	117				117
Norvestia acquisition related costs			645		645
Norvestia integration related costs			1 204		1 204
Reorganisation costs	956				956
Goodwill impairment	1 500				1 500
Items affecting comparability, total	2 573		1 849		4 422
Adjusted operating profit	5 253	2 258	19 108	-2 717	23 903
Financial items					
Share of the income of investments accounted for using the equity method			-3 171		-3 171
Income taxes	-543	-452	-295	534	-757
Profit for the period	2 137	1 806	13 706	-2 183	15 467
Items affecting comparability					
Reassessment of potential repayment risk to the funds	94				94
Norvestia acquisition related costs			653		653
Norvestia integration related costs			1 025		1 025
Reorganisation costs	759				759
Goodwill impairment	1 500				1 500
Items affecting comparability, total	2 352		1 678		4 031
Adjusted profit for the period	4 489	1 806	15 385	-2 182	19 498
Earnings per share, cents					
Items affecting comparability, cents					10,4
Adjusted earnings per share, cents					13,1

€ ('000)	Management Company business	Service business	Investment business	Other	Total
Earnings per share, diluted, cents					10,2
Items affecting comparability, cents					2,7
Adjusted earnings per share, diluted, cents					13,0
Non-current assets	4 702		96 920	478	102 100
Total assets include:					
Investments in joint ventures			4 917		4 917

Income taxes

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

Dividends

A dividend of EUR 0.11 per share, totalling EUR 16.1 million, for the financial year 2017 was paid to the shareholders on March 23, 2018. The Board of Directors will propose to the Annual General Meeting to be held on 13 March 2019 that a dividend of EUR 0.12 per share will be paid to shareholders, equivalent to a total of approx. EUR 17.7 million.

Derivative contracts

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

€ ('000)	31.12.18	31.12.17
Index and foreign exchange derivatives, bought call options, sold put options and sold futures		
Fair value	-50	37
Underlying value	-21 207	-21 962

Non-current assets**Fair value hierarchy of financial assets measured at fair value at 31 December 2018**

	Level 1	Level 2	Level 3	Total
Investments in funds				
at Jan 1		19	58 245	58 264
Additions			31 868	31 868
Distributions		-4	-17 432	-17 436
Fair value gains/losses		-15	8 088	8 073
Transfers*			-187	-187
at the end of period		0	80 583	80 583
Growth equity investments				
at Jan 1			28 840	28 840
Additions			0	0
Decreases			-26 626	-26 626
Fair value gains/losses			-2 214	-2 214
at the end of period			0	0
Other investments				
at Jan 1		124	18	142
Additions		42		42
Fair value gains/losses			150	150
Transfers			2 214	2 214
at the end of period		166	2 381	2 547
Investments in joint ventures				
at Jan 1			4 917	4 917
Additions			106	106
Decreases			-832	-832
Fair value gains/losses			279	279
at the end of period			4 470	4 470
Current financial assets at FVTPL**	28 960	10 046		39 006

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 2 assets measured at fair value consist of investments for which the quoted price is available from markets that are not active. CapMan has measured level 2 investments using the last trading price of the reporting period end.

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

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

Investments in funds include the subsidiary, CapMan Fund Investments SICAV-SIF, with a fair value of EUR 42.9 million at the end of the reporting period.

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

**fair value through profit or loss

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

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

The different levels have been defined as follows:

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

Level 2 - Other than quoted prices included within Level 1 that are observable for the asset, either directly (that is, as price) or indirectly (that is, derived from prices). Fund investments on Level 2 are investments in the CapMan Public Market fund. All other fund investments are included in Level 3. Level 2 assets measured at fair value consist of investments for which the quoted price is available from markets that are not active. CapMan has measured level 2 investments using the last trading price of the reporting period end.

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

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

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

**fair value through profit or loss

Sensitivity analysis of Level 3 investments at 31 December 2018

Investment area	Fair value MEUR, 31 Dec 2018	Valuation methodology	Unobservable inputs	Used input value (weighted average)	Fair value sensitivity to a +/- 10% change in input value
Growth	13.7	Peer group	Peer group earnings multiples	EV/EBITDA 2018 10.8x	+/- 0.9 MEUR
			Discount to peer group multiples	26%	+/- 0.3 MEUR
Buyout	13.5	Peer group	Peer group earnings multiples	EV/EBITDA 2018 8.5x	+ 2.3 MEUR / - 2.5 MEUR
			Discount to peer group multiples	20%	+/- 0.6 MEUR
Real Estate	27.1	Valuation by an independent valuer			
Infra	5.5	Price of recent investment			
Russia	3.9	Peer group	Peer group earnings multiples	EV/EBITDA 2018 10.3x	+/- 0.3 MEUR
			Discount to peer group multiples	33%	+/- 0.1 MEUR

Investment area	Fair value MEUR, 31 Dec 2018	Valuation methodology	Unobservable inputs	Used input value (weighted average)	Fair value sensitivity to a +/- 10% change in input value
Credit	2.3	Discounted cash flows	Discount rate; market rate and risk premium	10%	value increase based on a change in the discount rate is not booked / - 0.1 MEUR
Funds of funds	0.3	Reports from PE fund management company			
Other investment areas	2.4	Peer group	Peer group earnings multiples	EV/EBITDA 2018 7.8x	+/- 0.1 MEUR
			Discount to peer group multiples	10%	+/- 0.0 MEUR
Investments in external PE funds	14.3	Reports from PE fund management company			
Investments in joint ventures	4.5	Peer group	Peer group earnings multiples	EV/EBITDA 2018 7,9x	+ 0.3 MEUR / - 0.4 MEUR
			Discount to peer group multiples	20 %	+/- 0.1 MEUR

Sensitivity analysis of Level 3 investments at 31 December 2017

Investment area	Fair value MEUR, 31 Dec 2017	Valuation methodology	Unobservable inputs	Used input value (weighted average)	Fair value sensitivity to a +/- 10% change in input value
Growth	28.8	Peer group	Peer group earnings multiples	EV/Sales 2017 1.1x EV/EBITDA 2017 10.9x	+/- 2.1 MEUR
			Discount to peer group multiples	26%	+/- 0.8 MEUR
Buyout	22.0	Peer group	Peer group earnings multiples	EV/EBITDA 2017 9.4x	+ 3,7 MEUR / - 3,8 MEUR
			Discount to peer group multiples	26%	+/- 1,4 MEUR
Real Estate	17.9	Valuation by an independent valuer			
Russia	4.5	Peer group	Peer group earnings multiples	EV/EBITDA 2017 11.5x	+/- 0,4 MEUR
			Discount to peer group multiples	30%	+/- 0,1 MEUR

Investment area	Fair value MEUR, 31 Dec 2018	Valuation methodology	Unobservable inputs	Used input value (weighted average)	Fair value sensitivity to a +/- 10% change in input value	
Credit	1.7	Discounted cash flows	Discount rate; market rate and risk premium	10%	value increase based on a change in the discount rate is not booked / - 0.1 MEUR	
Funds of funds	0.5	Reports from PE fund management company				
Other areas	investment	2.4	Peer group	Peer group earnings multiples	EV/EBITDA 2017 8.9x	+/- 0.1 MEUR
				Discount to peer group multiples	15%	+/- 0,0 MEUR
Investments in external PE funds	8.8	Reports from PE fund management company				
Investments in joint ventures	4.9	Peer group	Peer group earnings multiples	EV/EBITDA 2017 9.5x	+/- 0,6 MEUR	
			Discount to peer group multiples	29%	+/- 0,3 MEUR	

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

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

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

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

Determining the fair value of fund investments for funds investing in portfolio companies is carried out using International Private Equity and Venture Capital Valuation Guidelines (IPEVG). In estimating fair value for an investment, CapMan applies a technique or techniques that is/are appropriate in light of the nature, facts, and circumstances of the investment in the context of the total investment portfolio. In doing this, current market data and several inputs, including the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, and the financial situation 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 the qualitative nature of the valuation methodologies, the fair values are to a considerable degree based on CapMan's judgment.

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

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

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

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

Seasonal nature of business

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

Average personnel

By country	31.12.18	31.12.17*
Finland	77	71
Sweden	19	20
Denmark	4	3
Russia	11	13
Luxembourg	1	1
United Kingdom	5	5
In total	117	113

*Figures for the comparison period restated to correspond average number of personnel

Contingent liabilities

€ ('000)	31.12.2018	31.12.17
Leasing agreements	3 172	4 012
Securities and other contingent liabilities	37 959	35 765
Remaining commitments to funds	98 043	67 081
Remaining commitments by investment area		
Buyout	11 883	13 178
Credit	1 846	2 316
Russia	1 123	1 477
Real Estate	9 130	10 584
Other	3 610	3 272
Funds of funds	713	717
Growth equity	14 500	26 626
Infra	29 829	
External private equity funds	25 409	8 911
In total	98 043	67 081

Related party transactions

Commitments to related parties

€ ('000)	31.12.2018	31.12.17
Commitments to Maneq funds	3 797	3 903

Turnover and profit quarterly**2018**

MEUR	1-3/18	4-6/18	7-9/18	10-12/2018	1-12/2018
Turnover	8,5	11,4	7,2	8,9	36,0
Management fees	5,6	5,7	5,2	5,6	22,1
Sales of services	1,6	4,1	1,7	2,9	10,3
Carried interest	0,1	0,6	0,2	0,1	1,0
Dividend and interest income from financial assets held for trading	1,1	1,0	0,2	0,2	2,5
Other operating income	0,0	0,0	0,0	0,0	0,0
Operating expenses	-6,9	-8,1	-6,3	-7,8	-29,1
Fair value changes of investments	2,5	2,7	3,9	-4,0	5,1
Operating profit	4,1	6,0	4,8	-2,9	12,0
Financial income and expenses	-0,5	-1,0	-0,5	-0,7	-2,7
Profit / loss before taxes	3,5	5,1	4,3	-3,6	9,3
Profit / loss for the period	3,3	4,3	4,1	-3,2	8,5

2017

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