

A modern office interior featuring a glass-walled meeting pod in the foreground. Inside the pod, a woman with blonde hair is sitting on a bench, talking on a mobile phone. The pod has a white frame and large glass panels. In the background, there are black leather chairs, a table, and a person walking in a hallway. The floor is covered with a patterned carpet. The overall atmosphere is professional and contemporary.

CapMan

ANNUAL REPORT

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2016

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## The acquisition of Norvestia: Strategic measures that build shareholder value

In November 2016, CapMan announced a voluntary public exchange offer to acquire all of Norvestia Oyj's shares and securities entitling to shares. The exchange offer was carried out in December. As of January 2017, CapMan holds 92.5 per cent of Norvestia's shares. Altogether 4,639 Norvestia's shareholders accepted the exchange offer during the offer period or subsequent offer period.

As part of the arrangement, all of CapMan's series A shares have been converted into series B shares. As a result, CapMan only has one share series, which generates one vote per share and equal rights to a dividend and other distributions to shareholders made by the company.

CapMan has commenced the mandatory redemption proceedings of all Norvestia's shares with the objective to obtain all outstanding Norvestia's shares held by minority shareholders.

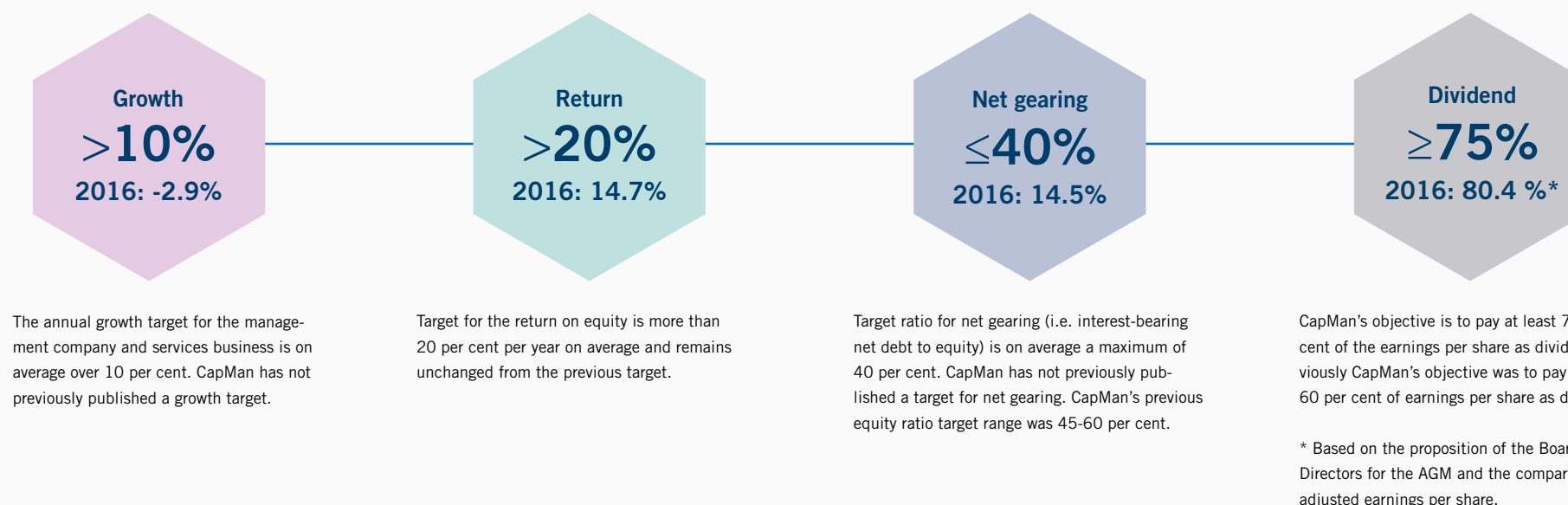
Norvestia's shares will be delisted from Nasdaq Helsinki after the redemption.

CapMan continues to realise synergies as Norvestia became CapMan's subsidiary. For example, Growth Equity is now one of CapMan's core investment strategies and CapMan will continue the operations while strengthening Norvestia's Growth Equity team.

Read more about the exchange offer and the redemption procedure at [www.capman.com/exchange-offer](http://www.capman.com/exchange-offer).

## CapMan's updated financial objectives

CapMan has updated its financial objectives as follows:





## CEO review

In 2016, we progressed as planned on many important strategic fronts and successfully grew shareholder value. Our operations now stand on several increasingly stable pillars.

Successes for the year included our services business, which grew by 80 per cent, our Nordic real estate fund, which is among the best-in-class in Europe, good exits in our investment operations as well as our strengthened position as a leading value-adding private equity fund manager. Our earnings per share have continued to develop in the right direction for four years now. This progress has been reflected in CapMan's share price, which rose 26 per cent in 2016, supported by a larger trading volume. Following the positive market cap development, CapMan was transferred to the mid cap category among companies traded on Nasdaq Helsinki.

### REAL ESTATE INVESTING IS A GROWING FIELD

Real Estate investment activity has continued strongly and our Real Estate team has completed several significant exits from the newest Nordic fund, among others. International investors are interested in the Nordic countries as well as value-adding strategies, and we are already preparing to raise the next Nordic real estate fund.

Investments made under the €400 million investment mandate from Germany's largest pension insurance company BVK complement our fund investments and improve the efficiency of our own resources. The mandate demonstrates the trust that international investors place in the local know-how and expertise of our Real Estate team.

### NORVESTIA STRENGTHENS CAPMAN'S POSITION AS A NORDIC PRIVATE EQUITY INVESTMENT AND ASSET MANAGEMENT COMPANY

The single most important strategic step was the execution of CapMan's exchange offer for Norvestia's shares. Following the transaction, Norvestia became a subsidiary of CapMan and we strengthened our position as a Nordic private equity investment



Heikki Westerlund  
CEO



In 2016, we progressed as planned on many important strategic fronts and successfully grew shareholder value.



Our objective is to further grow our operations related to asset management, fund management and services.

and asset management company. We have broadened our scope in Nordic private equity to also include smaller growth companies and minority investments. CapMan Growth Equity is a clear market leader by many indicators.

Following the acquisition of Norvestia, we are able to realise private equity strategies using our own investment capacity of approximately €200 million. We invest mainly through our own funds, but also directly in areas that our funds' current strategies do not cover. A strong balance sheet enables us to provide liquidity also to our fund investors, if necessary. Our shareholders can benefit from a cross-section of the Nordic private equity field through our own investments. However, our objective is not to purely be an investment company, but rather to further grow our operations related to asset management, fund management and services.

Central strategic themes alongside our profitable and high-quality growth are customer-focused operations (Best Private Equity Experience), active and profitable balance sheet investment, as well as the selective launch of new products, among others. For example, in February 2017, CapMan established CapMan Infra, which invests in Nordic infrastructure assets.

#### UPDATED FINANCIAL OBJECTIVES

CapMan renewed its financial objectives at the end of 2016. The growth objective for the Management Company and Services business is more than 10 per cent p.a. on average. The objective for return on equity is more than 20 per cent p.a. on average. The objective for net gearing, that is, ratio of net interest bearing debt to equity, is a maximum of 40 per cent on average. CapMan's objective is to pay at least 75 per cent of earnings per share as dividend.

CapMan expects to achieve these financial objectives gradually and key figures are expected to show seasonality. The dividend proposition for 2016 is nine cents, which corresponds to more than 80 per cent of our adjusted earnings per share. Our net gearing was 15 per cent at the end of 2016. The development of our financing structure and, for example, the repayment of our 2013 hybrid bond also add to our earnings per share. Reaching our objective for return on equity is feasible as the profitability of our Management Company & Services business improves through growth and a deliberate cost structure, our funds generate carried interest income and our Investment business generates typical returns for the industry. We have good and actionable plans to reach our growth objective.

#### STRENGTHENING OUR CULTURE OF WORKING TOGETHER

CapMan's Helsinki office moved to Ludviginkatu, a stone's throw away from the old headquarters. The move has provided us with new and modern premises that enable us to work more effectively together, while providing significant annual savings. CapMan today is an international company that generates added value for customers and shareholders through expertise and active measures. We strive to constantly regenerate in order to meet the requirements of an evolving market. This is accomplished by being present and by understanding market changes, listening to customer feedback and, above all, through the actions of CapMan's knowledgeable and motivated staff.



CapMan today is an international company that generates added value for customers and shareholders through expertise and active measures.

I would like to extend a warm thank you for 2016 also to our customers as well as CapMan's expanded shareholder base.

Heikki Westerlund  
CEO

# 2016 Highlights

## 18 Jan Growth from services

In January, CapMan's fund advisory team was organised as a separate business, Scala Fund Advisory. Scala offers private equity advisory and fundraising services to best-in-class private equity fund managers and investors in the asset class. The team has over 15 years of extensive experience with fundraising and investor relations, which form the basis for Scala's service offering. Scala is expanding in line with CapMan's strategy. Scala is an independent partnership within the CapMan Group. Read more about Scala's advisory services at [www.scala-advisory.com](http://www.scala-advisory.com).

## 10 Mar



### Successful Growth Equity

Growth investing is generating more interest as the private equity field is becoming more diverse. Norvestia, which is owned by CapMan, developed its Growth Equity portfolio company Touhula into one of the leading private day care players in Finland before selling down its stake in the company after five years of ownership. Growth Equity is one of CapMan's core investment strategies and CapMan continues as a minority investor in Touhula through Norvestia.

## 31 Mar

### A new real estate product

The National Board of Antiquities established a Collections and Conservation Centre in Mastola's central warehouse in Vantaa. The logistics facility was originally owned by CapMan Real Estate I fund and has been renovated to meet the needs of this long-term anchor tenant. The stable annual yield asset, Kokoelmakeskus Ky, has generated ample investor interest and the Finnish investor consortium that owns the asset also includes CapMan.

## 12 Apr



### Exit from LämpöLux

Suomen Lämpöikkuna Oy, a provider of turnkey window and door renovations (service brand LämpöLux), was the first exit of the 2012 vintage CapMan Buyout X fund. The company had continued its rapid growth after CapMan Buyout's investment in 2014. The company's profitability improved and turnover increased by around 15 per cent per year, while the number of employees nearly doubled. The LämpöLux exit is a very promising start to the latest Buyout fund.

2016

JANUARY

FEBRUARY

MARCH

APRIL

MAY

JUNE

## 16 May A new €100 million private debt fund

In May CapMan established a €100 million Nordic private debt fund. Nest Capital, formerly CapMan Credit, became advisor to the fund. Investors in the fund include Nordic and European insurance companies, pension funds and other institutional investors. The fund's private debt investments are expected to support leveraged buyouts, add-on acquisitions, expansion projects, refinancings and recapitalisations. Nest Capital is an independent investment partnership within the CapMan Group.

## 15 Jun



### Exit from Esperi

In June, CapMan Buyout IX fund exited Esperi Care Oy, a leading Finnish social care company to the investment company ICG, pension insurance company Etera and Esperis' active management. Funds managed by CapMan invested in Esperi in 2010. During CapMan's ownership, Esperi's turnover and number of employees has increased fourfold. The transaction generated €6.1 million in cash flow to CapMan Plc and its result impact for 2016 was €1.4 million.

## 26 Jun



### CapMan Real Estate is active in Denmark

In June CapMan strengthened its position in the Danish real estate market by opening an office in Copenhagen. CapMan Real Estate is a truly Nordic investor and it invests mainly in office, retail and residential properties in Finland, Sweden, Norway and Denmark. CapMan Real Estate team has made several investments especially in the Copenhagen metropolitan area and opening a local office in Denmark was a natural continuum to this strategy.

# 2016 Highlights



## 15 Jul Germany's largest pension scheme group as a client

In July CapMan Real Estate signed an agreement with Bayerische Versorgungskammer (BVK), Germany's largest pension scheme group, to invest up to €400 million in residential real estate in the Nordics on behalf of BVK. CapMan has already advised BVK on two acquisitions under the investment mandate: a prime residential portfolio in the Helsinki Metropolitan area and three residential properties in Copenhagen. CapMan will receive an annual advisory fee and a performance fee on the mandate.



## 22 Sep Value creation in real estate through transformations

CapMan Nordic Real Estate Fund has converted an office building located in Älvsjö, Southern Stockholm, into a school and sold it to a Swedish real estate company. The exit is just one of many successful real estate transactions during the year. The 2013 vintage fund has exited the If P&C insurance company headquarters and another office building in Northern Stockholm and agreed to sell a landmark building in the Helsinki city centre that it is in the process of converting from office use into a five-star hotel. The fund has also completed several investments throughout the year, of which the most significant were the Heron City retail centre in Stockholm and several residential properties in Copenhagen. CapMan's older real estate and hotel funds have also completed several exits.

## 28 Dec New location for CapMan

CapMan's Helsinki office moved around the corner to Ludviginkatu 6.



## 7 Dec Investment in Forenom



Forenom is a leading Nordic temporary housing service operator that manages more than 3,200 furnished apartments, several aparthotels as well as hostels across the Nordics. The company has approx. 260 employees and turnover for 2016 is expected around €60 million. CapMan aims to grow the company's core business and further strengthen its market position. In December, CapMan and Tesi acquired a majority equity stake in the company.

## 19 Dec Successful acquisition of Norvestia

CapMan announced 3 November a voluntary public exchange offer to acquire all Norvestia Oyj's shares and securities entitling to shares. Before the exchange offer, CapMan held 28.7 per cent of Norvestia's shares. The combined group is expected to create added value based on growth and strengthen the position of CapMan as a leading Nordic investment and specialised asset management company. CapMan confirmed the exchange offer on 19 December and CapMan's ownership exceeded 90 per cent of all Norvestia's shares. Read more about the exchange offer in this Annual Report under Strategic measures that build shareholder value and at [www.capman.com/exchange-offer](http://www.capman.com/exchange-offer).

# NORVESTIA

# CapMan’s investment operations in figures in 2016

## Capital under management



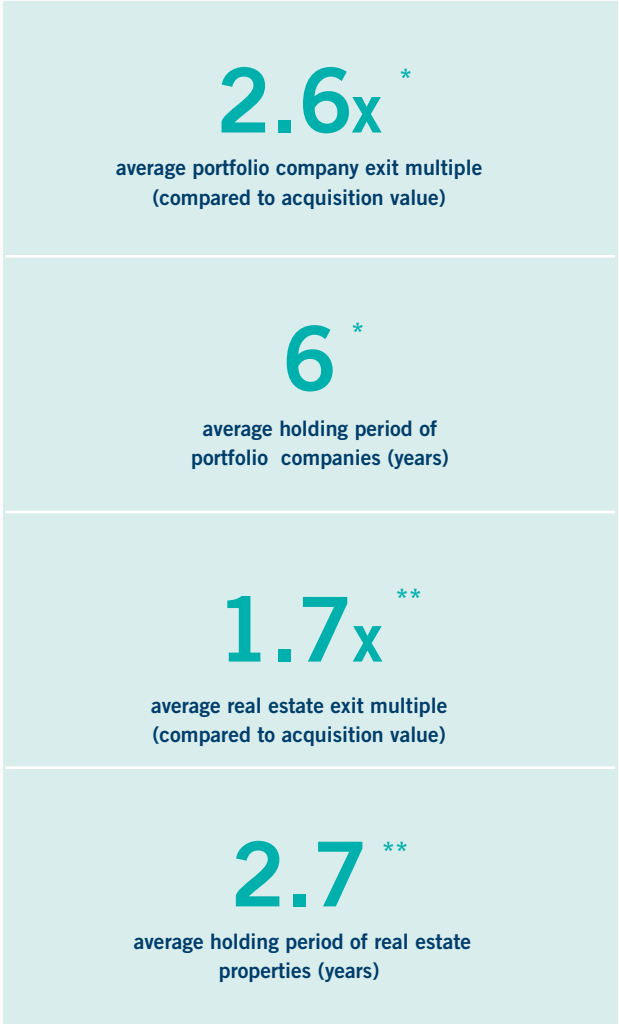
## Investment activities





# CapMan’s investment operations in figures in 2016

## Value creation in fund investments



## Footprint



\*29 Buyout exits completed between 2004 – 2016 from investments made since 2000.  
 \*\*41 exits from CapMan Nordic Real Estate and CapMan Real Estate I & II funds and 4 exits by NEP Partners.

# Case: CapMan Real Estate converted an office building in Helsinki into residential use

An old office building in central Helsinki was completely transformed and converted into residential use during 2016. Following the comprehensive overhaul, the building at Ruoholahdenkatu 4 now includes 68 apartments complete with French balconies, underground parking and a garden in the courtyard. The apartments of As Oy Helsingin Park are now for sale and awaiting new residents.





## About CapMan

**CapMan** is a leading Nordic investment and specialised asset management company. As one of the Nordic private equity pioneers we have actively developed hundreds of companies and real estate and thereby created substantial value in these businesses and assets over the last 25 years. CapMan has today 100 private equity professionals and manages €2.8 billion in assets. We mainly manage the assets of our customers, the investors. We also make direct investments from our own balance sheet in areas without an active fund. Our objective is to provide attractive returns and innovative solutions to investors and value adding services to professional investment partnerships, growth-oriented companies and tenants. Our current investment strategies cover Buyout, Growth Equity, Real Estate, Russia, Credit, Infra and Tactical Opportunities. We also have a growing service business that currently includes fundraising advisory, procurement activities and fund management.

CapMan



# CapMan Plc – Corporate Governance Statement 2016

## 1. APPLICABLE RULES AND REGULATIONS

CapMan Plc (“CapMan”) complies, in accordance with comply or explain principle, with the Finnish Corporate Governance Code 2015 (the “CG Code”) for listed companies issued by the Securities Market Association and entered into force on 1 January 2016. Furthermore, CapMan’s corporate governance is in compliance with the laws of Finland, its articles of association and the rules and directions of Nasdaq Helsinki Ltd. This Corporate Governance Statement (the “Statement”) has been prepared in compliance with the CG Code’s Corporate Governance reporting guidelines A pertaining to the Corporate Governance Statement. The CG Code as a whole is publicly available on the website of the Securities Market Association at [www.cgfinland.fi](http://www.cgfinland.fi).

The Statement is reviewed by the Audit Committee of CapMan’s Board of Directors (the “Board”) and it is issued separate from the report by the Board. CapMan’s auditor PricewaterhouseCoopers Oy has checked that the Statement has been issued and that the description of the main features of the internal control and risk management systems pertaining to the financial reporting process contained in the Statement is consistent with the Financial Statements.

For further information regarding CapMan’s corporate governance, please visit the company’s website at [www.capman.com/investors/corporate-governance/capman-plc-governance/](http://www.capman.com/investors/corporate-governance/capman-plc-governance/).

## 2. BOARD OF DIRECTORS

### 2.1 Composition

All members of the Board are elected by the general meeting. There is no specific order for the appointment of Board members in the articles of association. According to the articles of association, the Board comprises at least three and at most nine members, who do not have deputies. Members are elected for a term of office of one year, which starts at the close of the general meeting at which they were elected and ends at the close of the AGM following their

election. The Board elects a Chairman and a Vice Chairman from among its members.

The AGM held on 16 March 2016 elected five members to the Board. Mr Claes de Neergaard, Mr Karri Kaitue, Ms Nora Kerppola and Mr Ari Tolppanen were re-elected to the Board. Mr. Dirk Beeusaert was elected to the Board of Directors as a new member. The Board elected from among its members Karri Kaitue as the Chairman of the Board and Nora Kerppola as the Vice Chairman of the Board.

The composition of the Board of Directors is diverse pertaining to the age and gender as well as the professional, educational and international background of its members. The objective of the company is to maintain the diversity of its Board of Directors in the current extent, taking into account the competences of member candidates that are relevant for CapMan’s business, such as know-how of the financial sector. The principles concerning the diversity of CapMan’s Board of Directors are defined in accordance with the CG-Code’s recommendation 9.

The biographical details of the directors are presented in the table on page 19.

### 2.2 Independence of the Board members

The Board has in its organizing meeting on 16 March 2016 assessed its members’ independence of the company and of its significant shareholders. Dirk Beeusaert, Karri Kaitue, Nora Kerppola and Claes de Neergaard were independent of both the company and its significant shareholders. Ari Tolppanen, CapMan Buyout’s Senior Advisor, was non-independent of both the company and its significant shareholders.

Shares and share-based rights of each director and corporations over which he/she exercises control in the company and its group companies are presented in the table on page 15.

### 2.3 Duties and responsibilities

Under the Finnish Companies Act and CapMan’s articles of association, the Board is responsible for the administration of the company and the proper organisation of its operations. The Board is also responsible for the appropriate arrangement of the control of the company’s accounts and finances. The Board has confirmed a written charter for its work, which describes the main tasks and duties, working principles and meeting practices of the Board, and an annual self-evaluation of the Board’s operations and working methods.

In accordance with the charter, the main duties of the Board are:

- to appoint and dismiss the CEO
- to supervise management
- to approve strategic goals
- to decide on establishment of new CapMan funds and the level of CapMan’s own commitments therein
- to decide on the major changes in the business portfolio
- to ensure that the company has a proper organisation
- to ensure the proper operation of the management system
- to approve annual financial statements and interim reports
- to ensure that the supervision of the accounting and financial management is properly organised
- to ensure that the business complies with relevant rules and regulations
- to approve the principles of corporate governance, internal control, risk management and other essential policies and practices
- to decide on the CEO’s remuneration and on the remuneration policy to be followed for other executives and CapMan’s key employees
- to confirm the central duties and operating principles of Board committees



The Chairman of the Board ensures and monitors that the Board fulfils the tasks appointed to it under legislation and by the company's articles of association.

## 2.4 Work of the Board in 2016

In 2016, the Board of Directors met sixteen (16) times. The Board had Fifteen (15) meetings for the Board elected by the 2016 AGM and one (1) meeting for the Board elected by the 2015 AGM. The table on page 15 presents Board members' attendance at the meetings in 2016.

## 3. BOARD COMMITTEES

The committees are generally established and the committee members elected in the Board's organising meeting to be held after the AGM from among its members for the same term as the Board. The charters for each committee shall be confirmed by the Board and the minutes of the meetings shall be delivered to the Board for information. The committees do not have autonomous decision-making power but the Board makes the decisions within its competence collectively.

In its organising meeting held on 16 March 2016, CapMan's Board of Directors established Audit, Nomination and Remuneration Committees.

### 3.1 Audit Committee

The Audit Committee has been established to improve the efficient preparation of matters pertaining to financial reporting and supervision.

The duties of the Audit Committee include:

- monitoring the reporting process of financial statements
- supervising the financial reporting process
- monitoring the efficiency of the company's internal control and risk management systems
- reviewing the description of the main features of the internal control and risk management systems pertaining to the financial reporting process
- monitoring the statutory audit of the financial statements and consolidated financial statements
- evaluating the independence of the statutory auditor or audit company, particularly the provision of related services
- preparing the proposal for resolution on the election of the auditor.

The Board has in its organising meeting on 16 March 2016 re-elected Nora Kerppola (Chairman) and Karri Kaitue as members of the Audit Committee. Claes de Neergaard was elected to the Audit Committee as a new member. The number of the Committee members increased from two to three members. In 2016, the Committee met four (4) times in this new composition and once (1) in the composition elected by the Board of Directors in 2015. The table on page 15 presents the Committee members' attendance at the meetings.

### 3.2 Nomination Committee

The Nomination Committee has been established to improve the efficient preparation of matters pertaining to the nomination and remuneration of Board members. The main duty of the Committee is to give proposals to the AGM on the composition of the Board and on the remuneration of the Board members.

The Board has in its organising meeting on 16 March 2016 re-elected Karri Kaitue (Chairman) and Ari Tolppanen as members of the Nomination Committee. Dirk Beeusaert was elected to the Nomination Committee as a new member instead of Koen Dejonck-

heere. In 2016, the Committee did not meet in this new composition but met once (1) in the composition elected by the Board of Directors in 2015. The table on page 15 presents the Committee members' attendance at the meetings.

### 3.3 Remuneration Committee

The Remuneration Committee has been established to improve the efficient preparation of matters pertaining to the remuneration and appointment of the CEO and other executives of the company as well as the remuneration policy covering the company's other personnel.

The main duty of the Remuneration Committee is to assist the Board by preparing the Board decisions concerning:

- CEO remuneration
- company executive remuneration principles and individual situations as required
- company's overall principles for total compensation structure.

The Committee shall further contribute to:

- securing the objectivity and transparency of the decision-making regarding remuneration issues in the company
- the systematic alignment of remuneration principles and practice with company strategy and its long-term and short-term goals
- the appointment of the executives of the company.

The Board has in its organizing meeting on 16 March 2016 re-elected Karri Kaitue (Chairman) and Claes de Neergaard as members of the Remuneration Committee. Dirk Beeusaert was elected to the Remuneration Committee as a new member instead of Koen Dejonckheere. In 2016, the Committee met three (3) times in this new composition and two (2) in the composition elected by the Board of Directors in 2015. The table on page 15 presents the Committee members' attendance at the meetings.

## BOARD OF DIRECTORS IN 2016

Name	Personal information	Shares and share-based rights as of 31 Dec 2016	Attendance at the Board meetings	Attendance at the Committee meetings
<b>Karri Kaitue</b>	Chairman of the Board since 7 August 2013. Vice Chairman of the Board during 20 March – 7 August 2013. Member of the Board since 2012. Born 1964, LL. Lic. Main occupation: Board professional. Chairman of the Nomination Committee and Remuneration Committee, member of the Audit Committee. Independent of the company and significant shareholders.	0	16/16	Audit Committee: 5/5 Nomination Committee: 1/1 Remuneration Committee: 5/5
<b>Nora Kerppola</b>	Vice Chairman of the Board since 7 August 2013. Member of the Board since 2011. Born 1964, MBA. Main occupation: Managing Director of Nordic Investment Group Oy. Chairman of the Audit Committee, Independent of the company and significant shareholders.	10,000	13/16	Audit Committee: 5/5
<b>Claes de Neergaard</b>	Member of the Board since 2011. Born 1949, M.Sc. (Econ.). Main occupation: Board professional and consultant. Member of the Audit Committee and the Remuneration Committee. Independent of the company and significant shareholders.	7,000	15/16	Audit Committee: 3/4 Remuneration Committee: 5/5
<b>Ari Tolppanen</b>	Member of the Board since 2013. Born 1953, M.Sc. (Eng.). Main occupation: Senior Advisor of CapMan Buyout, with CapMan since 1989. Member of the Nomination Committee. Non-independent Board member.	7,024,794	16/16	Nomination Committee: 1/1
<b>Dirk Beeusaert*</b>	Member of the Board since 2016. Born 1964, Master of Laws (LL.M.) and Master's degree in Tax Law and Accounting. Main occupation: General counsel argenx NV. Member of the Nomination Committee and the Remuneration Committee. Independent of the company and significant shareholders.	0	15/15	Nomination Committee: 0/0 Remuneration Committee: 3/3
<b>Koen Dejonckheere**</b>	Member of the Board since 2010 until 2016. Born 1969, MBA, M.Sc. (Eng.). Main occupation: CEO of Gimv NV. Member of the Nomination Committee and the Remuneration Committee until 16 March 2016. Independent of the company and significant shareholders.	0	0/1	Nomination Committee: 0/1 Remuneration Committee: 1/2

\*) was elected as a new member at the AGM held on 16 March 2016

\*\*) a member of the Board of Directors until the AGM held on 16 March 2016

#### 4. CHIEF EXECUTIVE OFFICER (CEO)

The Board elects the company's CEO. The CEO's service terms and conditions are specified in writing in the CEO's service contract, which is approved by the Board. The CEO manages and supervises the company's business operations according to the Finnish Companies Act and in compliance with the instructions and authorisations issued by the Board. The CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner. Generally, the CEO is independently responsible for the operational activities of the company and for day-to-day decisions on business activities and the implementation of these decisions. The CEO appoints the heads of business areas. The Board approves the recruitment of the CEO's immediate subordinates. The CEO cannot be elected as Chairman of the Board.

In 2016, CapMan's CEO was Heikki Westerlund (born 1966, M.Sc. (Econ.)). His shares and share-based rights and those of the corporations over which he exercises control are presented in the table on page 16.

#### 5. MANAGEMENT GROUP

The main tasks of the Management Group consist of (i) coordination of team strategy, fundraising, resources as well as marketing and brand issues, (ii) implementation of decisions by the Board and the CEO/ Management Group, (iii) giving input by providing information for the decision making and participate in discussion, and (iv) spreading information within the teams as agreed in the Management Group. The composition of the Management Group, responsibilities and the shares and share-based rights of the members of the Management Group and of the corporations over which he/she exercises control are presented in the table on page 16.

#### MANAGEMENT GROUP IN 2016

Name	Responsibilities	Personal information	Shares and share-based rights of each member and corporations over which he/she exercises control as of 31 Dec 2016
<b>Heikki Westerlund</b>	CEO	Born: 1966 Education: M.Sc. (Econ.)	Shares: 2,972,156 2013A-options: 400,000 2013B-options: 400,000 2013C-options: 400,000
<b>Jerome Bouix</b>	Head of Scala Fund Advisory	Born: 1971 Education: M.Sc. (Econ.)	Shares: 31,250 2013A-options: 200,000 2013B-options: 200,000 2013C-options: 200,000
<b>Niko Haavisto</b>	CFO	Born: 1972 Education: M. Sc. (Business)	2013A-options: 200,000 2013B-options: 200,000 2013C-options: 200,000
<b>Mika Matikainen</b>	Head of CapMan Real Estate	Born: 1975 Education: M. Sc. (Econ), M.Soc.Sc	Shares: 45,000
<b>Hans Christian Dall Nygård</b>	Head of CapMan Russia	Born: 1968 Education: M. Sc. (Econ), MBA, CEFA	Shares: 31,250
<b>Markus Sjöholm</b>	Head of CapMan Buyout	Born: 1971 Education: M. Sc. (Econ), LL.M.	Shares: 281,250
<b>Joakim Frimodig</b>	Director, Strategic Growth Initiatives	Born: 1978 Education: BA (Oxon)	Shares: 250,000 2013A-options: 100,000 2013B-options: 110,000 2013C-options: 120,000

## 6. INTERNAL CONTROL AND RISK MANAGEMENT PERTAINING TO THE FINANCIAL REPORTING

The internal control and risk management pertaining to the financial reporting process is part of CapMan's overall internal control framework. The key roles and responsibilities for internal control and risk management have been defined in the group's internal guidelines which are approved and updated by the management of the company.

CapMan's internal control and risk management concerning financial reporting is designed to provide reasonable assurance concerning the reliability, comprehensiveness and timeliness of the financial reporting and the preparation of financial statements in accordance with applicable laws and regulations, generally accepted accounting principles and other requirements for listed companies.

The aim of CapMan's internal control is to:

- focus on the most relevant risks from a strategic and operational effectiveness point of view
- promote ethical values and good corporate governance and risk management practices
- ensure compliance with laws, regulation, and CapMan's internal policies
- ensure the production of reliable financial reporting to support internal decision-making and service the needs of shareholders

### 6.1 General description of the financial reporting process

CapMan's business model is based on having a local presence in Finland, Sweden and Russia, and operating the organisation across national borders. CapMan's subsidiaries in six countries report their results on a monthly basis to the parent company. The accounting function is outsourced except for Finland.

Financial information is assembled, captured, analysed, and distributed in accordance with existing processes and procedures. The group has a common reporting and consolidation system that facilitates compliance with a set of common control requirements.

The group accounting maintains a common chart of accounts that is applied in all units. Subsidiaries submit their figures monthly to the group accounting where the figures are inserted to the group reporting system for consolidation. The reported figures are reviewed in subsidiaries as well as in group accounting. The group accounting also monitors the balance sheet and income statement items by analytically reviewing the figures. The consolidated accounts of CapMan are prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the EU.

### 6.2 Financial reporting process control and risk management

The Board has the overall responsibility for the proper arrangement of internal control and risk management over financial reporting. The Board has appointed the Audit Committee to undertake the more specific tasks in relation to financial reporting process control such as monitoring the financial statements reporting process, the supervision of the financial reporting process and monitoring the efficiency of the company's internal control. The Audit Committee also reviews regularly the main features of the internal control and risk management systems pertaining to the financial reporting process.

The management of the group is responsible for the implementation of internal control and risk management processes and for ascertaining their operational effectiveness. The management is also responsible for ensuring that the company's accounting practices comply with laws and regulations and that the company's financial matters are managed in a reliable and consistent manner.

The CEO leads the risk management process by defining and allocating responsibility areas. The CEO has nominated the group's CFO as risk manager to be in charge of coordinating the overall risk management process. The risk manager reports to the Audit Committee on matters concerning internal control and risk management. The management has allocated responsibility for establishing more specific internal control policies and procedures to personnel in charge of different functions. Management and accounting depart-

ment possess appropriate levels of authority and responsibility to facilitate effective internal control over financial reporting.

### 6.3 Risk assessment and control activities

CapMan has defined financial reporting objectives in order to identify risks related to the financial reporting process. The risk assessment process is designed to identify financial reporting risks and to determine how these risks should be managed.

The control activities are linked to risk assessment and specific actions are taken to address risks and achieve financial reporting objectives. Financial reporting risks are managed through control activities performed at all levels of the organisation. These activities include guidelines and instructions, approvals, authorisations, verifications, reconciliations, analytical reviews, and segregation of duties.

In the annual strategy process, the identified risks are reviewed, the risk management control activities are audited and effects of potential new identified risks on the strategy are evaluated.

### 6.4 Information and communication pertaining to the financial reporting

CapMan has defined the roles and responsibilities pertaining to financial reporting as an essential part of group's information and communication systems.

In terms of internal control and financial reporting information, CapMan's external and internal information is obtained systematically, and the management is provided with relevant information on the group's activities. Timely, current and accessible information relevant for financial reporting purposes is provided to the appropriate functions, such as the Board, the management group and the monitoring team. All external communications are handled in accordance with the group disclosure policy, which is available on the company's website

[www.capman.com/investors/corporate-governance/disclosure/](http://www.capman.com/investors/corporate-governance/disclosure/).



### 6.5 The organisation of internal controls and monitoring

To ensure the effectiveness of internal control pertaining to financial reporting, monitoring activities are conducted at all levels of the organisation. Monitoring is performed through ongoing follow-up activities, separate evaluations or a combination of the two. Separate internal audit assignments may be initiated by the Board or management. The scope and frequency of separate evaluations depend primarily on the assessment of risks and the effectiveness of ongoing monitoring procedures. Internal control deficiencies are reported to the management, and serious matters to the Audit Committee and the Board.

The group accounting performs monthly consistency checks of income statement and balance sheet for subsidiaries and business areas. The group accounting team also conducts management fee and cost analysis, quarterly fair value change checks, impairment and cash flow checks as well as control of IFRS changes. The Audit Committee and the Board regularly review group-level financial reports, including comparison of actual figures with prior periods and budgets, other forecasts, monthly cash flow estimates and covenant levels. In addition, the Audit Committee monitors in more detail, among others, the reporting process (including the management's discretionary evaluations), risk management, internal control and audit.

The monitoring team is responsible for collecting the monthly reporting of the funds' portfolio companies, monitoring and forecasting fair value movements and preparing the models for and calculating carried interest income.

## 7. OTHER INFORMATION

### 7.1 Insider administration

CapMan complies with the insider rules of the Market Abuse Regulation (596/2014) that came into force on 3 July 2016 and the guidelines for insiders issued by Nasdaq Helsinki. CapMan has supplemented the general insider guidelines with its own set of internal insider guidelines, which are partly stricter than the general rules. The

Group's Compliance Officer is responsible for insider management.

CapMan has not maintained a permanent company-specific insider register after the Market Abuse Regulation (596/2014) that came into force on 3 July 2016. The information contained in the public insider register on 2 July 2016 is available on the company's webpage until 3 July 2017. CapMan maintains project-specific insider lists for the projects which may have a significant effect on the prices of the financial instruments issued by CapMan. These project-specific insider lists will be drafted and maintained in accordance with the Market Abuse Regulation and the internal policies.

As of 3 July 2016, CapMan has published a release regarding the transactions by managers and their closely associated persons with the financial instruments issued by CapMan in case the total value of all transactions exceeds EUR 5,000 within a calendar year. The total owning of CapMan's shares and share-based rights of each manager will be published as a part of the Annual Report as required in the CG Code. CapMan maintains a non-public listing of the managers and their closely associated persons. CapMan has determined the members of the Board of Directors and the Management Group (including the CEO) as managers defined in the Market Abuse Regulation.

The members of the Board of Directors and the Management Group and the employees of CapMan Group are not permitted to trade CapMan's shares and share-based rights without a pre-approval of the person responsible for insider management (compliance officer). Trading by the aforementioned personnel is completely forbidden in the 30-day period prior to publication of the company's financial results.

### 7.2 Decision-making procedure for Related Party Transactions

The company only has insignificant related party transactions or transaction which have been made on market terms and, therefore, the company will not report on their decision-making procedure for related party transactions in accordance with the recommendation 28 of the CG Code.

### 7.3 Audit fees

In 2016, the audit fees paid to the auditor amounted to 261,000 euros and the fees related to other non-audit related services amounted to 299,000 euros.

### 7.4 Internal audit

CapMan has not organised internal audit as a separate function.

# Board of Directors



## KARRI KAITUE

Chairman of the Board  
Independent Member of the Board

**Born** 1964

**Education** LL. Lic.

**Board of directors since:** 2012

### Board committees

Remuneration Committee (Chairman), Nomination Committee (Chairman), Audit Committee (Member),

### Main occupation

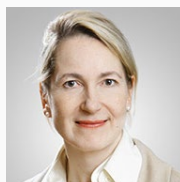
Board professional

### Key Board memberships

CapMan Plc (Chairman), Feon Oy (Chairman), Finnish University for Arts (Chairman)

### Key employment history

Karri Kaitue worked as CEO of Ekokem Corporation during 2015–2016. He was Deputy Chief Executive Officer of Outokumpu Group during 2005–2011. He was a member of the Outokumpu Group Executive Committee during 2002–2011, of which the last six years he was Vice Chairman. His responsibilities at Outokumpu included among others Tornio Works, Group strategy, business development and M&A. He joined Outokumpu Group in 1990.



## NORA KERPPOLA

Vice Chairman of the Board  
Independent Member of the Board

**Born** 1964

**Education** MBA

**Board of directors since:** 2011

### Board committees

Audit Committee (Chairman)

### Main occupation

Managing Director of Nordic Investment Group Oy

### Key Board memberships

CapMan Plc (Vice Chairman), Creditinfo Lánstraust hf, Creditinfo Group hf, Krediidiinfo AS

### Key employment history

Nora Kerppola has over 20 years of experience in private equity industry in Europe and North America. She has been a partner at GMT Communications in London and a partner at Weiss, Peck & Greer Private Equity (now Robeco) in New York. Previously, Kerppola worked at Investor International (U.S), a subsidiary of Investor AB and affiliated with the Wallenberg family of Sweden. Kerppola started her career in the corporate finance department of Credit Suisse First Boston.



## DIRK BEEUSAERT

Member of the Board  
Independent Member of the Board

**Born** 1964

**Education** Master of Laws (LL.M.) and Master's degree in Tax Law and Accounting

**Board of directors since:** 2016

### Board committees

Remuneration Committee (Member), Nomination Committee (Member)

### Main occupation

General counsel argenx NV

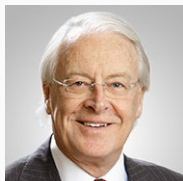
### Key Board memberships

CapMan Plc (Member)

### Key employment history

Dirk Beeusaert, a Belgian citizen, currently is the general counsel of argenx NV, a biotech company listed on Euronext Brussels that designs and develops innovative antibody therapeutics. Before Dirk has worked for more than 20 years as General Counsel and Executive Vice President of the listed private equity group Gimv NV. In this position he was jointly responsible for the good operations and corporate governance of Gimv group. Before joining Gimv he was an executive for Gamma, a DIY retail chain in Belgium and the Netherlands, and he started his career as a lawyer at the law firm Storme, Leroy & Van Parys.

# Board of Directors



## CLAES DE NEERGAARD

Member of the Board  
Independent Member of the Board

**Born** 1949

**Education** M.Sc. (Econ.)

**Board of directors since:** 2011

### Board committees

Audit Committee (Member), Remuneration Committee (Member)

### Main occupation

Board professional and consultant

### Key Board memberships

CapMan Plc (Member), Grön Bostad AB (Chairman), AB Stockholms Spårvägar (Chairman)

### Key employment history

Previously Claes de Neergaard has worked as CEO of Industrifonden. Prior to that, Claes was Vice-President at the European Investment Bank, Executive Director at the European Bank for Reconstruction and Development (EBRD) and CEO of Nordbanken Luxembourg SA. He has a long track record of Board assignments in the financial, industrial and property sectors. He has been Chairman of the Nordic Investment Bank, the Third AP-fund and CONNECT Sverige. In addition, he has been First Deputy Chairman of the Swedish Export Credits Guarantee Board.



## ARI TOLPPANEN

Member of the Board  
Non-independent of the company

**Born** 1953

**Education** M.Sc. (Eng.)

**Board of directors since:** 2013

### Board committees

Nomination Committee (Member)

### Main occupation

Senior Advisor of CapMan Buyout, with CapMan since 1989.

### Key Board memberships

CapMan Plc (Member), Kämp Collection Hotels Oy (Chairman), Forenom Oy (Member)

### Key employment history

Ari Tolppanen has 27 years of experience in private equity. Tolppanen is one of the founders of CapMan and was the company's CEO from 1989 to 2005. He was also the Chairman of Invest Europe (previously EVCA) in 2000–2001. During 2005–2010, Tolppanen was the Chairman of CapMan Plc's Board of Directors. Before CapMan, Tolppanen was the CEO of Huurre Oy and Nordfilm Oy.

# Management

**HEIKKI WESTERLUND**

CEO

+358 207 207 504  
heikki.westerlund@capman.com  
M.Sc. (Econ.)

**In Management Group since:**  
2013

**Key positions of trust:** Walki Group Oy, Orion Corporation,  
Norvestia Oyj

**Key employment history:**

Heikki Westerlund has been the CEO of CapMan since 2013. He was CapMan's Chairman of the Board 1 June 2010–7 August 2013 and CapMan's CEO 1 April 2005–31 May 2010. Westerlund joined CapMan in 1994 and has headed CapMan's Buyout and Technology teams. Prior to CapMan he worked for the Finnish Innovation Fund Sitra.

**JEROME BOUX**

Managing Partner, Scala Fund Advisory

+46 731 461 132  
jerome@scala-advisory.com  
M.Sc. (Econ.)

**In Management Group since:**  
2007

**Career history:**

Jerome is Managing Partner at Scala Fund Advisory, which was formed in 2016 and offers fundraising and advisory services. During his 16 years at CapMan, he headed CapMan's fundraising and business development and raised multiple generations of buyout, venture capital, growth capital, real estate, credit and activist funds. He has also headed a 30-strong team responsible for various back office functions including reporting, legal, compliance, IR and communications. Jerome has served four years in the board of directors of Invest Europe (formerly EVCA). Before joining CapMan Jerome worked at the Finnish Ministry of Trade and Industry, Merrill Lynch, Danske Bank and Nordic Investment Bank.

**HANS CHRISTIAN DALL NYGÅRD**

Managing Partner, CapMan Russia

+7 495 620 48 85  
hans.christian.dall.nygard@capman.com  
M.Sc. (Econ.), MBA, CEFA

**In Management Group since:** 2009  
2009

**Key positions of trust:**  
ROK-1

**Career history:**

Hans Christian is responsible for all the investment activity and management of the CapMan Russia team. Prior to joining CapMan Hans Christian worked at Norum for 12 years, most recently as Managing Director. CapMan acquired Norum in 2008.



# Management



## JOAKIM FRIMODIG

Director, Strategic Growth Initiatives

+358 50 529 0665

joakim.frimodig@capman.com

BA, Oxon

### In Management Group since:

2016

### Key positions of trust:

Studentwork Sharper Oy

### Key employment history:

Frimodig joined CapMan from Summa Capital, where he worked for the past 12 years, most recently as Deputy Managing Partner. Prior to that, he served as an advisor for Alfred Berg and ABN Amro Corporate Finance. He has advised numerous Finnish and international companies in M&A and financing transactions over the course of his career.



## NIKO HAAVISTO

CFO

+358 207 207 583

niko.haavisto@capman.com

M. Sc. (Business)

### In Management Group since:

2010

### Key positions of trust:

Norvestia Oyj

### Career history:

Niko has served as CapMan's CFO since 2010. Prior to joining CapMan Niko worked for Oriola-KD Corporation as Director of Financial Control and Planning. Before that he worked as financial controller at GE Healthcare Finland and as Authorised Public Auditor at PwC.



## MIKA MATIKAINEN

Managing Partner, CapMan Real Estate

+358 207 207 616

mika.matikainen@capman.com

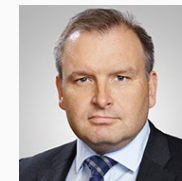
M.Sc. (Econ.), M.Soc.Sc.

### In Management Group since:

2010

### Career history:

Mika became the head of CapMan Real Estate and a management group member of CapMan Plc in 2010. Since taking over leadership of CapMan's real estate operations, Mika has been responsible for the expansion of CapMan Real Estate from a local Finnish fund manager into a Pan-Nordic operator. He also had an active role in setting up the CapMan Hotels Real Estate fund including the acquisition of its seed portfolio of 39 hotels in 2008. Mika joined CapMan in 2006, one year after the inception of CapMan Real Estate. Prior to CapMan, he worked for UBS Investment Bank in London.



## MARKUS SJÖHOLM

Managing Partner, CapMan Buyout

+358 40 50 80 121

markus.sjoholm@capman.com

LL.M., M.Sc. (Econ.)

### In Management Group since:

2014

### Key positions of trust:

Infocare Holding AS, Kämp Group Oy, Oral Hammaslääkärit Plc, Fortaco Group Oy

### Career history:

Markus has been Head of CapMan Buyout since 2014 and member of the Buyout investment team since 1996. He has been instrumental in a number of CapMan Buyout investments and a key contributor to CapMan Buyout's position as a leading Nordic mid-cap buyout investor.

# Key Figures 2016

## KEY PERFORMANCE INDICATORS FOR CAPMAN GROUP

M€	2012	2013	2014	2015	2016
Turnover	27.3	29.8	39.5	31.8	26.6
Fees	25.5	26.9	28.7	27.4	26.6
Carried interest	1.8	2.9	10.8	4.4	0.0
Other operating income	0.2	0.0	0.2	0.3	0.1
Operating expenses	-30.3	-27.9	-30.2	-28.0	-30.7
Fair value gains/losses of investments	5.3	1.2	-3.2	5.2	22.6
Operating profit	2.6	3.3	6.3	9.3	18.6
Financial income and expenses	0.1	-0.7	-1.4	-2.9	-3.1
Share of the income of investments accounted for using the equity method	0.6	-0.6	0.0	0.1	0.0
Profit before taxes	3.3	2.0	4.9	6.5	15.6
Profit for the financial year	2.7	1.5	4.0	6.1	15.3
Return on equity (ROE), %	3.2	2.0	6.1	9.3	14.7
Return on investment (ROI), %	4.3	3.5	7.0	8.0	10.9
Equity ratio, %	61.9	58.9	57.8	43.7	56.6
Net gearing, %	32.2	22.3	5.0	72.9	14.5
Dividend paid *)	0.0	3.4	5.2	6.0	13.0
Personnel (at year-end)	109	103	106	101	108

\*) Proposal of the Board of Directors to the Annual General Meeting for year 2016.

**KEY RATIOS PER SHARE**

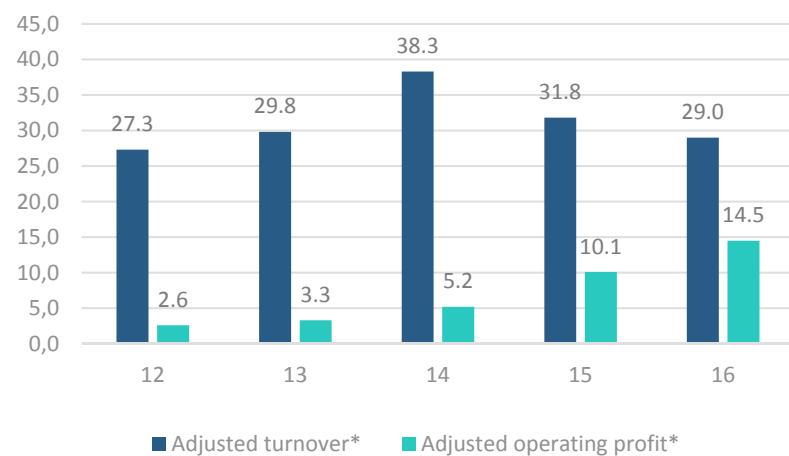
	2012	2013	2014	2015	2016
Earnings/share, cents	0.3	-1.2	3.4	5.9	16.2
Diluted, cents	0.3	-1.2	3.4	5.8	16.1
Shareholders' equity/share, cents	93.9	77.0	76.1	75.5	98.6
Dividend/share, cents *)	0.0	4.0	6.0	7.0	9.0
Dividend/earnings, % *)	0.0	0.0	176.5	118.6	80.4
Average share issue adjusted number of shares during the financial year ('000)	84,255	84,269	86,164	86,291	88,383
Share issue adjusted number of shares at year-end ('000)	84,282	85,267	86,317	86,317	143,313
Number of shares outstanding ('000)	84,255	85,240	86,291	86,291	143,287
Own shares ('000)	26	26	26	26	26

\*) Proposal of the Board of Directors to the Annual General Meeting for year 2016.

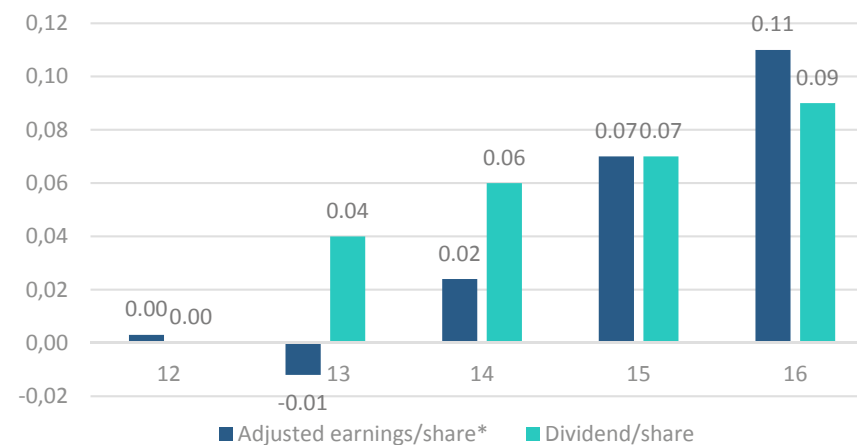
In line with IFRS standards, the MEUR 15 (2011-2012: MEUR 29, 2013-2015; MEUR 15) hybrid bond has been included in equity, also when calculating equity per share. The interest on the hybrid bond (net of tax) for the financial year has been deducted when calculating earnings per share.

## KEY FIGURES - CAPMAN GROUP

### Adjusted group turnover and operating profit, M€\*

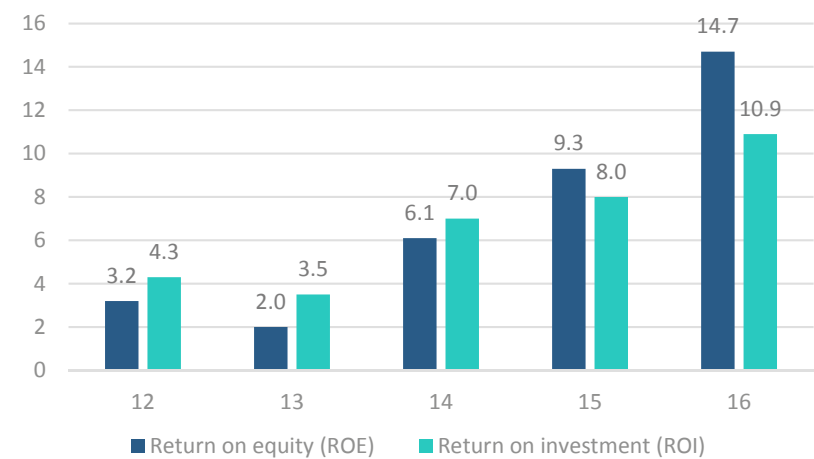


### Earnings/share and dividend/share, €\*

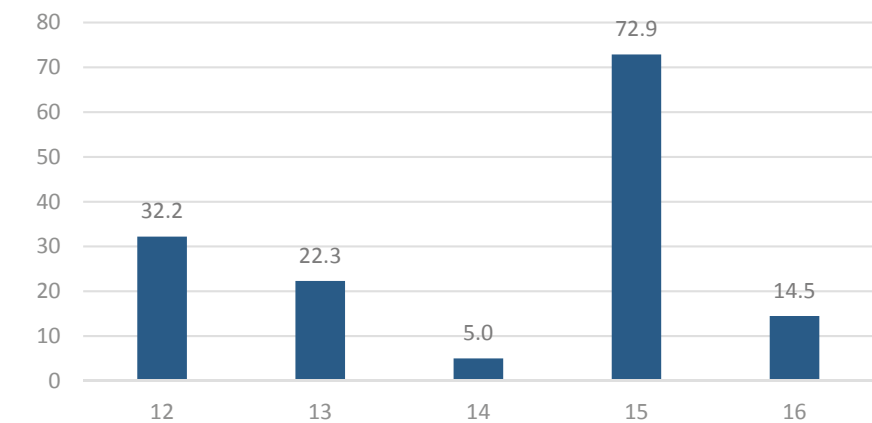


\*) Adjustments to 2015 and 2016 turnover, operating profit and earnings per share as well as items affecting comparability are described in [Note 2: Items affecting comparability and alternative performance measures](#). Turnover, operating profit and earnings per share for 2014 have been adjusted for MEUR 1.2 reduction in reserves held for the potential repayment risk of carried interest to funds. The dividend for 2016 is the Board of Directors' proposition to the AGM.

ROI and ROE, %

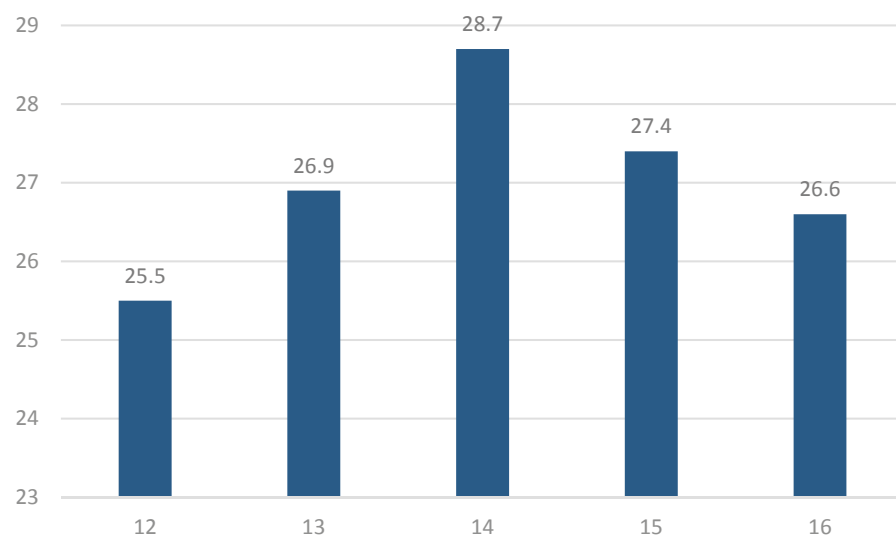


Net gearing, %

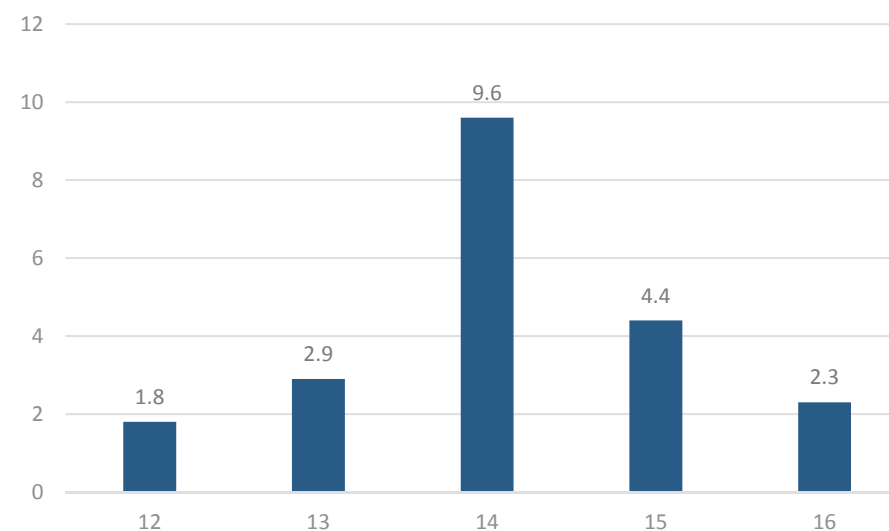


## MANAGEMENT COMPANY AND SERVICES BUSINESS

### Fees, M€



### Adjusted carried interest income, M€\*



\*) Adjustments to carried interest income as well as items affecting comparability for 2015 and 2016 are described in the Table Result for the Management Company and Services business and items affecting comparability as well as [Note 2: Items affecting comparability and alternative performance measures](#). Carried interest income for 2014 have been adjusted for MEUR 1.2 reduction in reserves held for the potential repayment risk of carried interest to funds.

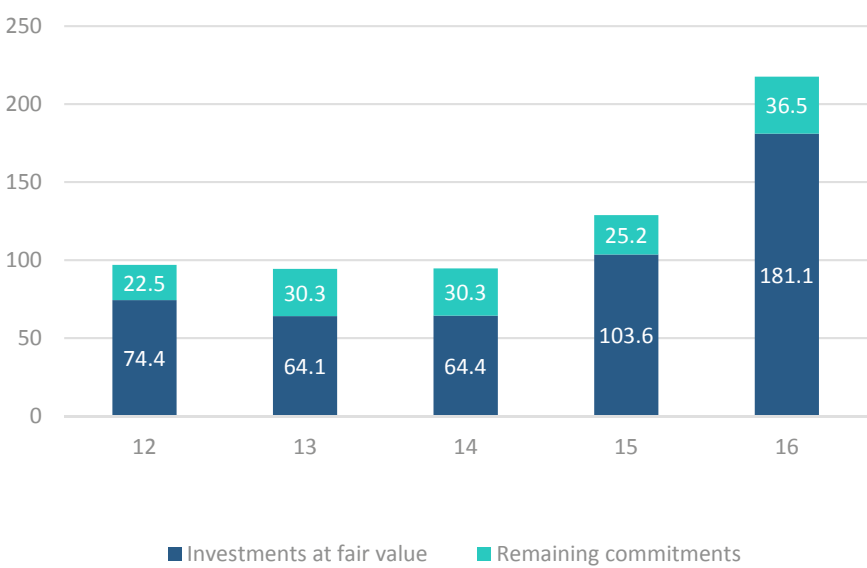


### Result for the Management Company and Services business and items affecting comparability

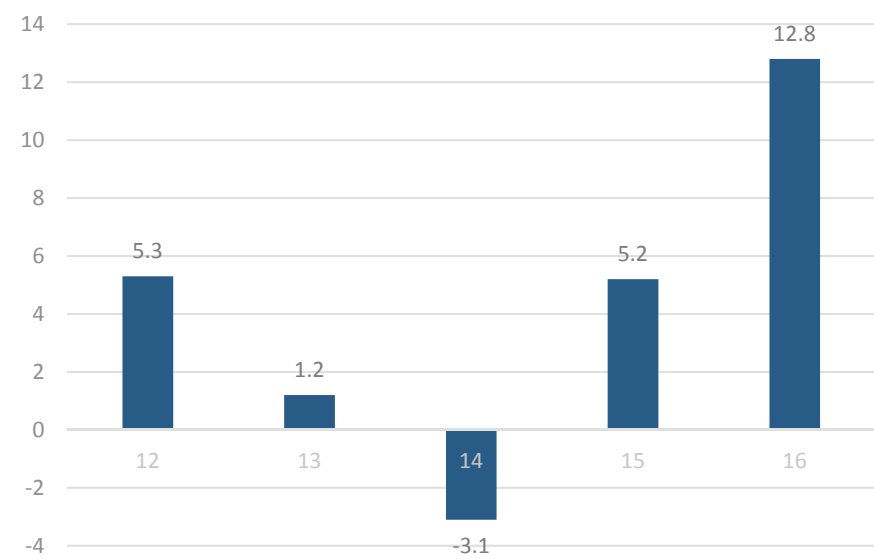
M€	2016	2015
Turnover	26.7	31.8
Fees	26.7	27.4
Carried interest income	0	4.4
Reassessment of potential repayment risk to the funds	2.3	-
Adjusted turnover	29.0	31.8
Operating profit	-1.5	4.1
Items related to the acquisition of Norvestia	0.2	0.8
Reassessment of potential repayment risk to the funds	2.3	-
Write-down of a value-added tax receivable	1.0	-
Insurance compensations	-0.3	-
Adjusted operating profit	1.7	4.9
Profit for the period	-1.6	3.3
Items related to the acquisition of Norvestia	0.2	0.6
Reassessment of potential repayment risk to the funds	1.8	-
Write-down of a value-added tax receivable	1.3	-
Insurance compensations	-0.2	-
Adjusted profit for the period	1.4	3.9

INVESTMENT BUSINESS

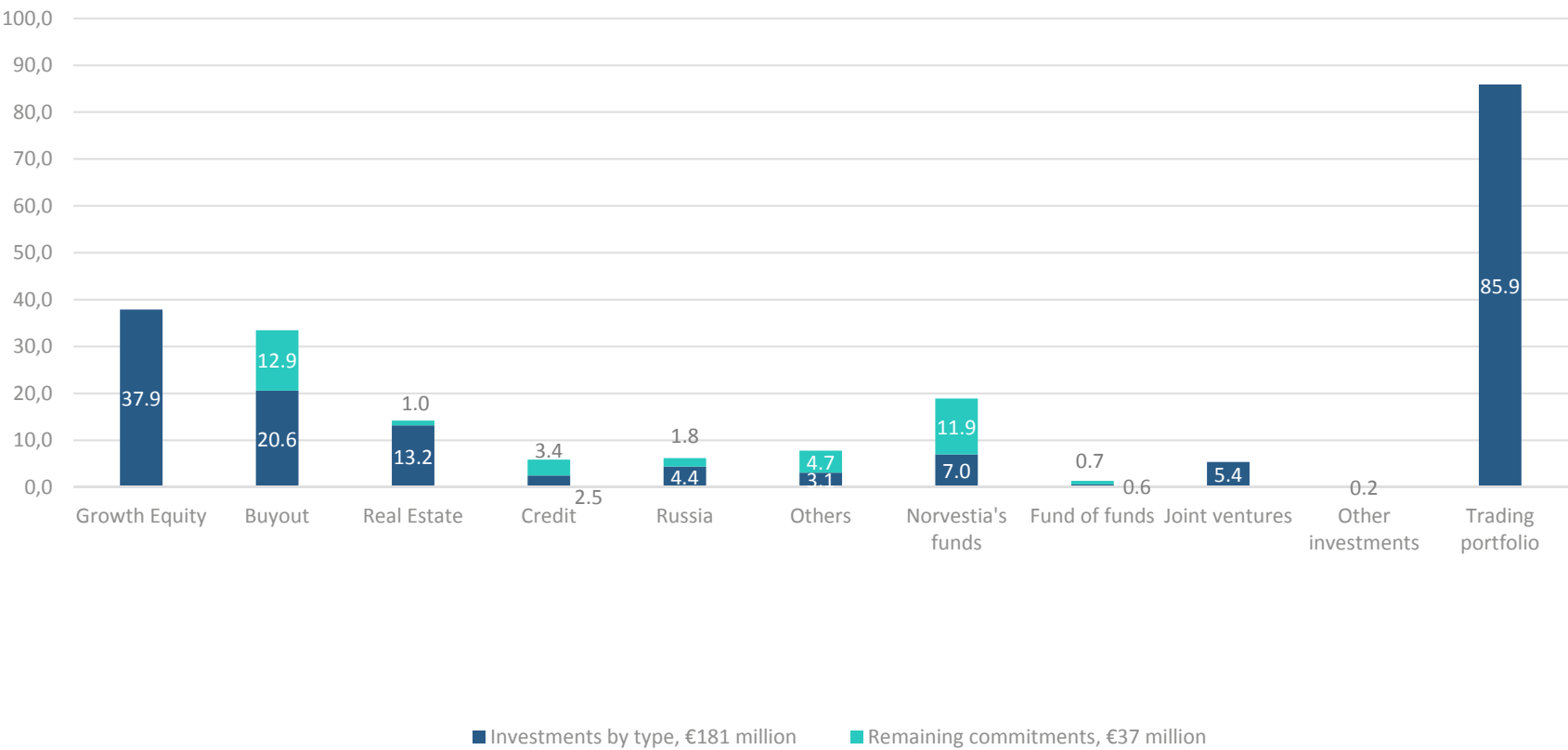
Investments and commitments, M€



Adjusted result impact from own investments, M€\*



Investments and commitments by type, M€

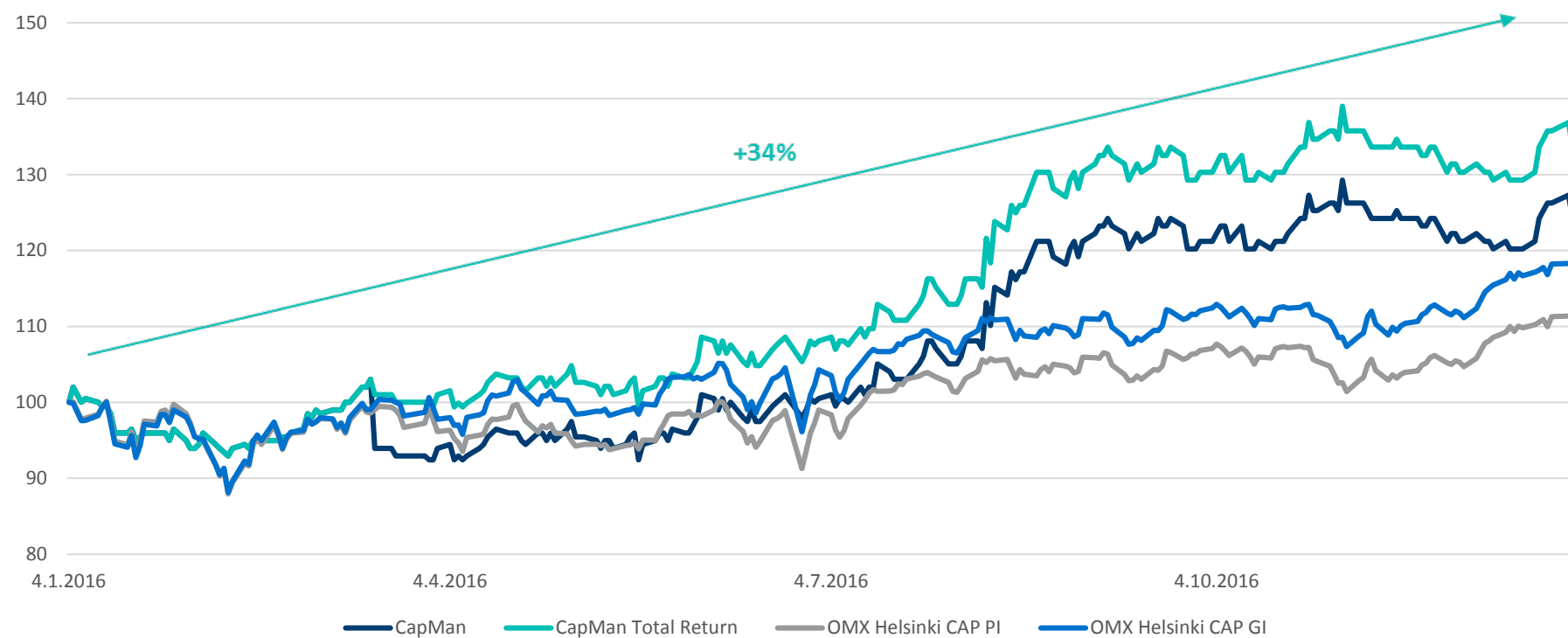


**Investment business result**

<b>M€</b>	<b>2016</b>	<b>2015</b>
Fair value change of investments	22.6	5.2
Operating profit	20.2	5.2
Items related to the acquisition of Norvestia	-7.3	
Adjusted operating profit	12.8	5.2
Profit for the financial year	16.9	2.8
Items related to the acquisition of Norvestia	-7.4	-
Adjusted profit for the financial year	9.5	2.8

## SHARE PRICE AND INDEX DEVELOPMENT IN 2016

(4 Jan 2016 = 100)



# Report of the Board of Directors 2016

## BUSINESS OPERATIONS

CapMan Group is a pioneering Nordic private equity investment and asset management company. CapMan has two operating segments: a Management Company and Services business and an Investment business.

In its Management Company and Services business, CapMan manages private equity funds that are invested by its partnership-based investment teams. Investments are Nordic and Russian mainly unlisted companies and Nordic real estate. CapMan raises capital for the funds from Nordic and international investors. In addition, CapMan offers fund advisory services through Scala Fund Advisory and procurement services to companies in Finland and Sweden through its procurement service CaPS. CapMan also offers fund management services to alternative fund managers. The Management Company and Services business has two main sources of income: fees and carried interest. The fees include management fees related to CapMan's position as a fund management company as well as fees from CapMan's service business.

Through its Investment business, CapMan invests from its own balance sheet in the private equity asset class and listed markets in a diversified manner. CapMan invests mainly in its own funds and directly in Nordic growth companies. 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.

## EXCHANGE OFFER FOR NORVESTIA'S SHARES

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

## GROUP TURNOVER AND RESULT IN 2016

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

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

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



profit was MEUR 14.5 (MEUR 10.1) and has been adjusted with items described in Table 1.

Financial income and expenses amounted to MEUR -3.1 (MEUR -2.9). Profit before taxes was MEUR 15.5 (MEUR 6.4) and profit after taxes was MEUR 15.3 (MEUR 6.1). Comparable adjusted result after taxes was MEUR 10.9 (MEUR 6.7). Earnings per share were 16.2 cents (5.9 cents). Comparable adjusted earnings per share were 11.2 cents (6.6 cents). Diluted earnings per share

were 16.1 cents (5.8 cents). Comparable adjusted diluted earnings per share were 11.2 cents (6.5 cents). Net of tax interest on the hybrid bond for the period has been deducted when calculating earnings per share. Adjustments to results and earnings per share are described in Table 1 and in the Notes to the Financial Statements in [Note 2 Items affecting comparability and alternative performance measures](#).

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

€ ('000)	1-12/16	1-12/15
Turnover	26,677	31,767
Items affecting comparability		
Reassessment of potential repayment risk to the funds	2,278	
Items affecting comparability, total	2,278	0
<b>Adjusted turnover</b>	<b>28,955</b>	<b>31,767</b>
Operating profit	18,672	9,271
Items affecting comparability		
Items related to the acquisition of Norvestia, of which:	-7,109	779
gain from a bargain purchase	-13,884	
loss from the remeasurement of previous ownership at fair value	3,957	
transaction costs	2,819	
Reassessment of potential repayment risk to the funds	2,278	
Write-down of a value-added tax receivable	975	
Insurance compensations	-294	
Items affecting comparability, total	-4,150	779
<b>Adjusted operating profit</b>	<b>14,522</b>	<b>10,050</b>

€ ('000)	1-12/16	1-12/15
Profit for the period	15,286	6,054
Items affecting comparability		
Items related to the acquisition of Norvestia	-7,247	623
Reassessment of potential repayment risk to the funds	1,822	
Write-down of a value-added tax receivable	1,255	
Insurance compensations	-236	
Items affecting comparability, total	-4,406	623
<b>Adjusted profit for the period</b>	<b>10,879</b>	<b>6,677</b>
Earnings per share, cents	16.2	5.9
Items affecting comparability, cents	-5.0	0.7
<b>Adjusted earnings per share, cents</b>	<b>11.2</b>	<b>6.6</b>
Earnings per share, diluted, cents	16.1	5.8
Items affecting comparability, cents	-4.9	0.7
<b>Adjusted earnings per share, diluted, cents</b>	<b>11.2</b>	<b>6.5</b>

A quarterly breakdown of turnover and profit, together with turnover, operating profit/loss, and profit/loss by segment for the financial year can be found in the Notes to the Financial Statements in [Note 3 Segment Information](#).

## MANAGEMENT COMPANY AND SERVICES BUSINESS

Turnover generated by the Management Company and Services business for the financial year totalled MEUR 26.7 (MEUR 31.8). Fees totalled MEUR 26.6 (MEUR 27.4). In addition to management fees, fees recorded also included fees generated by CapMan's procurement services (CaPS), fund advisory services (Scala Fund Advisory) and other services. The growth in net fees from services was approx. 80 per cent from the previous year.

CapMan received MEUR 2.3 in carried interest in 2016 mainly from the CapMan Equity VII and CapMan Public Market funds. Carried interest income was written down by MEUR 2.3 due to the change in clawback provision. The corresponding period included MEUR 4.4 in carried interest income. The comparable turnover adjusted for the change in clawback provision was MEUR 29.0 (MEUR 31.8).

The operating loss of the Management Company and Services business was MEUR 1.5 (MEUR 4.1). Comparable adjusted operating profit was MEUR 1.7 (MEUR 4.9). The loss for the financial year was MEUR 1.6 (profit of MEUR 3.3). Comparable adjusted profit was MEUR 1.4 (MEUR 3.9). Items affecting comparability are presented in the Notes to the Financial Statements in [Note 3 Segment Information](#).

## INVESTMENT BUSINESS

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

Operating profit for the Investment business was MEUR 20.2 (MEUR 5.2). Comparable adjusted operating profit was MEUR 12.8 (MEUR 5.2). Profit for

the Investment business was MEUR 16.9 (MEUR 2.8). Comparable adjusted profit was MEUR 9.5 (MEUR 2.8). Items affecting comparability are presented in the Notes to the Financial Statements in [Note 3 Segment Information](#).

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

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

Fair value changes of CapMan's fund investments were MEUR 6.7 (MEUR 0.8) representing a 12.5% increase in value (+0.3% in 2015). The positive change in the fair value of fund investments in the beginning of the year was mainly due to exits completed during the year as well as positive development of portfolio companies that are significant for CapMan's own investments.

CapMan invested a total of MEUR 7.5 (MEUR 4.4) in its funds in 2016. Investments were mostly allocated to the CapMan Nordic Real Estate, CapMan

Buyout X and CapMan Russia II funds as well as Kokoelmakeskus Ky, which has invested in KOy Mastolan Keskusvarasto. CapMan received distributions from funds totalling MEUR 14.4 (MEUR 10.7). The majority of the distributions came from the CapMan Buyout IX, CapMan Life Science IV, CapMan Public Market and CapMan Nordic Real Estate funds due to exits completed in 2016.

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

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

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

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

Investments in portfolio companies are valued at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines (IPEVG), where fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the

measurement date. Real estate assets are valued in accordance with the value appraisals of external experts, as detailed in the Notes to the Financial Statements in [Note 33g](#). Fair value assessment of financial assets is based on quoted prices of identical assets or information derived from prices.

Investments at fair value, their sensitivity analysis and remaining investment capacity by investment area are presented in the Notes to the Financial Statements in [Note 30 Commitments and contingent liabilities](#) and [Note 33g Determining fair values](#).

## BALANCE SHEET AND FINANCIAL POSITION AS OF 31 DECEMBER 2016

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

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

Current assets amounted to MEUR 141.1 (MEUR 28.5). Financial assets booked at fair value, i.e. current investments, were MEUR 86.2 (MEUR 0.3) and

included the trading portfolio acquired with Norvestia. Cash in hand and at banks amounted to MEUR 45.0 (MEUR 21.6).

CapMan's interest-bearing net debt amounted to MEUR 20.8 as of 31 December 2016 (MEUR 47.5). CapMan's total interest bearing debt as of 31 December 2016 is outlined in Table 3.

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

	Debt amount 31 December 2016	Matures latest	Annual interest	Debt amount 31 December 2015
Bank financing	MEUR 11.5	Q2 2019		MEUR 15
Senior bond (issued in 2013)	MEUR 15	Q4 2017	5.5%	MEUR 15
Multi-issuer bond (issued in 2014)	MEUR 10	Q2 2019	1.85%	MEUR 10
Senior bond (issued in 2015)	MEUR 30	Q4 2019	4.2%	MEUR 30
Long-term credit facility (available)	(MEUR 10)			(MEUR 15)
(Hybrid bond*)	(MEUR 15)	No maturity	8.0%	(MEUR 15)

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

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

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

The Group's cash flow from operations totalled MEUR -3.1 for the financial year (MEUR 0.6). The change was mainly due to adjustments due to changes in fair values. Income from fund management fees is paid semi-annually, in January and July, and is shown under working capital in the cash flow statement. Cash flow from investments totalled MEUR 37.3 (MEUR -39.6) and includes, inter alia, investments and repaid capital received by the Group. Cash



flow before financing totalled MEUR 34.2 (MEUR -39.0) and reflects the development in the Management Company and Services business and Investment business. Cash flow from financing was MEUR -10.8 (MEUR 32.0) as CapMan repaid bank financing during the financial year.

### KEY FIGURES 31 DECEMBER 2016

CapMan's return on equity was 14.7 per cent (31 December 2015: 9.3 per cent), its return on investment 10.9 per cent (8.0 per cent) and its net gearing was 14.5 per cent (72.9 per cent) as of 31 December 2016. The target levels for the company's return on equity and net gearing are on average over 20 per cent and a maximum of 40 per cent, respectively.

**Table 4: CapMan's key figures**

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

\*) Hybrid bond of EUR 15 million (EUR 15 million as at December 31, 2015) is recognised to equity. Interest on the hybrid bond (net of tax) for the financial year has been deducted when calculating earnings per share. The share issue adjusted number of shares includes the shares issued as consideration transferred in the acquisition of Norvestia as of December 19, 2016, when calculating earnings per share under IAS 33.

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

## BOARD'S PROPOSAL FOR DISTRIBUTION OF PROFIT

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

## CAPITAL UNDER MANAGEMENT AS OF 31 DECEMBER 2016, FUNDRAISING STATUS AND SERVICE BUSINESS FOR THE FINANCIAL YEAR

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

Capital increases as fundraising for new funds progresses or as investments are executed under investment mandates and declines as exits are completed. CapMan established a new MEUR 100 Nordic credit fund in May. The fund is managed by Nest Capital, an investment partnership part of CapMan Group and previously known as CapMan Credit. Fundraising for the fund is ongoing. CapMan Real Estate was awarded an investment mandate from Bayerische Versorgungskammer (BVK), Germany's largest pension scheme group. Based on the mandate, CapMan Real Estate will execute investments worth MEUR

400 in total in residential real estate on behalf of BVK. In 2016, CapMan has advised BVK on the acquisition of two prime residential portfolios in the Helsinki Metropolitan Area and in Copenhagen totalling MEUR 165 under the investment mandate. BVK has approx. BEUR 62 in assets under management and it invests also through partners. CapMan will receive an annual advisory fee and performance fee.

Capital under management was MEUR 2,692 as of 31 December 2016 (31 December 2015: MEUR 2,805). The establishment of a private debt fund and investments made based on the BVK investment mandate had a positive impact on capital under management. The increase was offset by exits completed in 2016. Of the total capital under management, MEUR 1,408 (MEUR 1,464) was held in real estate funds or investment mandates and MEUR 1,285 (MEUR 1,341) was held in funds making investments in portfolio companies. Funds under management, together with their investment activities, are presented in more detail in Appendices 1 and 2 of the Financial Statements Bulletin 2016.

CapMan's service business has grown more than 80 per cent in 2016. Currently CaPS has the most significant impact on fees obtained from services. CaPS develops its member companies' purchasing activities and fees obtained from the services are significant. Fees generated by CaPS have grown through geographic expansion as well as due to new members and purchasing categories.

Scala Fund Advisory operates as part of CapMan Group and offers private equity fundraising and advisory services for private equity fund managers and institutional investors. Scala has several mandates, which have partially

contributed to advisory fees already in 2016. The majority of fees are success fees, which are paid as a one-off compensation following a successful fundraise. CapMan has also started monetising services related to fund management. The stringent regulatory environment creates possibilities for established companies like CapMan with sufficient know-how and resources to offer services related to among others fund establishment, fund management and valuation to smaller players in the industry. The business is still small scale. CapMan's various service offerings have significant growth potential and are expected to increase CapMan's fee income in the long term.

## **CAPMAN PLC'S BOARD OF DIRECTORS AND MANAGEMENT GROUP**

The members of CapMan Plc's Board of Directors as of the end of 2016 were Karri Kaitue (Chairman), Nora Kerppola (Vice Chairman), Dirk Beeusaert, Claes de Neergaard and Ari Tolppanen.

The members of CapMan Plc's Management Group as of the end of 2016 were Heikki Westerlund (CEO), Jerome Bouix (Managing Partner, Scala Fund Advisory), Hans Christian Dall Nygård (Managing Partner, CapMan Russia), Joakim Frimodig (Director, Strategic Growth Initiatives), Niko Haavisto (CFO), Mika Matikainen (Managing Partner, CapMan Real Estate) and Markus Sjöholm (Managing Partner, CapMan Buyout).

## **AUTHORISATIONS GIVEN TO THE BOARD BY THE AGM**

The AGM authorised the Board of Directors to decide on the repurchase and/or on the acceptance as pledges of the company's shares. The number of shares concerned shall not exceed 8,000,000, and the authorisation shall remain in force until the end of the following AGM and 30 June 2017 at the latest. The

AGM also authorised the Board to decide on the issuance of shares and other special rights entitling to shares. The number of shares to be issued shall not exceed 15,000,000 shares and the authorization shall remain in force until the end of the following AGM and 30 June 2017 at the latest.

Further details on these authorisations can be found in the stock exchange release on the decisions taken by the AGM issued on 16 March 2016.

## **DECISIONS OF THE EGM AND AUTHORISATIONS GIVEN TO THE BOARD**

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

The total number of shares to be issued under the authorisation may not exceed 65,576,292 shares. The amendments to the Articles of Association are registered before the authorisation may be used. The authorisation may be only used to carry out the exchange offer concerning Norvestia Plc in one or more tranches. The authorisation is valid until 8 December 2021. The authorisation does not cancel other effective authorisations.

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

## PERSONNEL

CapMan employed a total of 108 people as of 31 December 2016 (31 December 2015: 101), of whom 71 (67) worked in Finland and the remainder in the other Nordic countries, Russia, Luxembourg and the United Kingdom. A breakdown of personnel by country is presented in the Notes to the Financial Statements in Section 6 Employee benefit expenses.

## SHARES AND SHARE CAPITAL

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

All shares generate equal voting rights and rights to a dividend and other distribution to shareholders. CapMan Plc's shares are included in the Finnish book-entry system. Redemption obligation clauses associated with shares are detailed in the Notes to the Financial Statements in Section 25 Share capital and shares.

## SHAREHOLDERS AND MANAGEMENT HOLDINGS

The number of CapMan Plc shareholders increased by 78% from the comparable period and totalled 11,861 as of 31 December 2016 (31 December 2015: 6,660).

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

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

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

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

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

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

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

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

Gimv NV's share of voting rights has fallen below one-twentieth (1/20) of the voting rights in CapMan Plc on 4 November 2016 as a result of a disposal of shares.

No notifications regarding major shareholder changes were given in 2015. As of 31 December 2016, the members of the Board of Directors and the CEO held a total of 10,013,950 shares either directly or through companies they control, representing 7.0% of CapMan Plc's shares and voting rights. The Chairman of the Board of Directors and the CEO also held a total of 1,200,000 2013A, 2013B and 2013C options as of the end of the year, entitling them to subscribe to an equivalent number of shares, representing 0.8% of CapMan Plc's shares and voting rights.

Details on CapMan Plc's owners by sector and size, together with the company's major shareholders, nominee-registered shares, and redemption obligation clauses covering company shares are presented in the Notes to the Financial Statements in Section 25 Share capital and shares.

## COMPANY SHARES

As of 31 December 2016, CapMan Plc held a total of 26,299 CapMan shares, representing 0.02% of shares and voting rights. The market value of own shares held by CapMan was EUR 32,874 as of 31 December 2016 (31 December 2015: EUR 26,299). No changes occurred in the number of own shares held by CapMan Plc during the year.

## TRADING AND MARKET CAPITALISATION

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

The market capitalisation of CapMan Plc shares as of 31 December 2016 was MEUR 179.1 (31 December 2015: MEUR 86.3, including A shares valued at the closing price of B shares).

## COMPENSATION SCHEMES

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

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



The long-term scheme consists of carried interest payable to investment teams and stock option programmes for CapMan's key personnel. The carried interest payable to investment teams is based on the success of investments made in the corresponding funds. This arrangement is in line with international industry practice.

At the end of the reporting period, CapMan Plc had two stock option programmes - Option Programme 2013 and Stock Option Programme 2016 - in place as part of its incentive and commitment arrangements for key personnel. The Board of Directors decides annually on the distribution of stock options to the key personnel employed or recruited by the Group.

The maximum number of stock options issued under Option Programme 2013 will be 4,230,000, which will carry an entitlement to subscribe to a maximum of 4,230,000 new shares. The programme is divided into A, B, and C series, each of which covers a maximum of 1,410,000 option entitlements. The share subscription price of the 2013A options is EUR 0.75 (the trade volume-weighted average quotation of the share during 1 April-31 May 2013 with an addition of 10%), that of the 2013B options is EUR 1.03 (the trade volume-weighted average quotation of the share during 1 April-31 May 2014 with an addition of 10%), and that of the 2013C options is EUR 1.05 (the trade volume-weighted average quotation of the share during 1 April-31 May 2015 with an addition of 10%). The subscription period for 2013A options began on 1 May 2016 and that for 2013B options and 2013C options will begin on 1 May 2017 and 1 May 2018, respectively. Receivables from shares subscribed to under these options will be entered in the company's unrestricted shareholders' equity. A total of 1,325,000 stock option entitlements under the Option

Programme 2013A, a total of 1,218,334 stock option entitlements under the Option Programme 2013B and a total of 1,227,291 stock option entitlements under the Option Programme 2013C had been allocated by 31 December 2016. A total of 29,171 new shares had been subscribed to with 2013A options as of 31 December 2016.

The maximum number of stock options issued under Option Programme 2016 will be 4,230,000, which will carry an entitlement to subscribe to a maximum of 4,230,000 new shares. The programme is divided into A, B, and C series, each of which covers a maximum of 1,410,000 option entitlements. The share subscription price of the 2016A options is EUR 1.04 (the trade volume-weighted average quotation of the share during 1 April-31 May 2016 with an addition of 10%), that of the 2016B options is the trade volume-weighted average quotation of the share during 1 April-31 May 2017 with an addition of 10%, and that of the 2016C options is the trade volume-weighted average quotation of the share during 1 April-31 May 2018 with an addition of 10%. The subscription period for 2016A options will begin on 1 May 2019, that for 2016B options on 1 May 2020 and that for 2016C options on 1 May 2021. Receivables from shares subscribed to under these options will be entered in the company's unrestricted shareholders' equity. No stock option entitlements had been allocated by 31 December 2016 under the Option Programme 2016.

The terms of the option programmes can be found on CapMan's website at <https://www.capman.com/investors/shares-and-shareholders/stock-option-programmes/>.

The impact of these stock option programmes and option issues on the number of CapMan shares and voting rights is described in more detail in the Notes to Financial Statements in [Note 31 Share-based payments](#).

## DECISIONS TAKEN BY THE ANNUAL GENERAL MEETING FOR 2016 AND ORGANISING MEETING HELD BY THE BOARD OF DIRECTORS

The decisions have been described in detail in two stock exchange releases published on 16 March 2016.

## PUBLICATION OF THE FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS, AND THE ANNUAL GENERAL MEETING FOR 2017

CapMan Group's Financial Statements and the Report of the Board of Directors for 2016 will be published as part of the company's Annual Report for 2016 in February 2017 during week 8. CapMan Plc's 2017 Annual General Meeting will be held on Wednesday 15 March 2017 at 10:00 a.m. in Helsinki. The Notice to the Annual General Meeting and other proposals of the Board of Directors to the Annual General Meeting are published by 22 February 2017 the latest. Complete financial statements, as required under the terms of the Finnish Companies Act, will be available on CapMan's website [www.capman.com](http://www.capman.com) by 22 February 2017 at the latest.

## CORPORATE GOVERNANCE STATEMENT

CapMan Plc's Corporate Governance Statement will be published separately from the Report of the Board of Directors as part of the company's Annual Report for 2016 during week 8 and will be available on the company's website [www.capman.com](http://www.capman.com) by 22 February 2017 at the latest.

## OTHER SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

Funds managed by CapMan exited Esperi Care Oy in June. CapMan is a significant investor in CapMan Buyout IX fund and the result impact from the exit was MEUR 1.4. The exit generated MEUR 6.1 in cash flow to CapMan Plc. The CapMan Real Estate I fund sold its holding in KOy Mastolan Keskusvarasto to Kokoelmakeskus Ky. The investors of Kokoelmakeskus are a group of Finnish investors, including CapMan. CapMan Real Estate is responsible for managing the asset.

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

## EVENTS AFTER THE END OF THE FINANCIAL YEAR

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

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

## SIGNIFICANT RISKS AND SHORT-TERM UNCERTAINTIES

Private equity investment is generally subject to a risk of non-liquid investments, among others, which means uncertainty of the realization of any increase in value, a risk concerning general economic development and market situation and a risk concerning the economy and political situation of target countries.

Investment operations carried out by CapMan are subject to general market risk. Market values can change, for example, because of fluctuations in the equity, fixed income, currency and real estate markets. Changes in market values impact the result of CapMan through the appreciations of its investment assets. Changes in the equity markets also influence the valuation of unlisted portfolio companies because the valuation methods used by funds include the share values of suitable listed companies. Economic uncertainty may have a direct impact on the success of the funds administered by CapMan, on the success of CapMan's investment activities, and also on the assets available for investment or solvency of the current and potential investors of the funds.

The business operations of the CapMan Group have a material risk of failure regarding the establishment of new private equity funds and their fundraising. Successful funding is important to management fees and creates opportunity for receiving carried interest income in the future. For example, poor performance of investments made by funds managed by CapMan, increasing

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

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

Group companies managing a fund may in certain circumstances, pursuant to the terms of the fund agreement, have to return carried interest income they have received (so-called clawback). The obligation to return carried interest income applies typically when the fund management company is deemed to have received a higher total carried interest income when the fund expires than what it was entitled to under the fund agreement. CapMan books received carried interest income on a cash basis. As such, only realised carried interest income is booked in CapMan's result. Returned carried interest income based on clawback conditions would in turn have a negative impact on CapMan's result as a potential clawback provision may not be sufficient. CapMan has recorded a EUR 7.5 million clawback provision for the CapMan Real Estate I KY fund. The sufficiency of the provision is reviewed quarterly by the management but its actual amount will only be known after all target investments of the fund have been liquidated. The realisation of the clawback liability would have a negative cash flow impact and it is possible that the provision made is not sufficient.

The company's financing agreements include financing covenants and other conditions. Violation of covenants related to financing agreements and a failure to fulfil other contractual terms may cause the cost of financing to increase significantly and even jeopardise continued financing for CapMan.

Changes in the securities markets regulation, significant domestic or international tax regulation or practice and regulation generally applicable to business operations, or measures and actions by authorities or requirements set by authorities, or in the manner in which such laws, regulations and actions are implemented or interpreted, as well as the application and implementation of new laws and regulations, may have a significant effect on CapMan's business operations.

## GENERAL BUSINESS ENVIRONMENT

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

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

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

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

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

## Private Equity

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

Generous distributions from private equity funds compared to capital calls enable new private equity investments for institutional investors and encourage additional growth of the asset class in the medium term. According to an investor survey by Preqin, 89 per cent of respondents consider that the development of their private equity portfolio has either met or exceeded their expectations and 93 per cent of the respondents expect to either increase or

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

<sup>6</sup> Tela

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

maintain allocations into private equity in the long term. Half of respondents believe small and mid-sized buyout funds offer the best opportunities.<sup>8</sup>

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

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

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

The private equity secondary market is becoming an increasingly important part of investors' private equity strategy as they look for options to add liquidity to their alternative asset portfolios and diversify between different vintages, for example. The pricing of secondaries is edging closer to fair value.<sup>15</sup> With the growth of the secondaries market, there is increased demand for advisory services that focus on this segment of the private equity market. Competition has tightened for private debt funds as new funds have entered the market and momentum in fundraising appears to have slowed down in the second half of 2016. Mezzanine strategies have obtained competition from direct lending. Investors are mostly interested in larger funds and established fund managers.<sup>16</sup>

## Real Estate

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

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

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

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

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

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

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

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

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

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

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

The steady increase in transaction volumes across the Nordic region compressed the yields further. In Sweden prime offices and retail properties traded as low as 3.75 per cent in the first half of 2016, while in Denmark prime office and retail yields stood around 4.0 per cent and 3.2 per cent, respectively, at the year-end. Also the Finnish property investment market continued on the strong track in 2016 with prime yields ranging between 4.0 per cent (office) and 3.75 per cent (retail) in the Helsinki city centre at the end of the year. Yields also compressed in the secondary stock in 2016 although notable differences in pricing of risk still exist between the different countries in the region. For example, in Stockholm B-grade properties in A-locations or A-grade properties in B-locations traded at only with a slight risk premium to prime assets in the latter part of 2016 whereas in Helsinki the yield gap between prime and secondary assets is still typically at least 200 basis points.<sup>18</sup>

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

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<sup>18</sup> CapMan Real Estate, CBRE Nordic Investment MarketView Q4 2016 <sup>19</sup> CapMan Real Estate, CBRE, Catella, boliga.dk, Sadolin Albaek

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

Fundraising for real estate funds has remained strong in 2016 and funds raised are at the highest level since the financial crisis. There was a record number of real estate funds in the market in the beginning of 2017. In addition to value add strategies, investors are increasingly interested in riskier opportunistic strategies.<sup>20</sup> According to a survey by Preqin, Europe generates the most investor interest.<sup>21</sup> Investments in real estate funds investing in Europe and established between 2009 and 2013 have returned on average 13 per cent p.a.

<sup>22</sup>

## FINANCIAL OBJECTIVES AND OUTLOOK ESTIMATE FOR 2017

CapMan renewed its financial objectives at the end of 2016. The growth objective for Management Company and Services business is more than 10 per cent p.a. on average. The objective for return on equity is more than 20 per cent p.a. on average. The objective for net gearing, that is ratio of interest bearing debt to equity, is a maximum of 40 per cent on average. CapMan's objective is to pay at least 75 per cent of earnings per share as dividend.

CapMan expects to achieve these financial objectives gradually and key figures are expected to show seasonality. CapMan expects fees from services to have a larger impact on results from the Management Company and Services business in 2017. The Management Company and Services business is profitable before carried interest income and any possible items affecting comparability. The integration of Norvestia and other growth initiatives will generate expenses in 2017.

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

<sup>22</sup> Preqin data

The return on CapMan's investments have a substantial impact on CapMan's overall result. The development of industries and local economies, inflation development, valuation multiples of peer companies, exchange rates and various other factors outside of CapMan's control influence fair value development of CapMan's overall investments in addition to company and real estate specific development.

CapMan's objective is to improve results longer term, taking into account the seasonality affecting services and the Investment business. For these and other above mentioned reasons, CapMan does not provide numeric estimates for 2017.

**CapMan Plc**

Board of Directors



# Group Statement of Comprehensive Income (IFRS)

€ ('000)	Note	1.1.-31.12.2016	1.1.-31.12.2015
<b>Turnover</b>	<a href="#">3</a>	26,677	31,767
Other operating income	<a href="#">5</a>	126	314
Employee benefit expenses	<a href="#">6</a>	-18,291	-17,066
Depreciation	<a href="#">7</a>	-257	-322
Other operating expenses	<a href="#">8</a>	-12,190	-10,574
Fair value gains/losses of investments	<a href="#">10</a>	22,607	5,152
<b>Operating profit</b>		18,672	9,271
Finance income	<a href="#">11</a>	667	121
Finance costs	<a href="#">11</a>	-3,806	-2,996
Share of the income of investments accounted for using the equity method	<a href="#">12</a>	-8	53
<b>Profit before taxes</b>		15,525	6,449
Income taxes	<a href="#">13</a>	-239	-395
<b>Profit for the financial year</b>		15,286	6,054
<b>Other comprehensive income:</b>			
<b>Items that may be subsequently reclassified to profit or loss</b>			
Translation difference		-195	-41
<b>Total comprehensive income</b>		15,091	6,013

€ ('000)	Note	1.1.-31.12.2016	1.1.-31.12.2015
<b>Profit attributable to:</b>			
Equity holders of the Company		15,286	6,054
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		15,091	6,013
<b>Earnings per share for profit attributable to the equity holders of the Company:</b>			
Earnings per share (basic), cents	<a href="#">14</a>	16.2	5.9
Earnings per share (diluted), cents	<a href="#">14</a>	16.1	5.8

The Notes are an integral part of the Financial Statements.

# Group Balance Sheet (IFRS)

€ ('000)	Note	31.12.2016	31.12.2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible assets	<a href="#">15</a>	169	189
Goodwill	<a href="#">16</a>	6,204	6,204
Other intangible assets	<a href="#">17</a>	277	487
Investments accounted for using the equity method	<a href="#">18</a>	87	95
Investments at fair value through profit and loss	<a href="#">19</a>		
Investments in funds		51,394	47,249
Growth equity investments		37,856	0
Other financial assets		179	48,784
Investments in joint ventures		5,376	7,651
Receivables	<a href="#">20</a>	5,202	6,062
Deferred tax assets	<a href="#">21</a>	4,887	4,400
		111,631	121,121
<b>Current assets</b>			
Trade and other receivables	<a href="#">22</a>	9,849	6,637
Financial assets at fair value through profit and loss	<a href="#">23</a>	86,213	306
Cash and bank	<a href="#">24</a>	45,001	21,576
		141,063	28,519
<b>Total assets</b>		<b>252,694</b>	<b>149,640</b>

€ ('000)	Note	31.12.2016	31.12.2015
<b>EQUITY AND LIABILITIES</b>			
<b>Capital attributable to the Company's equity holders</b>	<a href="#"><u>25</u></a>		
Share capital		772	772
Share premium account		38,968	38,968
Other reserves		97,111	27,397
Translation difference		-101	96
Retained earnings		6,229	-2,048
<b>Total equity</b>		<b>142,979</b>	65,185
<b>Non-current liabilities</b>			
Deferred tax liabilities	<a href="#"><u>21</u></a>	9,868	1,958
Interest-bearing loans and borrowings	<a href="#"><u>26</u></a>	48,065	69,389
Other non-current liabilities		124	0
		<b>58,057</b>	71,347
<b>Current liabilities</b>			
Trade and other payables	<a href="#"><u>27</u></a>	33,341	13,108
Interest-bearing loans and borrowings	<a href="#"><u>28</u></a>	18,000	0
Current income tax liabilities		317	0
		<b>51,658</b>	13,108
<b>Total liabilities</b>		<b>109,715</b>	84,455
<b>Total equity and liabilities</b>		<b>252,694</b>	149,640

The Notes are an integral part of the Financial Statements.

# Group Statement of Changes in Equity (IFRS)

€ ('000)	Attributable to the equity holders of the Company						Total
	Note	Share capital	Share premium account	Other reserves	Translation difference	Retained earnings	
<b>Equity on 1 January 2015</b>	<a href="#">25</a>	772	38,968	27,175	137	-1,485	65,567
Profit for the year						6,054	6,054
Other comprehensive income for the year							
Translation differences					-41		-41
<b>Total comprehensive</b>					<b>-41</b>	<b>6,054</b>	<b>6,013</b>
Options				222		25	247
Dividends						-5,177	-5,177
Hybrid bond, interest (net of tax)						-960	-960
Total contributions by and distributions to owners of the parent, recognised directly in equity				222		-6,112	-5,890
Other changes						-505	-505
<b>Equity on 31 December 2015</b>	<a href="#">25</a>	772	38,968	27,397	96	-2,048	65,185

€ ('000)	Attributable to the equity holders of the Company						Total
	Note	Share capital	Share premium account	Other reserves	Translation difference	Retained earnings	
Profit for the year						15,286	15,286
Other comprehensive income for the year							
Translation differences					-197		-197
<b>Total comprehensive</b>					<b>-197</b>	<b>15,286</b>	<b>15,089</b>
Share subscriptions with options				22			22
Options				64		151	215
Dividends				69,628		-6,040	63,588
Share issue							
Hybrid bond, interest (net of tax)						-1,120	-1,120
Total contributions by and distributions to owners of the parent, recognised directly in equity				69,714		-7,009	62,705
<b>Equity on 31 December 2016</b>	<a href="#"><u>25</u></a>	<b>772</b>	<b>38,968</b>	<b>97,111</b>	<b>-101</b>	<b>6,229</b>	<b>142,979</b>

The Notes are an integral part of the Financial Statements.

# Group Cash Flow Statement (IFRS)

€ ('000)	Note	1.1.-31.12.2016	1.1.-31.12.2015
<b>Cash flow from operations</b>			
Profit for the financial year		15,286	6,054
Adjustments on cash flow statement	<a href="#">9</a>	-18,520	2,996
Change in working capital:			
Change in current non-interest-bearing receivables		1,681	-1,383
Change in current trade payables and other non-interest-bearing liabilities		2,949	-1,926
Interest paid		-4,213	-4,317
Taxes paid		-310	-852
<b>Cash flow from operations</b>		<b>-3,126</b>	<b>572</b>
<b>Cash flow from investing activities</b>			
Acquisition of subsidiaries		6,241	0
Investments in tangible and intangible assets		-23	-6
Investments at fair value through profit and loss		10,838	-37,771
Long-term loan receivables granted		-2,295	-2,095
Receivables from long-term receivables		3,055	12
Dividends received		18,841	27
Interest received		662	222
<b>Cash flow from investing activities</b>		<b>37,319</b>	<b>-39,611</b>
<b>Cash flow from financing activities</b>			
Proceeds from borrowings	<a href="#">26</a>	0	63,900
Repayment of long-term loan		-4,729	-26,758
Dividends paid		-6,040	-5,177
<b>Cash flow from financing activities</b>		<b>-10,769</b>	<b>31,965</b>
<b>Change in cash and cash equivalents</b>		<b>23,425</b>	<b>-7,074</b>
Cash and cash equivalents at start of year		21,576	28,650
<b>Cash and cash equivalents at end of year</b>	<a href="#">24</a>	<b>45,001</b>	<b>21,576</b>

The Notes are an integral part of the Financial Statements.



# Notes to the Consolidated Financial Statements

## GROUP INFORMATION

CapMan's core business is private equity fund management and advisory services, as well as direct market and growth equity investments. The funds managed by CapMan make investments in Nordic and Russian companies and in real estate in the Nordic countries. CapMan makes direct market investments primarily in Nordic listed shares, hedge funds and bonds. Growth equity investments are made mainly in Nordic unlisted companies and growth-oriented listed companies.

The parent company of the Group is CapMan Plc and is domiciled in Helsinki, with a registered office address at Ludviginkatu 6, 00130 Helsinki, Finland.

The Consolidated Financial Statements may be viewed online at [www.capman.com](http://www.capman.com), or a hard copy is available from the office of the parent company.

The Consolidated Financial Statements for 2016 have been approved for publication by CapMan Plc's Board of Directors on February 1, 2017. Pursuant to the Finnish Companies Act, shareholders may adopt or reject the financial statements and make decisions on amendments to them at the Annual General Meeting.

## 1. ACCOUNTING POLICIES

### Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in force at December 31, 2016 as adopted by the European Union. International Financial Reporting Standards, referred to in the Finnish Accounting Act and in ordinances issued based on the provisions of this Act, are standards and their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the consolidated financial statements have been prepared in accordance with the Finnish accounting standards as and where they supplement IFRS requirements.

The preparation of financial statements in conformity with IFRS requires the Group's management to make estimates and assumptions when applying CapMan's accounting principles, and these are presented in more detail under 'Use of estimates'.

The Consolidated Financial Statements have been prepared under the historical cost convention, except for financial assets and liabilities valued at fair value through profit or loss. The information in the Consolidated Financial

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

### **New and amended standards applied in financial year ended**

As from January 1, 2016, the Group has applied the following new or amended standards that have come into effect:

- Amendments to IFRS 10, IFRS 12 and IAS 28: Investment entities - Applying the Consolidation Exception. These amendments clarified which subsidiaries of an investment entity should be consolidated instead of being measured at fair value through profit or loss. These amendments had no impact on the consolidated financial statements.
- Amendments to IAS 1: Presentation of Financial Statements - Disclosure Initiative. The amendment elaborates on the effect of materiality on the presentation of notes, subtotals and the order of notes. The amendments had no material impact on the consolidated financial statements.
- Annual Improvements to IFRSs 2012-2014 cycle (effective for financial years beginning on or after 1 January 2016). The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. Their impacts vary standard by standard but were not significant.

Other new or amended standards or interpretations had no impact on the consolidated financial statements.

### **Adoption of new and amended standards and interpretations applicable in future financial years**

The Group has not yet adopted the following new and amended standards and interpretations already issued by the IASB. The Group will adopt them as of the effective date or, if the date is other than the first day of the financial year, from the beginning of the subsequent financial year.

These amendments have been endorsed for use by the European Union:

#### **IFRS 9 Financial instruments (effective for financial years beginning on or after January 1, 2018)**

IFRS 9 will replace the current standard IAS 39 Financial Instruments: Recognition and Measurement. The new standard replaces the multiple classification models of financial assets in IAS 39 with a single model, under which there are three classification categories: amortised cost, fair value through profit and loss and fair value through other comprehensive income. Classification is based on entity's business model for managing financial assets and their contractual cash flow characteristics. The new standard also includes a new model for estimating impairment of financial assets, which is based on expected credit losses. The new hedge accounting rules align hedge accounting more closely with common risk management practices.

The Group expects the standard to cause changes primarily to accounting principles related to financial assets measured at amortised cost, such as trade and loan receivables. However, the Group does not expect significant changes to reported figures, because credit losses have been historically low and are not expected to increase in the future. Neither does the Group expect changes to the classification of financial assets, as the majority of group's financial

assets are already classified under category fair value through profit and loss. Changes to the hedge accounting rules do not have an impact, because the Group does not apply hedge accounting.

#### **IFRS 15 Revenue from Contracts with Customers (effective for financial years beginning on or after January 1, 2018)**

IFRS 15 will replace the current IAS 18 and IAS 11 standards and establishes a 5-step model on how to account for revenue from contracts with customers. In the new standard, transfer of control is a central criterion for revenue recognition, which can happen over time or in a point in time. The new standard also increases the number of notes disclosed. The Group is currently in the process of estimating the impacts of implementing the standard with a date of transition being January 1, 2018. The implementation project consists of three phases: preliminary impact analysis, conversion and embedding. Preliminary impact analysis has been completed and conversion is in process.

In the preliminary impact analysis, the contract types of the different revenue streams of the Group were identified and the 5-step model of IFRS 15 applied to analyse the possible impacts. CapMan's main revenue streams comprise management fees and carried interest. Other fees incurred are generated by the CapMan Procurement Services (CaPS), Scala Fund Advisory and Real Estate business lines consisting mainly of commissions, retainer and success fees and property management service fees. The main issues identified by the management resulting from the preliminary impact analysis were:

- Determination of the method to define “highly probable” for variable consideration, such as carried interest, and ensuring that the current accounting policy for estimating claw back risk is in line with IFRS 15 constraints. Under IFRS 15 performance-based fees will not be

recognised until it is highly probable that a significant reversal in the amount of cumulative revenue will not occur.

- Identifying the separate performance obligations in certain contracts of Scala Fund Advisory and CapMan Purchasing Scheme. There are contracts in these business lines that include several performance obligations and accordingly, further analysis is required to determine whether these performance obligations are separate and consideration should be allocated to each or whether they can be treated as one.

Based on the preliminary impact analysis, the Group does not expect IFRS 15 to have a significant impact on the reported figures, but expects the new standard to increase the amount of disclosure on revenue contracts and require more transparency on management judgement applied related to revenue recognition.

These amendments have not been endorsed for use by the European Union yet:

#### **IFRS 16 Leases (effective for financial years beginning on or after January 1, 2019)**

IFRS 16 will replace the current standard IAS 17 Leases. The new standard requires lessees to recognise assets and liabilities for most of the lease contracts. The Group expects the standard to impact mainly the accounting treatment of its lease contracts related to its facilities by increasing non-current assets and net gearing and decreasing the equity ratio. In the income statement, other operating expenses are expected to decrease by annual rental expenses, whereas depreciation and finance costs are expected to increase. However, net impact on the profit for the financial year is estimated to be low.

Other new or amended standards or interpretations are not expected to have an impact on the Group's financial statements.

### Consolidation principles

As CapMan has determined it meets the definition of an investment entity, its subsidiaries are classified either as operating subsidiaries, that are considered to be an extension of the Parent's operations, and as such, they are consolidated or investment entity subsidiaries, that are fair valued through profit and loss. The types of subsidiaries and their treatment in CapMan's consolidated accounts are as follows:

- Subsidiaries that provide fund management services (fund managers) or manage direct investments are considered to be an extension of the Parent's business and as such, they are consolidated;
- Subsidiaries that provide fund management services (fund managers) and which also hold direct investments in the funds are consolidated and the investments in the funds are fair valued through profit and loss;
- Subsidiaries that provide fund investment advisory services (advisors) are considered to be an extension of the Parent's business and as such, they are consolidated;
- Investment entity subsidiaries (CapMan Fund Investments SICAV-SIF), through which CapMan makes its own fund investments, are fair valued through profit and loss.

### Significant judgment applied by management in the preparation of the consolidated financial statements - investment entity basis

Management has determined that CapMan qualifies as an investment entity as defined by IFRS 10 through the fulfillment of the investment entity criteria, irrespective of the direct investments brought along by the acquisition of Norvestia. The corner stone of CapMan's business purpose remains to obtain capital from investors to its closed-end private equity funds and to provide investment management services to those funds to gain both capital appreciation and investment income. Even after the acquisition of Norvestia, direct investments represent a relatively small part compared to total assets under management. Further, CapMan obtains funds from many external investors for investment purposes. Documented exit strategies exist for each fund's portfolio investments. Each fund's portfolio investments and the real estate investments are fair valued and such fair value information is provided both to the fund investors on reporting date and also for CapMan's internal management reporting purposes. In addition, management has assessed that the following characteristics further support investment entity categorization: CapMan holds several investments itself in the funds, investments in the funds are held by several investors, the investors are not related parties and the investments are held mostly in form of equity.

### Significant judgment applied by management in the preparation of the consolidated financial statements - control over funds

One of the most significant judgments management made in preparing the Company's consolidated financial statements is the determination that Company does not have control over the funds under its management. Control is presumed to exist when a parent has power over the investee, has exposure to variable returns from the fund and is able to use its power to affect the level of returns.

CapMan manages the funds against management fee received from the investors on the basis of the investment management mandate negotiated with the investors and it also makes direct investments in the funds under its management. Accordingly, CapMan was required to determine, whether it is acting primarily as a principal or as an agent in exercising its power over the funds.

In the investment management mandate the investors have set detailed instructions in all circumstances relating to the management of the fund limiting the actual influence of the general partner at very low. CapMan's direct investment (typically between of 1% to 5%) in the funds and thus the share of the variability of the returns compared with the other investors is relatively small. As an investor in the fund CapMan has no representation nor voting rights as it has been specifically excluded in the investment management mandate.

Therefore, management has concluded that despite it from formal perspective exercises power over the funds by controlling the general partner of the fund, its actual operational ability is limited in the investment management mandate in a manner that the general partner is considers to act as an agent. Furthermore, CapMan's exposure to variable returns from the fund and its power to affect the level of returns is very low for the reasons described above. Therefore, CapMan has determined that it does not have control over the funds under its management.

### **Subsidiaries**

Subsidiaries are consolidated using the acquisition method. All intercompany transactions are eliminated in the Consolidated Financial Statements. Profit and loss, together with all other comprehensive income-related items, are

booked to the owners of the parent company or owners not holding a controlling interest in the companies concerned. Non-controlling interests are presented in the Consolidated Balance Sheet under equity separately from equity attributable to the owners of the parent company.

Subsidiaries and businesses acquired during the year are consolidated from the date on which the Group acquires a controlling interest, and in the case of companies and businesses divested by the Group during the financial year up to the date on which CapMan's controlling interest expires.

### **Associates**

An associated company is an entity in which the Group has significant influence but does not hold a controlling interest. This is generally defined as existing when the Group holds, either directly or indirectly, more than 20% of a company's voting rights.

As an investment entity, CapMan measures associated companies belonging to growth equity investments at fair value through profit and loss. The group considers this to give more meaningful information about the real value of investments and to better describe the company's business, the company's way of reviewing its investments and making decisions relating to them.

Other associated companies have been consolidated in accordance with the equity method. Under this, the investment in an associated company is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of the company's net assets, less any impairment value. If the Group's share of the loss incurred by an associated company exceeds the book value of its investment, the investment is booked at zero in the balance sheet, and losses exceeding book value are not combined unless the Group is committed to

meeting the obligations of the company concerned. The Group's share of the profit recorded by an associated company during the financial year in accordance with its holding in the company is presented as a separate item in the income statement after operating profit.

### Joint ventures

CapMan has assessed the nature of its investment in Maneq Luxembourg S.a.r.l. and classified it as joint venture since based on contractual agreement, CapMan has right to net assets of the arrangement. The investment is made through several separate instruments and their values are co-dependent. As an investment entity CapMan measures its investment in the joint venture at fair value through profit and loss. In the balance sheet, the investment is presented as part of Investments at fair value through profit and loss as a separate line item "Investments in joint ventures". Changes in the fair value of the investment are recognised in the group statement of comprehensive income in line item "Fair value changes of investments".

### Segment reporting

Operating segments are reported in accordance with internal reporting presented to senior management. The latter is responsible for allocating resources to operating segments and evaluating their performance and is defined as the Group's Management Group, which is responsible for taking strategic decisions affecting CapMan.

### Translation differences

The result and financial position of each of the Group's business units are measured in the currency of the primary economic environment for that unit ( 'functional currency' ). The Consolidated Financial Statements are

presented in euros, which is the functional and presentation currency of the Group's parent company.

Transactions in foreign currencies have been recorded in the parent company's functional currency at the rates of exchange prevailing on the date of the transactions; in practice a reasonable approximation of the actual rate of exchange on the date of the transaction is often used. Foreign exchange differences for operating business items are recorded in the appropriate income statement account before operating profit and, for financial items, are recorded in financial income and expenses. The Group's foreign currency items have not been hedged.

In the consolidated financial statements, the income statements of subsidiaries that use a functional currency other than the euro are translated into euros using the average rates for the accounting period. Their balance sheets are translated using the closing rate on the balance sheet date. All resulting exchange differences are recognised in other comprehensive income. Translation differences caused by changes in exchange rates for the cumulative shareholders' equity of foreign subsidiaries have been recognised in other comprehensive income.

### Tangible non-current assets

Tangible non-current assets have been reported in the balance sheet at their acquisition value less depreciation according to plan. Assets are depreciated on a straight-line basis over their estimated useful lives.

The estimated useful lives are as follows:

Machinery and equipment	4-5 years
Other long-term expenditure	4-5 years

The residual values and useful lives of assets are reviewed on every balance sheet date and adjusted to reflect changes in the expected economic benefits where necessary.

## Intangible assets

### Goodwill

Goodwill acquired in a business merger is booked as the sum paid for a holding, the holding held by owners with a non-controlling interest, and the holding previously owned that, when combined, exceeds the fair value of the net assets of the acquisition. Write-offs are not made against goodwill, and possible impairment of goodwill is tested annually. Goodwill is measured as the original acquisition cost less accumulated impairment. The goodwill acquired during a merger is booked against the units or groups of units responsible for generating the cash flow used for testing impairment. Every unit or group of units for which goodwill is booked represents the lowest level of the organisation at which goodwill is monitored internally for management purposes. Goodwill is monitored at operating segment level.

### Other intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets are recognised in the balance sheet only if the cost of the asset can be measured reliably and if it is probable that the future economic benefits attributable to the asset will flow to the Group.

Agreements and trademarks acquired in business mergers are booked at fair value at the time of acquisition. As they have a limited life, they are booked in the balance sheet at acquisition cost minus accumulated write-offs. IT systems are expensed on the basis of the costs associated with acquiring and installing the software concerned. Depreciation is spread across the financial life of the relevant software licences. Impairment is tested whenever there is an indication that the book value of intangible assets may exceed the recoverable amount of these assets.

The estimated useful lives are:

Agreements and trademarks	10 years
Other intangible assets	3-5 years

## Impairment of assets

The Group reviews all assets for indications that their value may be impaired on each balance sheet date. If such indication is found to exist, the recoverable amount of the asset in question is estimated. The recoverable amount for goodwill is measured annually independent of indications of impairment.

The need for impairment is assessed on the level of cash-generating units, in other words at the smallest identifiable group of assets that is largely independent of other units and cash inflows from other assets. The recoverable amount is the fair value of an asset, less costs to sell or value in use. Value in use refers to the expected future net cash flow projections, which are discounted to the present value, received from the asset in question or the cash-generating unit. The discount rate used in measuring value in use is the rate that reflects current market assessments of the time value of money and



the risks specific to the asset. Impairment is recorded in the income statement as an expense. The recoverable amount for financial assets is either the fair value or the present value of expected future cash flows discounted by the initial effective interest rate.

An impairment loss is recognised whenever the recoverable amount of an asset is below the carrying amount, and it is recognised in the income statement immediately. An impairment loss of a cash-generating unit is first allocated to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets of the unit pro rata. An impairment loss is reversed if there is an indication that an impairment loss may have decreased and the carrying amount of the asset has changed from the recognition date of the impairment loss.

The increased carrying amount due to reversal cannot exceed what the depreciated historical cost would have been if the impairment had not been recognised. Reversal of an impairment loss for goodwill is prohibited. The carrying amount of goodwill is reviewed for impairment annually or more frequently if there is an indication that goodwill may be impaired, due to events and circumstances that may increase the probability of impairment.

## Financial instruments

The Group's financial instruments have been classified into the following categories:

- 1) financial assets at fair value through profit and loss
- 2) loans and other receivables

Classification of financial assets is made on the basis of the purpose of the acquisition of financial instruments at the time of initial recognition. Transaction costs are reported in the initial cost of financial assets, excluding items valued at fair value through profit and loss. All purchases and sales of financial instruments are recognised on the trade date. An asset is eligible for derecognition and removed from the balance sheet when the Group has transferred the contractual rights to receive the cash flows or when it has substantially transferred all of the risks and rewards of ownership of the asset outside the Group. Financial assets are classified as short-term if they have been acquired for trading purposes or fall due within 12 months.

### Financial assets at fair value through profit and loss

Fair value through profit and loss class comprises of financial assets that are acquired as held for trading or designated as at fair value through profit and loss at initial recognition because CapMan is an investment entity. Fund investments, growth equity investments, investments in joint ventures and other investments in non-current assets the Group as an investment entity designates as at fair value through profit and loss at initial recognition, because the group manages and monitors the performance of these investments based on fair values according to group's investment strategy. Investments in listed shares, funds and interest-bearing securities as well as those derivative instruments that do not meet the hedge accounting criteria or for which hedge accounting is not applied in current assets are held for trading and therefore classified as at fair value through profit and loss.

Fair value information of the non-current fund investments is provided quarterly to Company's management and to other investors in the investment funds management by CapMan. The valuation of CapMan's funds' investment

is based on International Private Equity and Venture Capital Valuation Guidelines (IPEVG) and IFRS 13.

The objective of the growth equity investment activities is to find unlisted target companies with a potential to grow rapidly, to make significant minority investments in them and, as an active investor, to develop their value in order to gain significant increase in their value. Since according to this investment strategy, growth companies are managed and their performance is monitored based on fair value, both equity investments in and loan receivables from growth companies are measured at fair value through profit and loss. If the investments have no active market then the fair value is determined quarterly by using valuation methods according to IPEVG and IFRS 13. The valuations are based on forecasted cash flows or peer group multiples. In estimating fair value of an investment, a method that is the most appropriate in light of the facts, nature and circumstances of the investment is applied. External valuations are made at least once a year to verify the fair values of growth equity investments. Loan receivables from growth equity investments are valued at fair value through profit and loss based on a discount cash flow model and considering the possible option for converting the bond into equity.

The investments in joint ventures mainly consists of investment in Maneq Luxembourg S.a.r.l. As an investment entity CapMan measures its investments in joint ventures at fair value through profit and loss. The investment is made through several separate instruments and their values are co-dependent. The investment is thus valued as one entity based on discounted cash flows.

### **Financial assets held for trading**

Listed shares and derivative contracts in current assets are measured at fair value by the last trade price on active markets on the balance sheet date. The

fair value of current investments in funds is determined as the funds' net asset value at the balance sheet date. The fair value of current investments in interest-bearing securities is based on the last trade price on the balance sheet date or, in an illiquid market, on values determined by the counterparty. The change in fair value of current financial assets measured at fair value through profit and loss is presented on line item "Fair value changes of investments" in the statement of comprehensive income. Dividend and interest income from short-term investments in listed shares and interest-bearing securities is recognised as turnover.

The Group uses derivative financial instruments such as options and futures contracts to manage its portfolio more effectively. The Group does not use hedge accounting in derivative contracts. Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Fair values of derivative contracts are based on quoted market rates on the balance sheet date or, in an illiquid market, on values determined by the counterparty. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are recorded directly in the income statement in Fair value gains/losses of investments.

### **Loans and other receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. This

category mainly includes non-interest bearing current trade receivables and interest-bearing current and non-current loan receivables.

### Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash in banks and in hand, together with liquid short-term deposits. Cash assets have a maximum maturity of three months.

### Financial liabilities

Financial liabilities largely consist of loans from financial institutions and interest options used for hedging the interest rates of the Group's interest-bearing debts. Financial liabilities are initially recognised at fair value. Transaction costs are reported in the initial book value of the financial liability. Financial liabilities are subsequently carried at amortized cost using the effective interest method. Financial liabilities are reported in non-current and current liabilities.

### Equity

The hybrid bond has been treated as equity in the Group's financial statements. The hybrid bond has no maturity, but CapMan has the right to call it four years from the issue date. The company has an option to call the bond in two years the earliest from the issue date in accordance with certain terms and conditions. CapMan is obliged to pay interest on the hybrid bond, when it has decided to call it or in certain cases subject to decision by the Annual General Meeting, such as decision to pay dividend. The interest on the hybrid bond is deducted from equity as interest is paid.

### Dividend payment

Dividend payment covers the dividend decided on by the Annual General Meeting. The dividend proposed to the Annual General Meeting by the Board of Directors is not subtracted from distributable funds until approved by the Annual General Meeting.

### Leases

All the Group's leasing arrangements are classified as operating leases, as the risks and benefits of ownership remain with the lessor. Operating lease payments are recognised as an expense in the income statement on a straight-line basis. The CapMan Group does not act as a lessor.

### Provisions

Provisions are recognised in the balance sheet when the Group has a current obligation (legal or constructive) as a result of a past event, and it is probable that an outflow will be required to settle the obligation and a reliable estimate of the outflow can be made.

The Group's provisions are evaluated on the closing date and are adjusted to match the best estimate of their size on the day in question. Changes are booked in the same entry in the income statement as the original provision.

### Employee benefits

#### Pension obligations

The defined contribution pension plan is a pension plan in accordance with the local regulations and practices of its business domiciles. Payments made to these plans are charged to the income statement in the financial period to

which they relate. Pension cover has been arranged through insurance policies provided by external pension institutions.

### Share-based payments

The fair value of stock options is assessed on the date they are granted and are expensed in equal instalments in the income statement over the vesting period of the rights concerned. An evaluation of how many options will generate an entitlement to shares is made at the end of every reporting period. Fair value is determined using the Black-Scholes pricing model. The terms of the stock option programs are presented in Section 29. Share-based payments.

### Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits from business activities will flow to the Group and the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

1. Management fees paid by the funds are accounted for on a straight-line basis over the agreement terms on an ongoing basis.
2. Carried interest received from funds that are generating carry is accounted for when funds have exited a portfolio company (closing). An exit has been closed when approval has been received from the relevant competition authority and when all significant risks and benefits related to the portfolio company have been transferred to the buyer.
3. Potential repayment risk to the funds (clawback) will be considered when assessing whether revenue recognition criteria have been fulfilled. Clawback risk relates to a situation when, in conjunction with the liquidation of a fund, it is recognised that the General Partner has

received more carried interest than agreed in the fund agreement. These situations can occur, for example, if there are recallable distributions or if representations and warranties have been given by the vendor in the sale and purchase agreement when the fund is towards the end of its lifecycle.

### Fees

As a fund manager, CapMan receives management fees during a fund's entire period of operations. This fee is typically based on the fund's original size during its investment period, which is usually five years. Thereafter the fee is typically based on the acquisition cost of the fund's remaining portfolio. Annual management fees are usually 0.5-2.0% of a fund's total commitments, depending whether the fund is a real estate fund, a mezzanine fund, or an equity fund. In the case of real estate funds, management fees are also paid on committed debt capital. The average management fee percentage paid by CapMan-managed funds is approx. 1%.

CapMan services business includes fund advisory and fund management services to external funds and fees from CapMan Purchasing services (CaPS). Sales of services are recognised in the accounting period services are rendered.

### Carried interest income

Carried interest refers to the distribution of the profits of a successful private equity fund among fund investors and the fund manager responsible for the fund's investment activities. In practice, carried interest means a share of a fund's cash flow received by the fund manager after the fund has transferred to carry.

The recipients of carried interest in the private equity industry are typically the investment professionals responsible for a fund's investment activities. In CapMan's case, carried interest is split between CapMan Plc and funds' investment teams. The table of funds published in CapMan's interim reports details CapMan Plc's share of a fund's cash flow if it is in carry.

CapMan applies a principle where funds transfer to carry and carried interest income are based on realised cash flows, not on a calculated and as yet unrealised return. As the level of carried interest income varies, depending on the timing of exits and the stage at which funds are in their life cycle, predicting future levels of carried interest is difficult.

To transfer to carry, a fund must return its paid-in capital to investors and pay a preferential annual return on this. The preferential annual return is known as a hurdle rate, which is regularly set at 8% IRR p.a. When a fund has transferred to carry, the remainder of its cash flows is distributed between investors and the fund manager. Investors typically receive 80% of the cash flows and the fund manager 20%. When a fund is generating carried interest, the fund manager receives carried interest income from all of the fund's cash flows, even if an exit is made at below the original acquisition cost.

#### **Potential repayment risk to the funds (clawback)**

Potential repayment risk to the funds (clawback) is estimated by management at balance sheet date in the consolidated financial statements and quarterly results. The management estimate includes significant estimates relating to investment exit timing, exit probability and realizable fair value. The clawback risk is measured estimating a weighted average of all possible outcomes (the "expected value" method). The clawback is an adjustment to the related

revenue recognised and is presented in short-term accruals in the consolidated balance sheet.

#### **Income taxes**

Tax expenses in the consolidated income statement comprise taxes on taxable income and changes in deferred taxes for the financial period. Taxes are booked in the income statement unless they relate to other areas of comprehensive income or directly to items booked as equity. In these cases, taxes are booked to either other comprehensive income or directly to equity. Taxes on taxable income for the financial period are calculated on the basis of the tax rate in force for the country in question. Taxes are adjusted on the basis of deferred income tax assets and liabilities from previous financial periods, if applicable. The Group's taxes have been recognised during the financial year using the average expected tax rate.

Deferred taxes are calculated on temporary differences between the carrying amount and the tax base. Deferred taxes have only been recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. The largest temporary differences arise from the valuation of investments at fair value. Deferred taxes are not recognised for non-tax deductible amortisation of goodwill. Deferred taxes have been measured at the statutory tax rates enacted by the balance sheet date and that are expected to apply when the related deferred tax is realised.

### Items affecting comparability and alternative performance measures

CapMan uses alternative performance measures, such as Adjusted operating profit, 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.

### Use of estimates

The preparation of the financial statements in conformity with IFRS standards requires Group management to make estimates and assumptions in applying CapMan's accounting principles. These estimates and assumptions have an impact on the reported amounts of assets and liabilities and disclosure of contingent liabilities in the balance sheet of the financial statements and on the reported amounts of income and expenses during the reporting period. Estimates have a substantial impact on the Group's operating result. Estimates and assumptions have been used in assessing the impairment of goodwill, the fair value of fund investments, the impairment testing of intangible and

tangible assets, in determining useful economic lives, and in reporting deferred taxes, among others.

### Valuation of fund investments

The determination of the fair value of fund investments using the International Private Equity and Venture Capital Valuation Guidelines (IPEVG) takes into account a range of factors, including the price at which an investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, and financing transactions subsequent to the acquisition of the investment. These valuation methodologies involve a significant degree of management judgment. Because there is significant uncertainty in the valuation of, or in the stability of, the value of illiquid investments, the fair values of such investments as reflected in a fund's net asset value do not necessarily reflect the prices that would actually be obtained when such investments are realised.

**Valuation of growth equity investments**

The fair value of growth equity investments is determined quarterly by using valuation methods according to IPEVG and IFRS 13. The valuations are based on forecasted cash flows or peer group multiples. In estimating fair value of an investment, a method that is the most appropriate in light of the facts, nature and circumstances of the investment is applied. External valuations are made at least once a year to verify the fair values of growth equity investments.

**Fair value measurement of other investments**

Before acquiring the control in Norvestia Oyj, other investments comprised mainly of investments in CapMan's associated company, Norvestia Oyj. The investment in the associate company was measured at fair value through profit and loss, since CapMan has been classified as an investment entity as defined in IFRS 10. The fair value of the Norvestia investment in CapMan's consolidated balance sheet was based on the net asset value (NAV) as reported by Norvestia Oyj. Management had used judgement in assessing that the NAV reported by Norvestia Oyj represents the best available estimate of the fair value of Norvestia Oyj.

**Fair value measurement of the investment in the joint venture**

The investments in joint ventures mainly consists of investment in Maneq Luxembourg S.a.r.l. As an investment entity, CapMan measures its investments at fair value through profit and loss. The valuation is based on discounted cash flows. The investment is made through several separate instruments and their values are co-dependent. Therefore, the investment has been valued as one entity. Since the fair value is not based on the quoted market value of the investment, management has used its judgement also in assessing the future cash inflows and other main variables of the valuation.

**Valuation of goodwill**

Impairment testing for goodwill is performed annually. The most significant management assumptions related to the recoverable amount of an asset are linked to the timing and size of new funds to be established and the accrual of potential carried interest income. The management fees received by funds are based on agreements and, for a fund's operational period of approximately ten years, yields can be predicted quite reliably. Estimates and assumptions include new funds established as part of CapMan's ongoing operations. A new fund is established at the end of an investment period, typically four years. Carried interest income is taken into account in estimates and assumptions when the realisation of carry seems likely.



## 2. ITEMS AFFECTING COMPARABILITY AND ALTERNATIVE PERFORMANCE MEASURES

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

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

€ ('000)	2016	2015
<b>Turnover</b>	<b>26,677</b>	<b>31,767</b>
Items affecting comparability		
Reassessment of potential repayment risk to the funds	<b>2,278</b>	
Items affecting comparability, total	<b>2,278</b>	0
<b>Adjusted turnover</b>	<b>28,955</b>	<b>31,767</b>
 <b>Operating profit</b>	 <b>18,672</b>	 <b>9,271</b>
Items affecting comparability		
Items related to the acquisition of Norvestia, of which:	<b>-7,108</b>	779
gain from a bargain purchase	-13,885	
loss from the remeasurement of previous ownership at fair value	3,957	
transaction costs	2,819	779
Reassessment of potential repayment risk to the funds	<b>2,278</b>	
Write-down of a value-added tax receivable	<b>975</b>	
Insurance compensations	<b>-294</b>	
Items affecting comparability, total	<b>-4,150</b>	779
<b>Adjusted operating profit</b>	<b>14,522</b>	<b>10,050</b>

€ ('000)	2016	2015
<b>Profit for the period</b>	<b>15,286</b>	6,054
Items affecting comparability		
Items related to the acquisition of Norvestia	<b>-7,247</b>	623
Reassessment of potential repayment risk to the funds	<b>1,822</b>	
Write-down of a value-added tax receivable	<b>1,255</b>	
Insurance compensations	<b>-236</b>	
Items affecting comparability, total	<b>-4,406</b>	623
<b>Adjusted profit for the period</b>	<b>10,879</b>	<b>6,677</b>
<b>Earnings per share, cents</b>	16,2	5,9
Items affecting comparability, cents	-5,0	0,7
<b>Adjusted earnings per share, cents</b>	<b>11,2</b>	<b>6,6</b>
<b>Earnings per share, diluted, cents</b>	16,1	5,8
Items affecting comparability, cents	-4,9	0,7
<b>Adjusted earnings per share, diluted, cents</b>	<b>11,2</b>	<b>6,5</b>

### 3. SEGMENT INFORMATION

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

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

Income from the Management company and service business is derived from fees and carried interest received from funds. The fees include management

fees related to CapMan's position as a fund management company and fees from CapMan's service business comprising procurement services (CaPS), fundraising advisory services and other services related to fund management.

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

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

2016 € ('000)	Management company and Services business			Investment business	Total
	CapMan Private Equity	CapMan Real Estate	Total		
<b>Profit for the period</b>	<b>-103</b>	<b>-1,524</b>	<b>-1,627</b>	<b>16,913</b>	<b>15,286</b>
Items affecting comparability					
Items related to the acquisition of Norvestia	172		172	-7,419	-7,247
Reassessment of potential repayment risk to the funds		1,822	1,822		1,822
Write-down of a value-added tax receivable	1,255		1,255		1,255
Insurance compensations	-236		-236		-236
Items affecting comparability, total	1,191	1,822	3,013	-7,419	-4,406
<b>Adjusted profit for the period</b>	<b>1,088</b>	<b>298</b>	<b>1,386</b>	<b>9,494</b>	<b>10,880</b>
<b>Earnings per share, cents</b>					<b>16,2</b>
Items affecting comparability, cents					-5,0
<b>Adjusted earnings per share, cents</b>					<b>11,2</b>
Non-current assets	6,219	591	6,810	104,821	111,631
Total assets include:					
Investments accounted for using the equity method	0	0	0	87	87
Investments in joint ventures	0	0	0	5,376	5,376

2015	Management company and Services business			Investment business	Total
€ ('000)	CapMan Private Equity	CapMan Real Estate	Total		
Turnover	22,933	8,834	31,767	0	31,767
Operating profit	3,487	632	4,119	5,152	9,271
Items affecting comparability					
Transaction costs related to the acquisition of Norvestia	779		779		779
Items affecting comparability, total	779	0	779	0	779
Adjusted operating profit	4,266	632	4,898	5,152	10,050
Profit for the period	2,790	506	3,296	2,758	6,054
Items affecting comparability					
Transaction costs related to the acquisition of Norvestia	623		623		623
Items affecting comparability, total	623	0	623	0	623
Adjusted profit for the period	3,413	506	3,919	2,758	6,677
Earnings per share, cents					5.9
Items affecting comparability, cents					0.7
Adjusted earnings per share, cents					6.6
Non-current assets	6,729	206	6,935	114,186	121,121
Total assets include:					
Investments accounted for using the equity method	0	0	0	95	95
Investments in joint ventures	0	0	0	7,651	7,651
Earnings per share, cents					5.9
Items affecting comparability, cents					0.7

## 4. ACQUISITIONS

### Acquisition of Norvestia

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

Norvestia Group has been consolidated into CapMan's consolidated financial statements in full and reported as part of CapMan's segment Investment business as of the acquisition date December 19, 2016. Combining the businesses of CapMan and Norvestia is expected to create added value to both CapMan's and Norvestia's shareholders based on growth, benefits from operating as a larger entity in the private equity field, a more effective utilisation of the existing asset base, as well as tangible cost synergies, among

others. The objective of the Combined Group is to offer the best private equity experience and have a positive impact on the economic development of its stakeholders.

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

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

As CapMan's ownership exceeds 90 per cent of all shares and votes in Norvestia, CapMan has submitted an application to the Redemption Committee of the Finnish Central Chamber of Commerce to commence arbitration proceedings of all Norvestia Oyj's shares held by minority shareholders. CapMan will offer in such compulsory redemption proceeding EUR 7.14 per share in cash to Norvestia's shareholders. The offer corresponds to the market value of CapMan's shares (EUR 1,19 per share) offered as share consideration for Norvestia's shares in the exchange offer on 16 December 2016, which was the last day of the initial offer period. The total estimated redemption price of the shares to be redeemed totals EUR 8.2 million, based on the number of Norvestia shares outstanding, 1,148,515 shares. The final redemption price will be determined by the Arbitral Tribunal as designated by the Redemption Committee of the Finnish Central Chamber of Commerce.

In the purchase price allocation, the fair value of assets acquired and liabilities assumed is based on the same valuation principles as Norvestia applied for reporting its net asset value prior to the acquisition and which CapMan used for valuing its previous holding in Norvestia. The provisional bargain purchase gain of EUR 13.9 million is mainly attributable to Norvestia's share price being historically and still connected to a significant discount on net asset value. During the 30-day period preceding the announcement of the exchange offer, Norvestia's market value (average of EUR 142.3) was approximately 16

per cent lower than Norvestia's net asset value as at 30 September 2016 (EUR 169.8 million). On the acquisition date, December 19, 2016, the net asset value discount was approximately 11 per cent taking into account Norvestia's extra dividend. The bargain purchase gain recognised in Fair value gains/losses of investments of the consolidated income statement is not expected to be taxed for income tax purposes. Using the cost for acquiring the control, the fair value measurement of previous holding at the time of acquisition resulted in a loss of EUR 4.0 million, and is included in Fair value gains/losses of investments of the consolidated income statement in 2016.

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

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



€ ('000)	
<b>Consideration</b>	<b>Fair value</b>
Share consideration (58,644,414 x EUR 1.20)	70,373
Fair value of previous holding at the time of acquisition	31,637
Redemption liability (1,148,515 x EUR 7,14)	8,200
Total consideration	110,210
<b>ASSETS</b>	
<b>Non-current assets</b>	
Tangible assets	15
Intangible assets	5
Investments at fair value through profit and loss	
Growth equity	37,939
investments	
Investments in funds	6,393
	44,352
<b>Current assets</b>	
Trade and other receivables	1,691
Financial assets at fair value through profit and loss	115,390
Cash and bank	24,716
	141,797
<b>Total assets</b>	<b>186,149</b>

€ ('000)	
<b>Non-current liabilities</b>	
Deferred tax liabilities	7,805
Interest-bearing loans and borrowings	0
	7,805
<b>Current liabilities</b>	
Trade and other payables Liability for dividend distribution	1,723
Interest-bearing loans and borrowings	51,310
Current income tax liabilities	1,217
	0
	54,250
<b>Total liabilities</b>	62,055
<b>Net assets</b>	124,094
<b>Consideration</b>	110,210
<b>A gain from a bargain purchase</b>	13,884

## 5. OTHER OPERATING INCOME

€ ('000)	2016	2015
Other items	126	314
Total	126	314

## 6. EMPLOYEE BENEFIT EXPENSES

€ ('000)	2016	2015
Salaries and wages	15,761	14,777
Pension expenses - defined contribution plans	1,968	1,710
Share-based compensation expenses	215	247
Other personnel expenses	347	332
Total	18,291	17,066

Remuneration of the management is presented in [Section 32. Related party disclosures](#).

The shared based compensations recognized in the income statement are based on the fair value of the instrument which is measured using the Black & Scholes option pricing model. The counter-entry to the expenses entered in the income statement is retained earnings, and therefore the expense has no effect on total equity.

The terms of the stock option programs are presented in [Section 31. Share-based payments](#).

### Personnel

	2016	2015
<b>By country</b>		
Finland	71	67
Sweden	22	20
Russia	11	10
Luxembourg	1	1
United Kingdom	3	3
In total	108	101
<b>By team</b>		
CapMan Private Equity	31	32
CapMan Real Estate	31	31
CapMan Platform	39	38
Norvestia	7	0
In total	108	101
<b>Average number of people employed</b>	<b>103</b>	<b>103</b>

## 7. DEPRECIATION

€ ('000)	2016	2015
Depreciation by asset type		
Intangible assets		
Other intangible assets	215	269
Total	215	269
Tangible assets		
Machinery and equipment	42	53
Total	42	53
Total depreciation	257	322

## 8. OTHER OPERATING EXPENSES

€ ('000)	2016	2015
Included in other operating expenses:		
Other personnel expenses	775	424
Office expenses	2,234	2,509
Travelling and entertainment	1,006	916
External services	6,577	4,952
Other operating expenses*	1,598	1,773
Total	12,190	10,574

\* Based on a tax audit in Finland during 2010-11, CapMan Plc received a tax reassessment decision according to which some of the operations of the Group's parent company, CapMan Plc, include financial services exempt from VAT, and thus the VAT included in the purchases made by the parent company is only partly deductible for VAT purposes. The Supreme Administrative Court did not grant CapMan an appeal to a decision by the Tax Authorities and CapMan has therefore wrote off the value-added tax receivable of EUR 1.0 million, being an item affecting comparability. The decision by the Supreme Administraton Court does not incur any additional payments and has no effect on the cash flow of CapMan Group.

### Audit fees

€ ('000)	2016	2015
PricewaterhouseCoopers Oy, Authorised Public Accountants		
Audit fees	261	228
Tax advices	15	105
Other fees and services	279	74
Fees under Auditing Act chapter 1, section 1, paragraph 2	5	0
Total	560	407

## 9. ADJUSTMENTS TO CASH FLOW STATEMENT

€ ('000)	2016	2015
Personnel expenses	215	247
Depreciation	257	322
Unrealized fair value gains/losses of investments	-22,607	-790
Finance income and costs	3,139	2,875
Share of the income of investments accounted for using the equity method	8	-53
Taxes	239	395
Write-down of a value-added tax receivable	975	0
Expenses arising from the share issue recognized in the invested unrestricted equity fund	-745	0
Total	-18,520	2,996

## 10. FAIR VALUE GAINS/LOSSES OF INVESTMENTS

€ ('000)	2016	2015
Investments at fair value through profit and loss		
Investments in funds (excl. Norvestia)	<b>6,683</b>	814
Norvestia*	<b>15,715</b>	4,394
Investments in joint ventures	<b>209</b>	-56
Total	<b>22,607</b>	5,152

\* Includes the fair value change of Norvestia until the date of acquiring control (December 19, 2016), and thereafter the fair value change of Norvestia's financial assets at fair value through profit and loss (non-current investments and financial assets held for trading). Includes also EUR 9.5 million of items affecting comparability relating to the acquisition of Norvestia: gain of EUR 13.9 million from a bargain purchase and loss of EUR 4.0 million from the remeasurement of previous ownership at fair value at the acquisition date and EUR 0.4 million of charges related to CapMan's share of incurred transaction costs to Norvestia before the acquisition date.



## 11. FINANCE INCOME AND COSTS

€ ('000)	2016	2015
Finance income		
Interest income, loan receivables	628	103
Other interest income	12	0
Exchange gains	27	18
Total	667	121
Finance costs		
Interest expenses/loans	-2,762	-2,064
Other interest and finance expenses	-992	-838
Exchange losses	-52	-94
Total	-3,806	-2,996

**12. SHARE OF THE INCOME OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD**

€ ('000)	2016	2015
Associates	-8	53
Total	-8	53

### 13. INCOME TAXES

€ ('000)	2016	2015
Current income tax	425	449
Taxes for previous years	-44	27
Deferred taxes		
Temporary differences	-142	-81
Total	239	395

#### Income tax reconciliation

€ ('000)	2016	2015
Profit before taxes	15,525	6,449
Tax calculated at the domestic corporation tax rate of 20%	3,105	1,290
Effect of different tax rates outside Finland	-128	-63
Tax exempt income	-4,282	-1,062
Non-deductible expenses	110	97
Deferred income tax asset of tax losses	1,390	82
Effect of consolidation	0	10
Taxes for previous years	44	41
Income taxes in the Group Income Statement	239	395

## 14. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the distributable retained profit for the financial year by the average share issue adjusted number of shares, excluding shares that have been purchased by the Company and are presented as the Company's own shares. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	2016	2015
Attributable to the equity holders of the Company, € ('000)	<b>15,286</b>	6,054
Interest expense on hybrid bond (net of tax)	<b>-960</b>	-960
Profit/loss used determine diluted earnings per share	<b>14,326</b>	5,094
Weighted average number of shares ('000)	<b>88,409</b>	86,317
Own shares ('000)	<b>-26</b>	-26
Weighted average number of shares ('000)	<b>88,383</b>	86,291
Effect of options ('000)	<b>2,543</b>	1,225
Weighted average number of shares adjusted for the effect of dilution ('000)	<b>90,926</b>	87,516
Earnings per share (basic), cents	<b>16.2</b>	5.9
Earnings per share (diluted), cents	<b>16.1</b>	5.8

## 15. TANGIBLE ASSETS

€ ('000)	2016	2015
Machinery and equipment		
Acquisition cost at 1 January	1,966	1,960
Additions	8	6
Acquisitions	15	0
Acquisition cost at 31 December	1,989	1,966
Accumulated depreciation at 1 January	-1,897	-1,844
Accumulated depreciation in changes	-1	-1
Depreciation for the financial year	-42	-52
Accumulated depreciation at 31 December	-1,940	-1,897
Book value on 31 December	49	69
Other tangible assets		
Acquisition cost at 1 January	120	120
Book value on 31 December	120	120
Tangible assets total	169	189

## 16. GOODWILL

€ ('000)	2016	2015
Acquisition cost at 1 January	<b>13,169</b>	13,169
Acquisition cost at 31 December	<b>13,169</b>	13,169
Accumulated impairment at 1 January	<b>-6,965</b>	-6,965
Accumulated impairment at 31 December	<b>-6,965</b>	-6,965
Book value on 31 December	<b>6,204</b>	6,204

### Impairment testing of goodwill

The majority of goodwill consists of CapMan's acquisition on 27 August 2008 of private equity house Norum, whose goodwill was €5.7 million as at 31 December 2016.

The management of the Russian funds form a cash generating unit. Cash flow projections have been prepared for ten years with no residual value consideration. The cash flow is based on a long term contract, whereby the cash flows for the current fund can be reasonably reliable estimated. The discount percentage used is 15.4 % (2015; 16.7 %). There is no significant country risk attached to these cash flows, as they relate to management fees received from international investors.

The carrying amount of goodwill is generally sensitive to the success of fundraising. The goodwill may be impaired in future in the event that new funds are not established, the funds' size is less than estimated or in case of delays in the fundraising process. Carried interest income is taken into consideration only when the funds has entered into carry or it can be reliably be estimated to generate carried interest.

## 17. OTHER INTANGIBLE ASSETS

€ ('000)	2016	2015
Acquisition cost at 1 January	5,218	5,218
Acquisitions	5	0
Acquisition cost at 31 December	5,223	5,218
Accumulated depreciation at 1 January	-4,731	-4,462
Depreciation for the financial year	-215	-269
Accumulated depreciation at 31 December	-4,946	-4,731
Book value on 31 December	277	487

Other intangible assets include the management fee agreement of €0.3 million regarding the purchase of Norum.

## 18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

€ ('000)	2016	2015
Associates	95	42
Additions / Disposals	-8	53
Total	87	95

### Nature of investments in associates

2016, € ('000)		Assets	Liabilities	Turnover	Profit/loss	Ownership %
BIF Management Ltd	Jersey	26	12	0	-25	33.33%
Baltic SME Management B.V.	The Netherlands	0	41	0	-9	33.33%
Total		26	53	0	-34	

2015, € ('000)		Assets	Liabilities	Turnover	Profit/loss	Ownership %
BIF Management Ltd	Jersey	48	8	188	161	33.33%
Baltic SME Management B.V.	The Netherlands	2	33	0	-9	33.33%
Total		50	41	188	152	



## 19. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

### Investments in funds

€ ('000)	2016	2015
Investments in funds at 1 January	47,249	55,258
Acquisitions	6,393	0
Additions	7,539	4,355
Disposals	-14,416	-10,745
Fair value gains/losses of investments	4,629	-1,619
Investments in funds at 31 December	51,394	47,249
Investments in funds by investment area at the end of period		
Buyout	20,617	21,921
Credit	2,491	3,061
Russia	4,399	3,799
Real Estate	13,163	9,751
Other investment areas	3,121	7,509
Funds of funds	614	1,208
Norvestia	6,989	0
Total	51,394	47,249

Investments in funds include the subsidiary, CapMan Fund Investments SICAV-SIF, with a fair value of MEUR 27.7.

## Growth equity investments

€ ('000)	2016	2015
Other investments at 1 January	0	0
Acquisitions	37,940	0
Fair value gains/losses of investments	-84	0
Other investments at 31 December	37,856	0

Growth companies consist of Aste Helsinki which offers media production and consulting, Coronaria Hoitoketju which offers health and elderly care services, Fluido which offers cloud services consulting, Idean Enterprises which offers customer experience design services, Polystar Instruments which develops telecommunications business intelligence software solutions, and Touhula Varhaiskasvatus which offers early childhood and preschool education. Investments in associates are diversified into various industries and therefore the company assesses the related risks to be relatively small.

	Domicile	Group ownership of shares
Aste Holding Oy	Helsinki	40,0 %
Coronaria Hoitoketju Oy	Oulu	19,8 %
Fluido Oy	Espoo	37,6 %
Idean Enterprises Oy	Helsinki	26,8 %
Touhula Varhaiskasvatus Oy	Oulu	2,4 %
Polystar Instruments AB	Stockholm	10,0 %

**Other financial assets**

€ ('000)	2016	2015
Other investments at 1 January	48,784	121
Acquisitions	-31,637	0
Additions	124	44,335
Disposals	-18,191	-66
Fair value gains/losses of investments	1,099	4,394
Other investments at 31 December	179	48,784

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

## Investments in joint ventures

€ ('000)	2016	2015
Investments in joint ventures at 1 January	7,651	9,014
Disposals	-2,484	-1,307
Fair value gains/losses of investments	209	-56
Investments in joint ventures at 31 December	5,376	7,651

## Nature of investments in joint ventures

2016		Assets	Liabilities	Turnover	Profit/loss	Ownership %
Maneq Investments Luxembourg S.a.r.l.	Luxembourg	5,725	2,360	0	270	18.18 %
Maneq 2002 AB	Sweden	20	1	0	-7	35.00 %
Maneq 2004 AB	Sweden	216	9	-12	13	41.90 %
Yewtree Holding AB	Sweden	220	4	12	0	35.00 %

2015		Assets	Liabilities	Turnover	Profit/loss	Ownership %
Maneq Investments Luxembourg S.a.r.l.	Luxembourg	9,040	4,094	0	735	18.18 %
Maneq 2002 AB	Sweden	91	1	18	23	35.00 %
Maneq 2004 AB	Sweden	222	4	12	26	41.90 %
Yewtree Holding AB	Sweden	655	4	267	433	35.00 %

The Group's share of the Maneq funds is approx. EUR 5.4 million. As an investment entity, CapMan measures its investments in joint ventures as at fair value through profit or loss. The owners of Maneq Investments Luxembourg S.a.r.l. have agreements relating to the distribution of the assets and minority rights in decision making. The investment is made through several separate instruments and their values are co-dependent. The investment is thus valued as one entity based on discounted cash flows. Based on the contractual agreement, CapMan has right to net assets of the arrangement.

Team members of CapMan investment teams and other personnel have the option to invest in portfolio companies alongside CapMan via Maneq funds. CapMan has not established the new Maneq-funds after the year 2011.

The valuation principles are presented in [Note 33. Financial risk management g\) Determining fair values](#).

## 20. RECEIVABLES - NON-CURRENT

€ ('000)	2016	2015
Other loan receivables	4,769	5,195
Accrued income	433	867
Total	5,202	6,062

Other loan receivables include receivables from Norum Russia Co-Investment Ltd €1.5 million, receivables from NEP Priedvidza S.a.r.l. €2.6 million, receivables from NRE Cream Oy €0.5 million and receivables from CapMan Russia Team Guernsey Ltd €0.1 million.

Accrued income includes the Placement Agent fee of €0.4 million associated with fundraising for CapMan's funds. The fee is amortised over five years.

Non-current receivables have a fair value equal to their book value.

## 21. DEFERRED TAX ASSETS AND LIABILITIES

### Changes in deferred taxes during 2016:

€ ('000)	31.12.2015	Charged to Income Statement	Charged in equity	Acquisitions	31.12.2016
Deferred tax assets					
Accrued differences	1,320	247	0	0	1,567
Interest expense on hybrid bond	3,080	0	240	0	3,320
Total	4,400	247	240	0	4,887
Deferred tax liabilities					
Accrued differences	1,958	130	0	0	2,088
Unrealised fair value changes	0	-25	0	7,805	7,780
Total	1,958	130	0	7,805	9,868

### Changes in deferred taxes during 2015:

€ ('000)	31.12.2014	Charged to Income Statement	Charged in equity	31.12.2015
Deferred tax assets				
Accrued differences	1,257	63	0	1,320
Interest expense on hybrid bond	2,840	0	240	3,080
Total	4,097	63	240	4,400
Deferred tax liabilities				
Accrued differences	1,976	-18	0	1,958
Total	1,976	-18	0	1,958

## 22. TRADE AND OTHER RECEIVABLES

€ ('000)	2016	2015
Trade receivables	1,201	1,620
Loan receivables	814	62
Accrued income	2,235	2,291
Other receivables	5,599	2,664
Total	9,849	6,637

The Group has had no bad debts.

Loan receivables include mainly current loan from the related parties presented in [Note 32. Related party disclosures](#).

Accrued income includes mainly accrual items.

Other receivables mainly include receivables related to sold financial assets held for trading.

### Trade and other receivables by currency at end of year

('000)	Amount in foreign currency	Amount in euros	proportion
EUR	0	8,678	88%
SEK	10,884	1,139	12%
GBP	27	32	0%



## 23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

€ ('000)	2016	2015
Financial assets held for trading	85,907	0
Other financial assets at fair value through profit or loss	306	306
Total	86,213	306

Financial assets held for trading include investments to listed shares, derivative contracts and investments in hedge and interest funds. Listed shares and derivative contracts are measured at fair value by the last trade price on active markets on the balance sheet date. Their fair value amounted to EUR 63.6 million as at December 31, 2016.

The fair value of investments in funds is determined as the funds' net asset value at the balance sheet date. The fair value of fund investments totaled EUR 11.8 million, of which hedge funds and equity funds totaled EUR 5.2 million and EUR 6.6 million, respectively.

The fair value of interest-bearing securities on the balance sheet date was EUR 10.5 million, of which bonds and bond funds totaled EUR 6.7 million and EUR 3.8 million, respectively. The fair value of bonds is based on the last trade price on the balance sheet date or, in an illiquid market, on values determined by the counterparty. The fair value of investments in bond funds is determined as the funds' net asset value at the balance sheet date.

Other financial assets at fair value through profit or loss includes shares in external investment fund companies.

### 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)	2016	2015
Index derivatives, bought call options and sold futures		
Fair value	-113	-
Underlying value	-14,416	-

## 24. CASH AND BANK

€ ('000)	2016	2015
Bank accounts	45,001	21,576
Total	45,001	21,576

Cash and bank includes bank accounts.

## 25. SHARE CAPITAL AND SHARES

	Number of A shares ('000)	Number of B shares ('000)	Total ('000)
Movements in the number of shares:			
<b>At 31 December 2014</b>	5,750	80,567	86,317
<b>At 31 December 2015</b>	5,750	80,567	86,317
A-shares converted into B-shares	-5,750	5,750	0
Share subscriptions with options	0	29	29
Share issue	0	56,967	56,967
<b>At 31 December 2016</b>	0	143,313	143,313

	Share capital € ('000)	Share premium account € ('000)	Other reserves € ('000)	Total € ('000)
<b>At 31 December 2014</b>	772	38,968	27,175	66,915
Options	0	0	222	222
<b>At 31 December 2015</b>	772	38,968	27,397	67,137
Share subscriptions with options	0	0	22	22
Options	0	0	64	64
Share issue	0	0	69,628	69,628
<b>At 31 December 2016</b>	772	38,968	97,111	136,851

### Other reserves

During the financial year 2016, the share consideration for the Norvestia shares was recognised in the invested unrestricted equity fund, deducted by the share issue costs (see [Note 4 Acquisitions](#)). Invested unrestricted equity fund also includes granted stock option subscription rights and subscribed shares.

The stock option programs are presented in [Note 31. Share-based payments](#).

The hybrid bond is treated as equity in the Group's financial statements under IFRS. The interest on the hybrid bond is deducted from equity, when interest is paid.

### Translation difference

The foreign currency translation reserve includes translation differences arising from currency conversion in the closing of the books for foreign units.

### Dividends paid and proposal for profit distribution

The Board of Directors will propose to the Annual General Meeting to be held on 15 March 2017 that a dividend of EUR 0.09 per share will be paid to shareholders, equivalent to a total of approx. MEUR 13.0.

A dividend of EUR 0.07 per share, total MEUR 6.0, was paid for the year 2015. The dividend was paid to the shareholders on 1 April 2016.

### Redemption obligation clause

A shareholder whose share of the entire share capital or the voting rights of the Company reaches or exceeds 33.3 % or 50 % has, at the request of other shareholders, the obligation to redeem his or her shares and related securities in accordance with the Articles of Association of CapMan Plc.

### Ownership and voting rights agreements

As at 31 December 2016 CapMan Plc had no knowledge of agreements or arrangements, related to the Company's ownership and voting rights, that were apt to have substantial impact on the share value of CapMan Plc.

## Distribution of shareholdings by number of shares and sector as at 31 December 2016

### Shareholding

	Number of holdings	%	Number of shares	%	Number of votes	%
1 – 100	1,248	10.52%	61,597	0.04%	61,597	0.04%
101 – 1 000	4,289	36.16%	2,349,488	1.64%	2,349,488	1.64%
1 001 – 10 000	5,203	43.87%	18,719,943	13.06%	18,719,943	13.06%
10 001 – 100 000	1,008	8.50%	24,816,015	17.32%	24,816,015	17.32%
100 001 -	113	0.95%	97,347,503	67.93%	97,347,503	67.93%
<b>Total</b>	<b>11,861</b>	<b>100.00%</b>	<b>143,294,546</b>	<b>99.99%</b>	<b>143,294,546</b>	<b>99.99%</b>
of which Nominee registered	8		10,453,293	7.29%	10,453,293	7.29%
On the book-entry register joint account			18,709	0.02%	18,709	0.01%
Total shares outstanding			143,313,255	100.00%	143,313,255	100.00%

### Sector

	Number of holdings	%	Number of shares	%	Number of votes	%
Corporations	453	3.82%	35,932,993	25.07%	35,932,993	25.07%
Financial and insurance corporations	20	0.17%	25,340,045	17.68%	25,340,045	17.68%
Public sector institutions	6	0.05%	17,272,187	12.05%	17,272,187	12.05%
Households	11,270	95.02%	60,678,143	42.34%	60,678,143	42.34%
Non-profit organisations	73	0.62%	2,754,338	1.92%	2,754,338	1.92%
European Union	32	0.27%	1,269,117	0.89%	1,269,117	0.89%
Other countries and international organisations	7	0.06%	47,723	0.03%	47,723	0.03%
<b>Total</b>	<b>11,861</b>	<b>100.00%</b>	<b>143,294,546</b>	<b>99.99%</b>	<b>143,294,546</b>	<b>99.99%</b>
of which Nominee registered	8		10,453,293	7.29%	10,453,293	7.29%
On the book-entry register joint account			18,709	0.01%	18,709	0.01%
Total shares outstanding			143,313,255	100.00%	143,313,255	100.00%

Source: EuroClear Finland Ltd, as at 31 December 2016. Figures are based on the total number of shares 143,294,546 and total number of shareholders 11,861. CapMan Plc had 26,299 shares as at 31 December 2016.

## CapMan's largest shareholders as at 31 December 2016

	Number of shares and votes	Proportion of shares and votes, %
<b>Ilmarinen Mutual Pension Insurance Company</b>	<b>10,898,500</b>	<b>7.60 %</b>
<b>Mandatum Life</b>	<b>10,737,228</b>	<b>7.49 %</b>
<b>OY Inventiainvest AB* (Ari Tolppanen**)</b>	<b>7,024,794</b>	<b>4.90 %</b>
<b>Laakkonen Mikko Kalervo</b>	<b>6,378,320</b>	<b>4.45 %</b>
<b>Joensuun Kauppa Ja Kone Oy</b>	<b>3,811,853</b>	<b>2.66 %</b>
<b>Varma Mutual Pension Insurance Company</b>	<b>3,675,215</b>	<b>2.56 %</b>
<b>Winsome Oy** + Tuomo Raasio*</b>	<b>3,534,320</b>	<b>2.47 %</b>
Winsome Oy**	3,480,576	2.43 %
Raasio Tuomo*	53,744	0.04 %
<b>Vesasco Oy</b>	<b>3,275,158</b>	<b>2.29 %</b>
<b>Heiwes Oy** + Heikki Westerlund*</b>	<b>2,972,156</b>	<b>2.07 %</b>
Heiwes Oy**	2,694,480	1.88 %
Westerlund Heikki*	277,676	0.19 %
<b>Geldegel Oy** + Mom Invest Oy**</b>	<b>2,512,087</b>	<b>1.75 %</b>
Geldegel Oy**	1,793,343	1.25 %
Mom Invest Oy**	718,744	0.50 %
<b>State Pension Fund</b>	<b>2,500,000</b>	<b>1.74 %</b>
<b>Laakkonen Hannu</b>	<b>1,916,742</b>	<b>1.34 %</b>
<b>Sijoitusrahasto Taaleritehdas Arvo Markka Osake</b>	<b>1,573,584</b>	<b>1.10 %</b>
<b>Sijoitusrahasto Taaleritehdas Mikro Markka Kaleva</b>	<b>1,500,000</b>	<b>1.05 %</b>
<b>Mutual Insurance Company Guarneri Oy** + Petri</b>	<b>1,138,200</b>	<b>0.79 %</b>
<b>Saavalainen*</b>	<b>1,010,929</b>	<b>0.71 %</b>
Guarneri Oy**	696,041	0.49 %
Saavalainen Petri*	314,888	0.22 %
<b>Immonen Jukka Kalevi</b>	<b>974,544</b>	<b>0.68 %</b>
<b>Icecapital Pankkiiriliike Oy Mr</b>	<b>903,124</b>	<b>0.63 %</b>
<b>Max Oy</b>	<b>830,000</b>	<b>0.58 %</b>
<b>OP Life Assurance Company Oy</b>	<b>768,853</b>	<b>0.54 %</b>
	<b>Number of shares and votes</b>	<b>Proportion of shares and votes, %</b>
<b>Total, 20 largest holders</b>	<b>67,935,607</b>	<b>47.40 %</b>

<b>Nominee registered***</b>	10,453,293	7.29 %
<b>Shareholdings of management and employees***</b>	17,988,186	12.55 %

Below is a list of flagging notifications that CapMan Plc has received in year 2016. An up-date information of all flagging notifications can be found at [www.capman.com](http://www.capman.com).

27.12.2016

The share of ownership and votes in CapMan Plc of Mandatum Henkivakuutusyhtiö has increased to 7.93 per cent as a result of share transactions.

27.12.2016

The share of ownership and votes in CapMan Plc of Oy Inventiainvest Ab (Ari Tolppanen) has fallen below 5 per cent. The notification is related to the issue of new shares.

21.12.2016

Gimv NV's share of ownership and votes in CapMan Plc has fallen below 5 per cent as a result of share transactions.

20.12.2016

The share of votes in CapMan Plc of Oy Inventiainvest Ab (Ari Tolppanen) has fallen to 8.14 per cent. The notification is related to the conversion of CapMan Plc's series A shares to series B shares at 1:1.

20.12.2016

The combined share of votes in CapMan Plc of Heikki Westerlund and Heiwes Oy has fallen below 5 per cent. The notification is related to the conversion of CapMan Plc's series A shares to series B shares at 1:1.

20.12.2016

The combined share of votes in CapMan Plc of MOM Invest Oy and Geldegall Oy (Olli Liitola) has fallen below 5 per cent. The notification is related to the conversion of CapMan Plc's series A shares to series B shares at 1:1.

20.12.2016

The combined share of votes in CapMan Plc of Tuomo Raasio and Winsome Oy has fallen below 5 per cent. The notification is related to the conversion of CapMan Plc's series A shares to series B shares at 1:1.

8.11.2016

Gimv NV's share of the total number of shares in CapMan Plc has fallen below 5 per cent as a result of disposal of shares.

\* Employed by CapMan.

\*\* CapMan employee who exercises controlling power in the aforementioned company but who does not own CapMan shares directly.

\*\*\* Shareholders among the 200 largest shareholders of the Company.



## 26. INTEREST-BEARING LOANS AND BORROWINGS – NON-CURRENT

€ ('000) -	2016	2015
Bank loans	<b>8,489</b>	15,000
Senior bond	<b>29,587</b>	44,400
Multi-issuer bond	<b>9,989</b>	9,989
Total	<b>48,065</b>	69,389

The interest of the bank loan is paid quarterly.

CapMan issued a MEUR 30 fixed-rate unsecured senior bond to institutional investors. The bond will mature in four years on 15.10.2019. The fixed coupon interest rate of the bond is 4.2% per annum. The interest is paid annually.

The multi-issuer bond, MEUR 10 guaranteed by Garantia Insurance Company Ltd, has an annual coupon rate of 1.85% and it matures in June 2019.

The difference between fair value and book value of the loans do not materially differ due to the fact that CapMan credit risk has remained unchanged after issuing the loans.

## 27. TRADE AND OTHER PAYABLES – CURRENT

€ ('000)	2016	2015
Trade payables	<b>1,681</b>	576
Advance payments received	<b>0</b>	447
Accrued expenses	<b>22,733</b>	11,494
Other liabilities	<b>8,927</b>	591
Total	<b>33,341</b>	13,108

The maturity of trade payables is normal terms of trade and don't include overdue payments.

Accrued expenses include a clawback liability of EUR 7.5 million (2015: MEUR 5.2) relating to potential repayment of carried interest to CapMan Real Estate I Fund. Liability is related to the exit in 2007. Accrued expenses include also a withholding tax liability of EUR 6.2 million due to the extraordinary dividend paid by Norvestia and an asset transfer tax liability of EUR 1.2 million related to the acquisition of shares in Norvestia. The other significant items in accrued expenses relate to accrued salaries and social benefit expenses.

Other liabilities include the redemption liability of EUR 8.2 million related to the acquisition of Norvestia (see [Note 4 Acquisitions](#)).

### Trade and other liabilities by currency at end of year

('000)	Amount in foreign currency	Amount in euros	Proportion
EUR	0	32,229	97%
SEK	10,038	1,051	3%
GBP	52	61	0%

**28. INTEREST-BEARING LOANS AND BORROWINGS - CURRENT**

€ ('000)	2016	2015
Bank loans	3,000	0
Senior bond	15,000	0
Total	18,000	0

The senior bond, MEUR 15, has an annual coupon rate of 5.5% and it matures on 11.12.2017.

## 29. FINANCIAL ASSETS AND LIABILITIES

### Financial assets

2016, € ('000)	Note	Balance sheet value	Fair value
Investments at fair value through profit or loss			
Investments in funds	<a href="#">19</a>	51,394	51,394
Growth equity investments	<a href="#">19</a>	37,856	37,856
Other financial assets	<a href="#">19</a>	179	179
Investments in joint ventures	<a href="#">19</a>	5,376	5,376
Loan receivables	<a href="#">20</a>	5,202	5,202
Trade and other receivables	<a href="#">22</a>	9,849	9,849
Financial assets at fair value	<a href="#">23</a>	86,213	86,213
Cash and bank	<a href="#">24</a>	45,001	45,001
<b>Total</b>		241,070	241,070

2015, € ('000)	Note	Balance sheet value	Fair value
Investments at fair value through profit or loss			
Investments in funds	<a href="#">19</a>	47,249	47,249
Other financial assets	<a href="#">19</a>	48,784	48,784
Investments in joint ventures	<a href="#">19</a>	7,651	7,651
Loan receivables	<a href="#">20</a>	6,062	6,062
Trade and other receivables	<a href="#">22</a>	6,637	6,637
Other financial assets at fair value	<a href="#">23</a>	306	306
Cash and bank	<a href="#">24</a>	21,576	21,576
<b>Total</b>		138,265	138,265

**Financial liabilities**

2016, € ('000)	Note	Balance sheet value	Fair value
Non-current liabilities	<a href="#">26</a>	48,065	48,065
Trade and other liabilities	<a href="#">27</a>	33,341	33,341
Current liabilities	<a href="#">28</a>	18,000	18,000
<b>Total</b>		99,406	99,406

2015, € ('000)	Note	Balance sheet value	Fair value
Liabilities	<a href="#">26</a>	69,389	69,389
Trade and other liabilities	<a href="#">27</a>	12,661	12,661
<b>Total</b>		82,050	82,050

Trade and liabilities excluding prepayments (2015: MEUR 0.4)

### 30. COMMITMENTS AND CONTINGENT LIABILITIES

#### Leasing agreements - CapMan Group as lessee

€ ('000)	2016	2015
Other hire purchase commitments		
Within one year	1,018	1,620
After one but not more than five years	1,876	398
After five years	923	0
Total	3,817	2,018

The Group has leased the offices. The rental agreements are for 1 to 7 years.

#### Securities and other contingent liabilities

€ ('000)	2016	2015
Contingencies for own commitment		
Mortgage bonds	0	60,000
Pledged deposit for own commitment	32,559	35,108
Pledged securities	9,580	0
Remaining commitments to funds by investment area		
Buyout	12,919	13,018
Credit	3,407	2,487
Russia	1,831	1,921
Real Estate	1,003	2,272
Other investment areas	4,747	4,751
Funds of funds	722	746
Norvestia	11,889	0
Total	36,518	25,195

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

### 31. SHARE-BASED PAYMENTS

CapMan Plc had two stock option programs at the end of 2016, the stock option program 2013 and the stock option program 2016.

Stock options are used to commit key individuals/executives to the company and reinforce the alignment of interests of key individuals/executives and CapMan shareholders.

The fair value of stock options has been assessed at the grant date and expensed straight-line in the income statement over the vesting period.

Fair value of options at the grant date is determined in accordance with the Black&Scholes model.

Key information on the stock option programs is presented in the table below.

	Stock option program 2016		
	Stock option 2016A	Stock option 2016B	Stock option 2016C
Stock options, number	1,410,000	1,410,000	1,410,000
Entitlement to subscribe for B shares	1,410,000	1,410,000	1,410,000
Share subscription period begins	1.5.2019	1.5.2020	1.5.2021
Share subscription period ends	30.4.2021	30.4.2022	30.4.2023
Share subscription price	Trade volume weighted average price of the B share on the Nasdaq OMX Helsinki 1.4.-31.5.2016 with an addition of ten (10) per cent less dividends i.e. €1.04	Trade volume weighted average price of the B share on the Nasdaq OMX Helsinki 1.4.-31.5.2017 with an addition of ten (10) per cent	Trade volume weighted average price of the B share on the Nasdaq OMX Helsinki 1.4.-31.5.2018 with an addition of ten (10) per cent

	Stock option program 2013		
	Stock option 2013A	Stock option 2013B	Stock option 2013C
Stock options, number	1,410,000	1,410,000	1,410,000
Entitlement to subscribe for B shares	1,410,000	1,410,000	1,410,000
Share subscription period begins	1.5.2016	1.5.2017	1.5.2018
Share subscription period ends	30.4.2018	30.4.2019	30.4.2020
Share subscription price	Trade volume weighted average price of the B share on the Nasdaq OMX Helsinki 1.4.-31.5.2013 with an addition of ten (10) per cent less dividends i.e. €0.75	Trade volume weighted average price of the B share on the Nasdaq OMX Helsinki 1.4.-31.5.2014 with an addition of ten (10) per cent less dividends i.e. €1.03	Trade volume weighted average price of the B share on the Nasdaq OMX Helsinki 1.4.-31.5.2015 with an addition of ten (10) per cent less dividends i.e. €1.05

#### Information applied in the Black&Scholes model

	Stock option 2013A	Stock option 2013B	Stock option 2013C
Expected volatility	18.7%	20.5%	20.5%
Risk-free interest	0.0%	0.0%	0.0%



**Shares and stock options**

	Issued	Distributed	Subscribed	Sold	Remaining	Shares 31.12.2016	Stock options 31.12.2016	
	stock options	stock options	stock options	stock options	stock options	of shares and votes	of shares and votes	of shares and votes
		31.12.2016	31.12.2016		31.12.2016	%	%	%
							if all distributed stock options will be exercised	if all stock options of option programs will be exercised
Shares	143,313,255					100.0%		
2016A options	1,410,000	0	0	0	1,410,000		0.0%	1.0%
2016B options	1,410,000	0	0	0	1,410,000		0.0%	1.0%
2016C options	1,410,000	0	0	0	1,410,000		0.0%	1.0%
2013A options	1,410,000	1,175,000	29,171	120,829	1,380,829		0.8%	1.0%
2013B options	1,410,000	1,218,334	0	0	1,410,000		0.9%	1.0%
2013C options	1,410,000	1,227,291	0	0	1,410,000		0.9%	1.0%

## 32. RELATED PARTY DISCLOSURES

Group companies		Group ownership of shares, %	Parent company Ownership of shares, %
CapMan Plc, parent company	Finland		
CapMan Capital Management Oy	Finland	100%	100%
CapMan Sweden AB	Sweden	100%	100%
CapMan AB	Sweden	100%	100%
CapMan Norway AS	Norway	100%	100%
CapMan (Guernsey) Limited	Guernsey	100%	100%
CapMan Mezzanine (Guernsey) Limited	Guernsey	100%	100%
CapMan (Guernsey) Buyout VIII GP Limited	Guernsey	100%	100%
CapMan (Sweden) Buyout VIII GP AB	Sweden	100%	100%
CapMan Classic GP Oy	Finland	100%	100%
CapMan Real Estate Oy	Finland	100%	100%
Dividum Oy	Finland	100%	100%
CapMan RE I GP Oy	Finland	100%	100%
CapMan RE II GP Oy	Finland	100%	100%
CapMan (Guernsey) Life Science IV GP Limited	Guernsey	100%	100%
CapMan (Guernsey) Technology 2007 GP Limited	Guernsey	100%	100%
CapMan (Sweden) Technology Fund 2007 GP AB	Sweden	100%	100%
CapMan Hotels RE GP Oy	Finland	100%	100%
CapMan Public Market Manager S.A.	Luxembourg	100%	100%
CapMan Private Equity Advisors Limited	Cyprus	100%	100%
CapMan (Guernsey) Russia GP Limited	Guernsey	100%	100%
CapMan (Guernsey) Investment Limited	Guernsey	100%	100%
CapMan (Guernsey) Buyout IX GP Limited	Guernsey	100%	100%
CapMan Fund Investments SICAV-SIF	Luxembourg	100%	100%
CapMan Mezzanine V Manager S.A.	Luxembourg	100%	100%
CapMan (Guernsey) Buyout X GP Limited	Guernsey	100%	100%

Group companies		Group ownership of shares, %	Parent company Ownership of shares, %
CapMan (Guernsey) Russia II GP Limited	Guernsey	100%	100%
Maneq 2012 AB	Sweden	100%	100%
CapMan Nordic Real Estate Manager S.A.	Luxembourg	100%	100%
CapMan Buyout X GP Oy	Finland	100%	100%
CapMan Endowment GP Oy	Finland	100%	100%
CapMan Collection Oy	Finland	100%	100%
CapMan Real Estate UK Limited	United Kingdom	100%	
Nest Capital 2015 GP Oy	Finland	100%	100%
Dividum AB	Sweden	100%	
Valo Advisors Oy	Finland	100%	100%
Valo Fund Management Oy	Finland	100%	
Kokoelmakeskus GP Oy	Finland	100%	100%
Norvestia Oyj*	Finland	92.5%	92.5%
Norventures Oy	Finland	100%	
Norvestia Industries Oy	Finland	100%	

\* Includes all the shares acquired during the exchange offer (see [Note 4 Acquisitions](#))

Investments accounted for using the equity method are presented in [Note 18. Investments accounted for using the equity method](#)

The investments in joint ventures are presented in [Note 19. Investments at fair value through profit and loss](#)

### Loans to related parties

CapMan has granted a Management Group member a short-term loan of 133 thousand euros, the interest rate of which being 12-month Euribor + margin of 1%. The loan has been granted in January 2016 and it will mature in January 2017.

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

### Commitments to related parties

€ ('000)	2016	2015
Commitments to Maneq funds	4,075	4,075

### Management remuneration

€ ('000)	2016	2015
Salaries and other short-term employee benefits	1,460	1,557
Other long-term benefits	299	319
Share-based payments	99	12
Total	1,858	1,888
Remuneration and fees		
CEO		
Heikki Westerlund	486	405
Share-based payments	60	36
Total	546	441
Members of the Board		
Claes de Neergaard	38	35
Koen Dejonckheere *	0	0
Dirk Beeusaert	29	0
Karri Kaitue	59	58
Nora Kerppola	44	45
Ari Tolppanen	77	120

\* Mr. Dejonckheere has informed the company that he prefers not to accept board compensation.

**Pension costs**

€ ('000)	2016	2015	2016	2015
	Pension costs		Additional pension costs	
CEO Heikki Westerlund	<b>90</b>	75	<b>38</b>	38

Management remuneration includes members of the board, CEO and management group.

The CEO has a mutual notice period of six months and he will be entitled to a severance fee of 12 months' salary, if his employment is terminated by the company.

The CEO and Management Group members are covered by additional payment-based pension insurance. The retirement age of the CEO is determined to the Finnish legislation.

In 2016 the Management Group members were granted 330 000 stock options (2015; 800 000). The stock options granted to the management are subject to the same terms as for stock options granted to employees.

### 33. FINANCIAL RISK MANAGEMENT

The purpose of financial risk management is to ensure that the Group has adequate and effectively utilised financing as regards the nature and scope of the Group's business. The objective is to minimise the impact of negative market development on the Group with consideration for cost-efficiency. The financial risk management has been centralised and the Group's CFO is responsible for financial risk management and control.

The policy of the management is to constantly monitor cash flow forecasts and the Group's liquidity position on behalf of all Group companies. In addition, the Group's principles for liquidity management include rolling 12-month loan covenant assessments. The loan covenants are related to equity ratio and net debt / fund investments ratio. During the financial year all the covenants have been fulfilled.

The Group has a Monitoring team, which monitors the performance and the price risk of the investment portfolio (financial assets entered at fair value through profit and loss) independently and objectively of the investment teams. The Monitoring team is responsible for reviewing the monthly reporting and forecasts for portfolio companies. Valuation proposals made by the case investment professionals are examined by the Monitoring team and subsequently approved by the Valuation Committee, which comprises the Chairman of the Investee Committee, the Group CFO and Heads of investment teams.

#### a) Liquidity risk

The Group's cash flow is a mix of cash flow from management fees received and volatile carried interest income. The third main component in liquidity management is the timing of the capital calls to the funds and the proceeds received from fund investments.

Management fees received from the funds are based on long-term agreements and are targeted to cover the operational expenses of the Group. Management fees are relatively predictable for the coming 12 months.

The timing and receipt of carried interest generated by the funds is uncertain and will contribute to the volatility of the results. Changes in investment and exit activity levels may have a significant impact on cash flows of the Group. A single investment or exit may change the cash flow situation completely and the exact timing of the cash flow is difficult to predict.

The CapMan Real Estate I fund transferred into carry in 2007. From the EUR 27.4 million of carried interest paid in 2007 approximately EUR 6.4 million was not recognised in the revenue in 2007 but instead left as a liability in case that some of the carried interest would have to be returned to the investors in the future. CapMan's share of the entered carried interest was approx. EUR 13.5 million and the share of minority owners was approx. EUR 7.5 million. In 2014, the clawback risk

was reassessed and the related liability decreased by EUR 1.2 million to EUR 5.2 million. However, in light of the current market situation, it is considered unlikely that any further carried interest would be paid from the CapMan Real Estate I fund. The clawback risk was reassessed again in 2016, and as a result, the related liability was increased by EUR 2.3 million to EUR 7.5 million. The current clawback liability of EUR 7.5 million, including the minority owners' share, is estimated to be adequate to cover the possible return of carried interest.

CapMan has made commitments to the funds it manages. As at December 31, 2016, the undrawn commitments to the funds amounted to EUR 36.5 million (25.2) and the financing capacity available (cash and third party financing facilities) amounted to EUR 55.0 million (36.6).

In October 2015, CapMan issued a EUR 30 million fixed-rate unsecured senior bond to institutional investors. The bond will mature in four years on October 15, 2019 and is callable before maturity. The fixed coupon interest rate of the bond is 4.2% per annum. The interest of the bond will be paid annually.

Furhermore, CapMan Plc's EUR 30 million debt securities consist of a senior bond of EUR 15 million and a hybrid bond of EUR 15 million.

As of 31 December 2016, CapMan Plc had access to EUR 11.5 million (15.0) of bank financing, and in addition had unused long-term credit facilities of EUR 10 million (15) available.

### Maturity analysis

31 December 2016, € ('000)	Due within 3 months	Due between 3 and 12 months	Due between 1 and 3 years	Due between 3 and 5 years	Due later
Bonds		30,000	39,989		
Bank loan		3,000	8,489		
Accounts payable	1,681				
Interests, bonds		3,465	2,880		
Interests, bank loan	72	197	262		
Commitments to funds	4,074	17,833	7,781	915	5,915
Commitments to Maneq -funds			4,075		
Clawback		7,489			

**Maturity analysis**

31 December 2015, € ('000)	Due within 3 months	Due between 3 and 12 months	Due between 1 and 3 years	Due between 3 and 5 years
Bonds			30,000	39,389
Bank loan			15,000	
Accounts payable	576			
Interests, bonds		3,470	8,760	
Interests, bank loan		375	560	
Commitments to funds	1,500	4,500	12,000	7,195
Commitments to Maneq -funds			4,075	
Clawback			5,212	



## b) Interest rate risk

The Group's exposure to interest rate risk arises principally from the non-current bank loan of EUR 11.5 million with a floating interest rate. The other interest-bearing liabilities have a fixed interest rate.

The senior bond issued in 2013 has an annual coupon rate of 5.5%. The annual coupon rate of the hybrid loan is 8.0%. The annual coupon rate of the multi-issuer bond is 1.85%. The senior bond issued in October 2015 has an annual coupon rate of 4.2%. The interest of the bonds will be paid annually.

Loans according to interest rate € ('000)	2016	2015
Floating rate	11,489	15,000
Fixed rate	54,576	54,389
Total	66,065	69,389

The effect on profit after tax			
€ ('000)	Change in interest rates		
	+1%	-1%	+2%
Floating rate	92	-92	184

### c) Credit risk

Credit risks arise from changes in the result caused by counterparties failing to meet their commitments. Money market investments and bonds therefore include credit risks, and to minimize these, the company has diversified its investments. As money market investments are short-term, and both money market investments and bonds are made in Nordic listed companies, these risks are regarded as small.

As at December 31, 2016, the group had EUR 6.7 million (10.4) invested in bonds. The longest maturity of these investments was 4.9 years and the average maturity was 3.7 years. None of the investments were past due.

Group's other credit risks relate to trade and other receivables recognised at amortised cost. The maximum credit loss of these receivables is the carrying amount of the receivable in question. There are no collaterals relating to the receivables.

In June 2013, CapMan transferred its ownership in 2005-2011 Maneq funds (including equity and loan receivables) to a Luxembourg company founded by CapMan and sold part of that company for a cash consideration of EUR 14 million. After the transaction, the Group's share of the Maneq funds is approx. EUR 5.4 million at fair value as at December 31, 2016. The Group's holdings in Maneq funds are presented as investments in joint ventures. Following the transaction, CapMan has a loan receivable from the Luxembourg company, but the risk profile of this receivable is like that of an equity investment.

### d) Currency risk

Changes in exchange rates, particularly between the Swedish krona and the euro, impact the company's performance, since a majority of the company's investments in hedge funds are krona-denominated. Any strengthening/weakening of the krona against the euro would improve/weaken the returns from investments in Swedish funds. In turn, however, changes in other exchange rates may affect the funds' krona-denominated results.

CapMan has subsidiaries outside of the Eurozone, and their equity is exposed to movements in foreign currency exchange rates. However, the Group does not hedge currency as the impact of exposure to currency movements on equity is relatively small. The group is not exposed to significant currency risks, because Group companies operate in their primary domestic markets.

As at December 31, 2016, 89% of the Group's assets were in euros, 6% in Swedish krona, 4% in US dollars and 1% in other currencies. The following table presents the fair values of the foreign currency denominated financial assets.

**Fair values of investments denominated in foreign currencies, in euros**

€ ('000)	SEK	USD	Other currency	Total
2016	15,502	9,344	858	25,704
2015	3,645		634	4,279

**e) Capital management**

Group's aim is to have an efficient capital structure that allows the company to manage its ongoing obligations and that the business has the prerequisites for operating normally. The Return on equity (ROE) and the Equity ratio are the means for monitoring capital structure.

The long-term targets and dividend policy of the Group have been confirmed by the Board of Directors of CapMan Corporation. The targets are based on profitability (ROE) and balance sheet. The target for Return on equity is over 20% p.a. and for Equity ratio at least 45-60%. The target net gearing is 40% at maximum. CapMan's target is to payout dividend at least 75% of earnings per share considering company's financial position and cash flows.

In June 2014, CapMan Plc participated in a multi-issuer bond of EUR 70 million, with a share of EUR 10 million.

Furhermore, CapMan Plc has EUR 30 million of debt securities issued in 2013, consisting of a senior bond of EUR 15 million and a hybrid bond of EUR 15 million.

In October 2015, CapMan issued a fixed-rate unsecured senior bond of EUR 30 million to institutional investors. The proceeds from the bond issue has been used mainly for refinancing of the senior bank loan, which was obtained for the acquisition of shares in Norvestia in May 2015.

CapMan Plc's bank loans include financing covenants, which are conditional on the company's equity ratio and the ratio of interst-bearing bank loans to fund investments on the balance sheet.

€ ('000)	2016	2015
Interest-bearing loans	66,065	69,389
Cash and cash equivalents	-45,307	-21,882
Net debt	20,758	47,507
Equity	142,979	65,185
Net gearing	14.5%	72.9%
Return on equity	14.7%	9.3%
Equity ratio	56.6%	43.7%

## f) Price risk of the investments in funds

### Investments in funds and growth companies

"The investments in funds are valued using the International Private Equity and Venture Capital Valuation Guidelines. According to these guidelines, the fair values are generally derived by multiplying key performance metrics of the investee company (e.g., EBITDA) by the relevant valuation multiple (e.g., price/equity ratio) observed for comparable publicly traded companies or transactions. Changes in valuation multiples can lead to significant changes in fair values depending on the leverage ratio of the investee company.

### Financial assets held for trading

In its operations the Group is exposed to market risks arising from price fluctuations of its financial assets held for trading. Performance is greatly affected by economic developments and share price movements both in Finland and abroad. One of the guiding principles of CapMan's investment activities is to diversify its investments and thereby reduce overall risks, as well as to pursue steady asset growth. Occasionally a significant part of investments may be focused on certain types of investments and securities, the possible negative development of which may substantially decrease CapMan's result. CapMan occasionally hedges its investments with options and futures, although there may be situations where such hedges are not effective.

### g) Determining fair values

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

€ ('000)	Fair value	Level 1	Level 2	Level 3
Investments in funds	<b>51,394</b>		41	51,353
Growth equity investments	<b>37,856</b>			37,856
Joint ventures	<b>5,376</b>			5,376
Other non-current investments	<b>179</b>		124	55
Current financial assets at FVTPL *	<b>86,213</b>	75,818	10,395	

\*fair value through profit or loss

The different levels have been defined as follows:

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

Level 2 - Other than quoted prices included within Level 1 that are observable for the asset, either directly (that is, as price) or indirectly (that is, derived from prices)

Level 3 - The asset that is not based on observable market data

€ ('000)	Level 1	Level 2	Level 3	Total
<b>Non-current investments at fair value through profit or loss</b>				
<b>Investments in funds</b>				
at Jan 1		548	46,701	47,249
Acquisitions		0	6,393	6,393
Additions		0	7,539	7,539
Distributions		-480	-13,936	-14,416
Fair value gains/losses		-27	4,656	4,629
at the end of period		41	51,353	51,394
<b>Growth equity investments</b>				
at Jan 1			0	0
Acquisitions			37,940	37,940
Fair value gains/losses			-84	-84
at the end of period			37,856	37,856
<b>Other investments</b>				
at Jan 1			48,784	48,784
Additions		124	0	124
Disposals			-18,191	-18,191
Acquisitions			-31,637	-31,637
Fair value gains/losses			1,099	1,099
at the end of period		124	55	179
<b>Investments in joint ventures</b>				
at Jan 1			7,651	7,651
Disposals			-2,484	-2,484
Fair value gains/losses			209	209
at the end of period			5,376	5,376

Fund investments in Level 2 are investments in the CapMan Public Market fund. All other fund investments are included in Level 3. Other investments reported under Level 3 included Norvestia's shares until acquiring control in Norvestia on December 19, 2016. Investments in joint ventures reported in Level 3 include investments in Maneq Investments Luxembourg S.a.r.l. There were no transfers from one level to another during the review period.

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

€ ('000)	Fair value	Level 1	Level 2	Level 3
Investments in funds	47,249		548	46,701
Joint ventures	7,651			7,651
Other non-current investments	48,784			48,784
Current financial assets at FVTPL*	306		306	

\*fair value through profit or loss

€ ('000)	Level 1	Level 2	Level 3	Total
<b>Investments at fair value through profit or loss</b>				
<b>Investments in funds</b>				
at Jan 1		2,993	52,265	55,258
Additions		37	4,318	4,355
Distributions		-2,433	-8,312	-10,745
Fair value gains/losses		-49	-1,570	-1,619
at the end of period		548	46,701	47,249
<b>Other investments</b>				
at Jan 1			121	121
Additions			44,335	44,335
Distributions			-66	-66
Fair value gains/losses			4,394	4,394
at the end of period			48,784	48,784
<b>Investments in joint ventures</b>				
at Jan 1			9,014	9,014
Disposals			-1,307	-1,307
Fair value gains/losses			-56	-56
at the end of period			7,651	7,651

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

All other fund investments are included in Level 3. Investments in joint ventures reported in Level 3 include investments in Maneq Investments Luxembourg S.a.r.l

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



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

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

<b>Credit</b>	<b>2.5</b>	Discounted cash flows	Discount rate; market rate and risk premium	11 %	- 0.1 / value increase based on a change in the discount rate is not booked
<b>Funds of funds</b>	<b>1.7</b>	Reports from PE fund management company	NA	NA	NA
<b>Other investment areas</b>	<b>2.0</b>	Peer group	Peer group earnings multiples	EV/EBITDA 2016 9.0x	+/- 0.1
			Discount to peer group multiples	20 %	-/+ 0.0

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

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

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

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

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

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

Determining the fair value of fund investments for funds investing in portfolio companies is carried out using International Private Equity and Venture Capital Valuation Guidelines (IPEVG). In estimating fair value for an investment, CapMan applies a technique or techniques that is/are appropriate in light of the nature, facts, and circumstances of the investment in the context of the total investment portfolio. In doing this, current market data and several inputs, including the price at which an investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, and financing transactions subsequent to the acquisition of the investment, are evaluated and combined with market participant assumptions. In selecting the appropriate valuation technique for each particular investment, consideration of those specific terms of the investment that may impact its fair value is required.

Different methodologies may be considered. The most applied methodologies at CapMan include the price of recent investments, which is typically applied in the case of new investments, and the earnings multiple valuation technique, whereby public peer group multiples are used to estimate the value of a particular investment. CapMan always applies a discount to peer group multiples, due to e.g. limited liquidity of the investments. Due to qualitative nature of the valuation methodologies, they are mainly based on CapMan's judgment.

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

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

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

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

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

- discounted cash flow
- earnings multiple valuation, whereby public peer group multiples are used to estimate the value of a particular investment
- acquisition price, particularly with new investments.

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

# Parent Company Income Statement (FAS)

€	Note	1.1.-31.12.2016	1.1.-31.12.2015
<b>Turnover</b>	<a href="#"><u>1</u></a>	5,693,533,99	4,421,176,61
Other operating income	<a href="#"><u>2</u></a>	338,733,00	221,598,65
Employee benefit expenses	<a href="#"><u>3</u></a>	-5,952,993,48	-4,647,361,59
Depreciation	<a href="#"><u>4</u></a>	-69,002,29	-126,817,55
Other operating expenses	<a href="#"><u>5</u></a>	-8,643,283,72	-6,030,268,55
<b>Operating loss</b>		-8,633,012,50	-6,161,672,43
Finance income and costs	<a href="#"><u>6</u></a>	25,263,183,96	13,680,735,34
<b>Profit before appropriations and taxes</b>		16,630,171,46	7,519,062,91
Appropriations	<a href="#"><u>7</u></a>	3,050,000,00	2,520,000,00
Income taxes		0,00	0,00
<b>Profit for the financial year</b>		19,680,171,46	10,039,062,91

# Parent Company Balance Sheet (FAS)

€	Note	31.12.2016	31.12.2015
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	<a href="#">8</a>	18,499,49	80,317,76
Tangible assets	<a href="#">9</a>	119,677,21	126,861,23
Investments	<a href="#">10</a>		
Shares in subsidiaries		208,724,967,44	83,531,742,34
Investments in associated companies		1,171,603,83	46,091,703,86
Other investments		1,813,730,18	2,133,990,88
Investments total		211,710,301,45	131,757,437,08
		211,848,478,15	131,964,616,07
<b>Current assets</b>			
Long-term receivables	<a href="#">11</a>	9,253,516,36	15,976,505,31
Short-term receivables	<a href="#">12</a>	11,425,037,62	11,123,814,99
Cash and bank		32,451,006,80	14,793,637,48
		53,129,560,78	41,893,957,78
<b>Total assets</b>		<b>264,978,038,93</b>	<b>173,858,573,85</b>

€	Note	31.12.2016	31.12.2015
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>	<a href="#"><u>13</u></a>		
Share capital		771,586,98	771,586,98
Share premium account		38,968,186,24	38,968,186,24
Invested unrestricted shareholders' equity		79,206,065,72	8,810,890,67
Retained earnings		24,164,245,37	20,165,515,15
Profit for the financial year		19,680,171,46	10,039,062,91
		162,790,255,77	78,755,241,95
<b>Liabilities</b>			
Non-current liabilities	<a href="#"><u>14</u></a>	48,189,573,97	84,389,100,00
Current liabilities	<a href="#"><u>15</u></a>	53,998,209,19	10,714,231,90
		102,187,783,16	95,103,331,90
<b>Total shareholders' equity and liabilities</b>		264,978,038,93	173,858,573,85



# Parent Company Cash Flow Statement (FAS)

€	1.1.-31.12.2016	1.1.-31.12.2015
<b>Cash flow from operations</b>		
Profit before extraordinary items	16,630,171	7,519,063
Finance income and costs	-25,263,184	-13,680,735
Adjustments to cash flow statement	3,117,132	2,126,818
Change in net working capital		
Change in current non-interest-bearing receivables	1,383,880	-217,462
Change in current trade payables and other non-interest-bearing liabilities	2,897,241	297,592
Interest paid	-4,135,710	-4,316,827
Interest received	1,093,576	267,255
Dividends received	29,900,578	17,394,499
<b>Cash flow from operations</b>	<b>25,623,684</b>	<b>9,390,203</b>
<b>Cash flow from investments</b>		
Investments in other placements	444,734	-44,341,265
Long-term loan receivables granted	-2,013,548	-2,095,193
Repayment of long-term loans	3,771,406	1,157,009
<b>Cash flow from investments</b>	<b>2,202,592</b>	<b>-45,279,449</b>

€	1.1.-31.12.2016	1.1.-31.12.2015
<b>Cash flow from financing activities</b>		
Repayment of long-term loan receivables	1,917,000	736,302
Short-term loan receivables granted	-3,053,000	3,483,577
Repayment of short-term loans	1,089,080	-2,840,400
Long-term loan receivables granted	0	63,900,000
Repayment of loans from financial institutions	-3,511,500	-26,757,617
Dividends paid	-6,040,333	-5,177,428
Change in group liabilities	-570,153	-5,000,182
<b>Cash flow from financing activities</b>	<b>-10,168,906</b>	<b>28,344,252</b>
<b>Change in cash and cash equivalents</b>	<b>17,657,370</b>	<b>-7,544,994</b>
Cash and cash equivalents at beginning of year	14,793,637	22,338,631
<b>Cash and cash equivalents at end of year</b>	<b>32,451,007</b>	<b>14,793,637</b>

# Notes to the Parent Company Financial Statements (FAS)

## **BASIS OF PREPARATION FOR PARENT COMPANY FINANCIAL STATEMENTS**

CapMan Plc' s financial statements for 2016 have been prepared in accordance with the Finnish Accounting Act.

### **Foreign currency translation**

Transactions in foreign currencies have been recorded at the rates of exchange prevailing at the date of the transaction. Foreign currency denominated receivables and payables are recorded at the rates of exchange prevailing at the closing date of the review period.

### **Investments**

Investments are valued at acquisition cost. If the probable future income from the investment is permanently lower than the value at acquisition cost excluding depreciation, the difference is recognised as an expense.

### **Receivables**

Receivables comprise receivables from Group companies and associated companies, trade receivables, accrued income and other receivables. Receivables are recorded at nominal value, however no higher than at probable value. Receivables are classified as non-current assets if the maturity exceeds 12 months.

### **Non-current liabilities**

The financial risk management of CapMan Group is centralised with the parent company. The financial risk management principles are provided in the Notes to the Group financial statements under 33.Financial risk management.

The senior bond and the hybrid bond are recorded as the non-current liability at nominal value. The senior bond will have a maturity of four years. The hybrid bond has no maturity, but CapMan has the right to call it four years from the issue date. The company has an option to call the bond in two years the earliest from the issue date in accordance with certain terms and conditions.

### Leases

Lease payments are recognised as other expenses. The remaining commitments under each lease are provided in the Notes section under “Commitments.”

### Provisions

Provisions are recognised as expenses in case the parent company has an obligation that will not result in comparable income or losses that are deemed apparent.

### Pensions

Statutory pension expenditures are recognised as expenses at the year of accrual. Pensions have been arranged through insurance policies of external pension institutions.

### Revenue recognition

Revenue includes the sale of services to Group companies. The sale is recognised at the completion of the service.

### Income taxes

Income taxes are recognised based on Finnish tax law. Deferred taxes are calculated on temporary differences between the carrying amount and the tax base. Deferred taxes have been measured at the statutory tax rates that have been enacted by the balance sheet date and are expected to apply when the related deferred tax is realised.

## 1. TURNOVER BY AREA

€	2016	2015
Finland	4,463,152	2,853,959
Foreign	1,230,382	1,567,217
Total	5,693,534	4,421,176

## 2. OTHER OPERATING INCOME

€	2016	2015
Other	338,733	221,599
Total	338,733	221,599

### 3. PERSONNEL

€	2016	2015
Salaries and wages	<b>5,177,069</b>	3,766,369
Pension expenses	<b>637,555</b>	581,137
Other personnel expenses	<b>138,370</b>	299,856
Total	<b>5,952,994</b>	4,647,362
Salaries and other remuneration of the CEO Heikki Westerlund	486,013	404,816
Board members	208,600	173,100
Average number of employees	39	37

Management remuneration is presented in the Group Financial Statements [Note 32. Related party disclosures](#).

#### 4. DEPRECIATION

€	2016	2015
Depreciation by asset type:		
Intangible rights	2,003	50,338
Other long-term expenditure	59,816	66,326
Machinery and equipment	7,184	10,153
Total	69,003	126,817



## 5. OTHER OPERATING EXPENSES

€	2016	2015
Other personnel expenses	246,947	156,042
Office expenses	1,237,217	1,035,746
Travelling and entertainment	247,478	216,585
External services	2,134,585	2,305,259
Other operating expenses	1,728,927	316,636
Impairment in shares of subsidiaries	0	2,000,000
Impairment in loan receivables of associated companies	3,048,130	0
Total	8,643,284	6,030,268

### Audit fees

€		
PricewaterhouseCoopers Oy, Authorised Public Accountants		
Audit fees	<b>72,800</b>	110,328
Tax advices	<b>12,230</b>	62,100
Other fees and services	<b>205,774</b>	53,046
<i>Fees under Auditing Act Chapter 1, Section 1, Paragraph 2</i>	<b>4,625</b>	0
Total	<b>295,429</b>	225,474

## 6. FINANCE INCOME AND COSTS

€	2016	2015
Dividend income		
Group companies	<b>11,059,162</b>	17,367,489
Associated companies	<b>18,841,416</b>	27,010
Total	<b>29,900,578</b>	17,394,499
Other interest and finance income		
Group companies	<b>220,426</b>	155,588
Others	<b>835,550</b>	307,110
Total	<b>1,055,976</b>	462,698
Interest and other finance costs		
Group companies	<b>-3,208</b>	-29,110
Others	<b>-5,690,162</b>	-4,147,353
Total	<b>-5,693,370</b>	-4,176,463
Finance income and costs total	<b>25,263,184</b>	13,680,734

7. APPROPRIATIONS

€	2016	2015
Group contributions received	3,050,000	2,520,000

## 8. INTANGIBLE ASSETS

€	2016	2015
Intangible rights		
Acquisition cost at 1 January	<b>828,188</b>	828,188
Acquisition cost at 31 December	<b>828,188</b>	828,188
Accumulated depreciation at 1 January	<b>-826,185</b>	-775,847
Depreciation for financial year	<b>-2,003</b>	-50,338
Accumulated depreciation at 31 December	<b>-828,188</b>	-826,185
Book value on 31 December	<b>0</b>	2,003
Other long-term expenditure		
Acquisition cost at 1 January	<b>2,360,280</b>	2,360,280
Acquisition cost at 31 December	<b>2,360,280</b>	2,360,280
Accumulated depreciation at 1 January	<b>-2,281,965</b>	-2,215,639
Depreciation for financial year	<b>-59,815</b>	-66,326
Accumulated depreciation at 31 December	<b>-2,341,780</b>	-2,281,965
Book value on 31 December	<b>18,500</b>	78,315
Intangible rights total	<b>18,500</b>	80,318

## 9. TANGIBLE ASSETS

€	2016	2015
Machinery and equipment		
Acquisition cost at 1 January	<b>902,094</b>	902,094
Acquisition cost at 31 December	<b>902,094</b>	902,094
Accumulated depreciation at 1 January	<b>-894,910</b>	-884,756
Depreciation for financial year	<b>-7,184</b>	-10,154
Accumulated depreciation at 31 December	<b>-902,094</b>	-894,910
Book value on 31 December	<b>0</b>	7,184
Other tangible assets		
Acquisition cost at 1 January	<b>119,677</b>	119,677
Book value on 31 December	<b>119,677</b>	119,677
Tangible assets total	<b>119,677</b>	126,861

## 10. INVESTMENTS

### Shares in subsidiaries

€	2016	2015
Acquisition cost at 1 January	<b>83,531,742</b>	82,777,442
Additions *	<b>125,205,759</b>	754,300
Disposals	<b>-12,534</b>	0
Acquisition cost at 31 December	<b>208,724,967</b>	83,531,742

\* Includes EUR 124 982 759 related to the shares in Norvestia Oyj, which were acquired in stages in 2015 and 2016. Acquisition of Norvestia is presented in more detail in the Notes to the Consolidated Financial Statements, [Note 4. Acquisitions](#).

### Shares in associated companies

€	2016	2015
Acquisition cost at 1 January	<b>46,091,704</b>	1,756,486
Additions	<b>1</b>	44,335,218
Disposals *	<b>-44,920,101</b>	0
Acquisition cost at 31 December	<b>1,171,604</b>	46,091,704

\* Includes EUR 44 335 218 related to the shares in the associated company Norvestia Oyj, which were acquired in 2015. After acquiring the control in Norvestia Oyj in 2016, the acquisition cost has been transferred as part of the shares in subsidiaries. Acquisition of Norvestia is presented in more detail in the Notes to the Consolidated Financial Statements, [Note 4. Acquisitions](#).

**Shares, other**

€	2016	2015
Acquisition cost at 1 January	<b>2,133,991</b>	2,939,549
Additions	<b>163,253</b>	37,611
Disposals	<b>-483,513</b>	-843,169
Acquisition cost at 31 December	<b>1,813,731</b>	2,133,991
Investments total	<b>211,710,302</b>	131,757,437

The subsidiaries and the associated companies are presented in the Notes to the Consolidated Financial Statements, [Note 32. Related party disclosures](#).

## 11. LONG-TERM RECEIVABLES

€	2016	2015
Receivables from Group companies		
Loan receivables	<b>461,000</b>	2,378,000
Receivables from associated companies		
Loan receivables	<b>4,054,540</b>	8,403,452
Other loan receivables	<b>4,737,977</b>	5,195,053
Long-term receivables total	<b>9,253,517</b>	15,976,505



**12. SHORT-TERM RECEIVABLES**

€	2016	2015
Accounts receivable	<b>536,024</b>	295,772
Receivables from Group companies		
Accounts receivable	<b>80,994</b>	15,239
Loan receivables	<b>6,590,000</b>	4,635,839
Other receivables	<b>3,523,925</b>	3,659,819
Total	<b>10,194,919</b>	8,310,897
Receivables from associated companies		
Accrued income	<b>30,162</b>	69,615
Total	<b>30,162</b>	69,615
Loan receivables	<b>7,451</b>	7,851
Other receivables	<b>68,944</b>	1,188,708
Accrued income	<b>587,537</b>	1,250,972
Short-term receivables total	<b>11,425,037</b>	11,123,815

### 13. SHAREHOLDERS' EQUITY

€	2016	2015
Share capital at 1 January	771,587	771,587
Share capital at 31 December	771,587	771,587
Share premium account at 1 January	38,968,186	38,968,186
Share premium account at 31 December	38,968,186	38,968,186
Invested unrestricted shareholders' equity at 1 January	8,810,891	8,810,891
Share issue *	70,373,297	0
Share subscriptions with options	21,878	0
Invested unrestricted shareholders' equity at 31 December	79,206,066	8,810,891
Retained earnings at 1 January	30,204,578	25,342,943
Dividend payment	-6,040,333	-5,177,428
Retained earnings at 31 December	24,164,245	20,165,515
Profit for the financial year	19,680,171	10,039,063
Shareholders' equity, total	162,790,255	78,755,242
<b>Calculation of distributable assets</b>		
Retained earnings	24,164,245	20,165,515
Profit for the financial year	19,680,171	10,339,063
Invested unrestricted shareholders' equity	79,206,066	8,810,891
Total	123,050,482	39,315,469

**CapMan Plc 's share capital is divided as follows:**

	2016	2015
	Number of shares	Number of shares
Series A share (10 votes/share)	0	5,750,000
Series B share (1 vote/share)	143,313,255	80,566,766

A-shares converted into B-shares

\* Includes 58 644 414 shares in CapMan Plc, EUR 1.20 per share, issued in the voluntary exchange offer for acquiring the shares in Norvestia Oyj. Acquisition of Norvestia is presented in more detail in the Notes to the Consolidated Financial Statements, [Note 4. Acquisitions](#).

**14. NON-CURRENT LIABILITIES**

€	2016	2015
Hybrid bond	0	15,000,000
Senior bond	29,587,500	44,400,000
Multi-issuer bond	9,989,100	9,989,100
Bank loans	8,488,500	15,000,000
Other liabilities	124,474	0
Non-current liabilities total	48,189,574	84,389,100

## 15. CURRENT LIABILITIES

€	2016	2015
Accounts payable	186,927	280,320
Liabilities to Group companies		
Pohjola Bank plc; Group account	6,304,804	5,810,759
Accounts payable	6,741	0
Other liabilities	1,566,010	2,766,102
Accrued expenses	1,750,199	73,732
Total	9,627,754	8,650,593
Hybrid bond	15,000,000	0
Senior bond	15,000,000	0
Bank loans	3,000,000	0
Other liabilities	8,347,911	117,536
Accrued expenses	2,835,617	1,665,783
Current liabilities total	53,998,209	10,714,232

## 16. CONTINGENT LIABILITIES

€	2016	2015
<b>Leasing agreements</b>		
Operating lease commitments		
Within one year	<b>53,410</b>	51,447
After one but not more than five years	<b>28,837</b>	51,669
Total	<b>82,247</b>	103,116
Other hire purchase commitments		
Within one year	<b>461,322</b>	1,146,627
After one but not more than five years	<b>1,845,288</b>	95,552
After five years	<b>922,644</b>	0
Total	<b>3,229,254</b>	1,242,179
<b>Securities and other contingent liabilities</b>		
Contingencies for own commitment		
Mortgage bonds	<b>0</b>	60,000,000
Loan commitments to Maneq funds	<b>4,075,056</b>	4,075,056
Other contingent liabilities	<b>32,559,362</b>	35,107,868
Remaining commitments to funds		
Equity funds	<b>578,459</b>	628,102
Fund of funds	<b>284,522</b>	309,035
Total	<b>862,981</b>	937,137

# Signatures to the report of the Board of Directors and Financial Statements

Helsinki 2017

\_\_\_\_\_  
Karri Kaitue  
Chairman

\_\_\_\_\_  
Dirk Beeusaert

\_\_\_\_\_  
Nora Kerppola

\_\_\_\_\_  
Claes de Neergaard

\_\_\_\_\_  
Ari Tolppanen

\_\_\_\_\_  
Heikki Westerlund  
CEO

The Auditor's Note

Our report has been issued today.

Helsinki 2017

PricewaterhouseCoopers Oy  
Authorised Public Accountants

\_\_\_\_\_  
Mikko Nieminen  
Authorised Public Accountant

# Auditor's report

(Translation of the Finnish Original)

To the Annual General Meeting of CapMan Oyj

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial performance and financial position in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

### What we have audited

We have audited the financial statements of CapMan Oyj (business identity code 0922445-7) for the year ended 31 December 2016. The financial statements comprise:

- the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

### Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

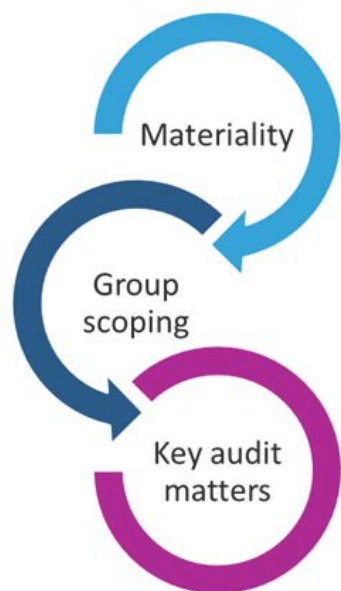
### Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.



## Our Audit Approach

### Overview



#### *Materiality*

- We have applied an overall group materiality of € 1.8 million, which represents 0.7 % of total assets.

#### *Group scoping*

- The group audit scope included all significant legal entities in Finland, Sweden and Guernsey, covering the vast majority of revenues, assets

and liabilities of the Group. The group audit scope covered also the direct fund investments made through the Luxembourg group entity.

#### *Key audit matters*

- Revenue recognition
- Valuation of buyout fund investments and growth investments
- Norvestia acquisition

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

#### **Materiality**

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

We have applied an overall group materiality of € 1.8 million, calculated from total assets. We chose total assets as the benchmark because, in our view, in circumstances of volatile profits through fair value movement and carried interest income, it represents a stable and relevant metrics for the financial statements and it is a generally accepted benchmark. We chose 0.7 % which is within the range of acceptable quantitative materiality thresholds in auditing standards.

### Group audit scope

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

Using the above criteria we selected the most significant legal entities in Finland, Sweden and Guernsey and the fund investments in Luxembourg into

our audit scope and at the same time ensured that we get sufficient coverage to our audit, in order to issue an audit opinion for the Group.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

#### Key audit matter in the audit of the group

##### *Revenue recognition*

*Refer to Note 1 (Accounting policies, Revenue Recognition) and Note 3 (Segment reporting) in the consolidated financial statements.*

CapMan's revenue mainly consists of management fees, carried interest income and revenue from services rendered.

The timing of recognition of revenue can be judgmental as revenue may be recognised immediately or over a period of time depending on the nature of the service provided. Determining accrued revenues or repayment risks to the funds can involve the use of estimates and manual input into the process.

#### How our audit addressed the key audit matter

We audited a sample of management fees by agreeing them to fund agreements and payment received and we assessed the accounting treatment and timing of recognition of the fee. We also analysed the potential repayment risks to the funds. We audited a sample of carried interest received against cash receipts and underlying documentation for appropriate revenue recognition. We obtained a sample of service agreements and assessed that the service revenue had been calculated in accordance with the agreements and recognised appropriately.

##### *Valuation of buyout fund investments and growth equity investments*

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*Refer to Note 1 (Accounting policies, Financial instruments) and Note 19 (Investments at fair value through profit and loss) in the consolidated financial statements.*

CapMan investments at fair value through profit and loss include mainly investments in CapMan managed funds and the subsidiary Norvestia's growth investments.

The fair valuation model for buyout fund investments and growth equity investments (unlisted companies) includes complex key assumptions and variables and management judgment and is as such defined as a key audit matter.

The valuation policy followed by the funds that the Group manages and the growth investments is based on the International Private Equity and Venture Capital Valuation (IPEV) guidelines and IFRS. The valuations are primarily based on peer group multiples and discounted forecasted cash flows.

We assessed the appropriateness of management's valuation policies.

We obtained an understanding of management's oversight, processes and controls around the fair valuation of the investments by performing walkthrough procedures, assessing the design effectiveness of relevant controls and testing the operating effectiveness of those controls.

Our substantive audit procedures included reconciling the fund valuation and growth investment valuation reports to the balance sheet.

For a sample of portfolio companies in the buyout funds we conducted e.g. the following substantive audit procedures:

- We verified portfolio company figures used in the valuations to the underlying management accounts;
- We verified the appropriateness of the peer groups used; and
- We analysed the performance of the portfolio companies during the period.

For a sample of growth equity investments our substantive audit procedures were focused around the following:

- We evaluated the process by which the future cash flow forecasts were compiled. We tested the key underlying assumptions for the cash flow forecasts and we assessed the implied growth rates beyond the forecasted period;
-

- We corroborated cash flow discount factor assumptions to underlying documentation and observable inputs, as appropriate;
- We verified the appropriateness of the peer groups used; and
- We agreed on a sample basis the peer group multiples used to available external market data.

### *Norvestia acquisition*

*Refer to Note 4 (Acquisitions) in the consolidated financial statements.*

In a voluntary public exchange offer published on 3 November 2016, CapMan Oyj acquired Norvestia Oyj on 19 December 2016. The acquisition is accounted for as a business combination (IFRS 3) and includes a number of significant and complex judgments among others in the determination of the consolidation method (IFRS 10), accounting treatment of the minority shares at the acquisition date, the fair value of the total consideration, the fair value of the assets and liabilities acquired and determining the resulting gain from a bargain purchase and its rationale.

In accordance with IFRS, as of the acquisition date, Norvestia was consolidated 100% as CapMan has submitted an application to the Redemption Committee of the Finnish Central Chamber of Commerce to commence arbitration proceedings of all Norvestia Oyj's shares held by minority shareholders. The total consideration for the acquisition includes the estimated fair value of the redemption price of the remaining minority shares.

In the preliminary purchase price allocation the acquisition resulted in a gain from a bargain purchase amounting to € 13.9 million. The main rationale for the bargain purchase gain is the discount on Norvestia's net asset value.

We assessed management's application of IFRS concerning the following key accounting areas:

- Norvestia acquisition date;
- Accounting treatment for the previously held interest in Norvestia;
- Consolidating the acquisition 100% including the minority shares in the compulsory redemption process;
- The methodology to determine the fair value of the total consideration;
- The methodology to determine the fair value of the acquired assets and liabilities; and
- The recognition of the bargain purchase gain.

Our substantive audit procedures were focused around the following areas in the preliminary purchase price allocation:

- We tested the key valuation assumptions concerning the fair value of the total consideration transferred; and
- We tested the acquired opening balance sheet at fair value to observable market data and other supporting documentation as at the acquisition date.

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We have no key audit matters to report with respect to our audit of the parent company financial statements.

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### **Responsibilities of the Board of Directors and the Managing Director for the Financial Statements**

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## OTHER REPORTING REQUIREMENTS

### Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our auditor's report thereon. We obtained the

report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements

- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the information included in the report of the Board of Directors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 1 February 2017

**PricewaterhouseCoopers Oy**

Authorised Public Accountants

Mikko Nieminen

Authorised Public Accountant

# Shares and shareholders

CapMan is one of the few listed private equity investment and asset management companies in Europe. CapMan Plc's share has been listed on the Helsinki Stock Exchange (Nasdaq Helsinki) since 2001. CapMan had 11,861 shareholders as of the end of 2016.

## CAPMAN SHARES

CapMan's shares are quoted on the main list of Nasdaq Helsinki. All shares generate equal voting rights and rights to a dividend and other distribution to shareholders. CapMan had 143,313,255 shares outstanding as of 31 December 2016. CapMan's shares are included in the book-entry securities register and have no nominal value. CapMan's share capital as of 31 December 2016 was € 771,568.98.

## OPTION PROGRAMMES

CapMan had two option programme to engage and commit personnel to the company in force as of the end of 2016: Option programme 2013 and Option programme 2016. More details on the programmes can be found in the Report of the Board of Directors and the Notes to the Financial Statements.

## CAPMAN'S SHAREHOLDERS

CapMan had 11,861 shareholders as of the end of 2016. CapMan issued the following notifications of changes in major shareholdings and voting rights during 2016:

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

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

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

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

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



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

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

Gimv NV's share of voting rights has fallen below one-twentieth (1/20) of the voting rights in CapMan Plc on 4 November 2016 as a result of a disposal of shares.

## NOMINEE-REGISTERED SHAREHOLDERS

CapMan Plc's foreign shareholders can register their holdings in nominee-registered book-entry accounts, for which a custodian is registered in the company's list of shareholders rather than the ultimate owner. Foreign and nominee-registered shareholders held a total of 8% of CapMan's shares as of the end of 2016. A breakdown by sector and size of holding can be found on the Notes to the Financial Statements.

## DIVIDEND POLICY AND DIVIDEND PAYABLE FOR 2016

CapMan's objective is to pay at least 75% of its earnings per share in the form of a dividend. The Board of Directors will propose to the Annual General Meeting that a dividend of €0.09 per share should be paid to shareholders.

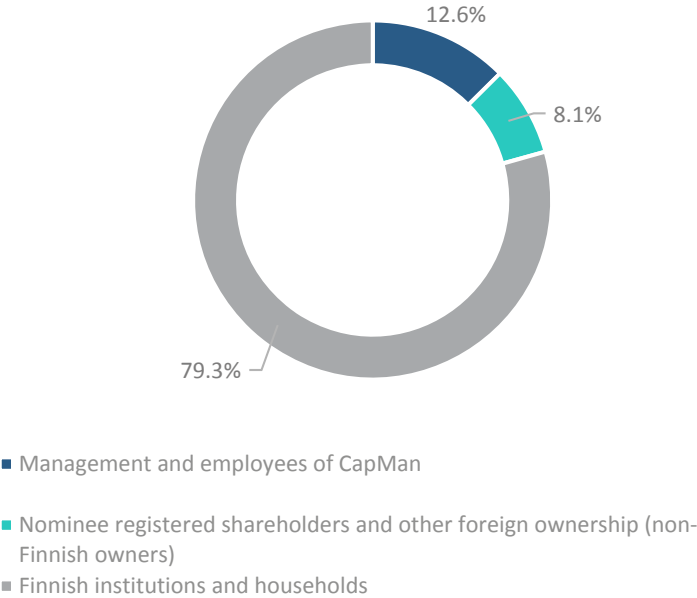
## IR CONTACTS

CapMan's IR contacts are the joint responsibility of the CEO, the CFO and the Communications and IR Manager. The company observes a two-week silent period prior to publication of its interim reports and financial statements, during which it does not comment on the company's financial performance or future prospects.

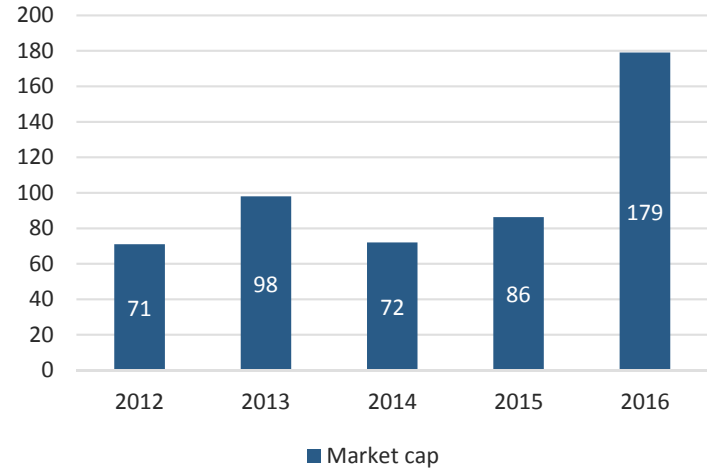
## READ MORE

[Share-related key figures](#)  
[Information for shareholders](#)

Holding and voting rights by shareholder class



Market Capitalisation, M€

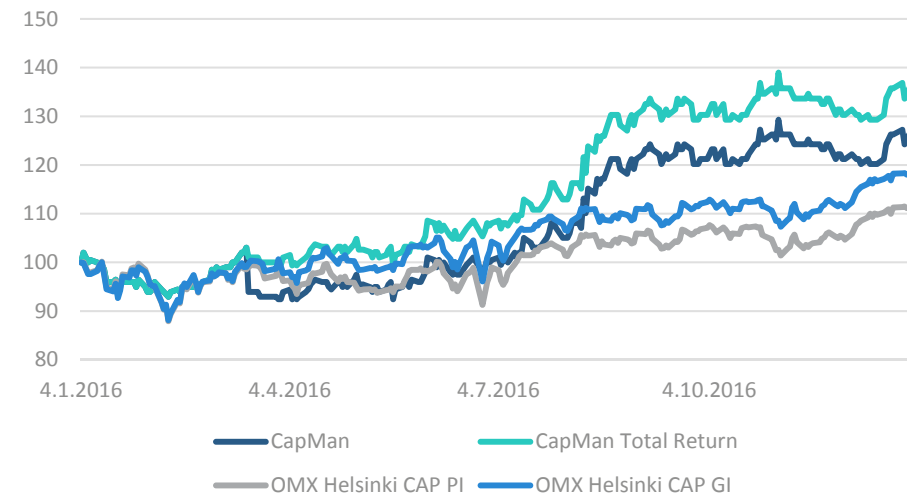


### Share price development and trading volume

	2016	2015
<b>Share price €</b>		
High	<b>1.30</b>	<b>1.09</b>
Low	<b>0.91</b>	<b>0.83</b>
Trade-weighted average share price	<b>1.10</b>	<b>1.00</b>
Closing price 31 December	<b>1.25</b>	<b>1.00</b>
<b>Volume</b>		
Shares (million)	<b>33.5</b>	<b>13.7</b>
Euros (million)	<b>37.0</b>	<b>13.8</b>

### Share price and index development in 2016

(4 Jan 2016 = 100)



## Basic share and option information

CapMan share	
Market	Nasdaq Helsinki
Currency	€
Listing date	2 April 2001
ISIN	FI0009009377
Symbol	CAPMAN
Reuters-symbol	CAPMAN.HE
Bloomberg-symbol	CAPMAN
List	Nordic Mid Caps
Industry	Finance
Number of shares	144,990,351
Votes/share	1/share
CapMan 2013 A option	
Stock options, number	1,410,000
Share subscription price	€0.75
Exercise period	1 May 2016 – 30 April 2018
CapMan 2013 B option	
Stock options, number	1,410,000
Share subscription price	€1.03
Exercise period	1 May 2017 – 30 April 2019

CapMan 2013 C option	
Stock options, number	1,410,000
Share subscription price	€1.05
Exercise period	1 May 2018 – 30 April 2020

CapMan 2016 A option	
Stock options, number	1,410,000
Share subscription price	€1.04
Exercise period	1 May 2019 – 30 April 2021

CapMan 2016 B option	
Stock options, number	1,410,000
Share subscription price	trade volume-weighted average quotation of the share during 1 April–31 May 2017 with an addition of 10%
Exercise period	1 May 2020 – 30 April 2022

CapMan 2016 C option	
Stock options, number	1,410,000
Share subscription price	trade volume-weighted average quotation of the share during 1 April–31 May 2018 with an addition of 10%
Exercise period	1 May 2021 – 30 April 2023

Option programmes 2013 A, 2013 B, 2013 C, 2016 A, 2016 B, 2016 C each entitle holders to subscribe to 1,410,000 shares.

# Information for shareholders

## ANNUAL GENERAL MEETING 2017

CapMan Plc's Annual General Meeting 2017 will be held on Wednesday, 15 March 2017 at 10.00 am EET at Glo Hotel Art at the address Lönnrotinkatu 29, Helsinki. All shareholders registered with the company's list of shareholders maintained by Euroclear Finland Oy on Friday 3 March 2017 are entitled to attend.

Shareholders wishing to attend the AGM should inform the company by 10.00 am EET on Friday 10 March 2017 at the latest. Registration can be made by sending a written notification to the company's address (CapMan Plc/AGM, Ludviginkatu 6, 00130 Helsinki) online at [www.capman.com/investors/corporate-governance/general-meetings/](http://www.capman.com/investors/corporate-governance/general-meetings/), by email (agm@capman.com) or by phone (Katri Kautovaara, +358 (0)207 207 562). Registrations must reach the company by the date and time specified above. Any proxy for exercising voting rights must be delivered to CapMan at the aforementioned postal address before expiry of the registration period.

## DIVIDEND

The Board of Directors will propose to the AGM that a dividend of €0.09 per share will be paid.

## CAPMAN PLC'S FINANCIAL REPORTING IN 2017

CapMan Plc will publish three interim reports during 2017:

- January – 31 March 2017: Thursday, 4 May 2017
- January – 30 June 2017: Thursday, 10 August 2017
- 1 January – 30 September 2017: Thursday, 2 November 2017.

Financial reports are published in Finnish and English. The company's Annual Reports, Interim Reports, and stock exchange releases and press releases can be consulted at [www.capman.com](http://www.capman.com). The company's website also includes other IR material. Anyone interested in receiving CapMan releases by email can subscribe them in the News and materials section of the website.

## CHANGES OF ADDRESS

Euroclear Finland Oy maintains CapMan Plc's share, shareholder, and option lists. Shareholders and option holders are requested to inform Euroclear Finland Oy or their custodian bank of any changes in their personal information or address. Euroclear Finland's switchboard number - +358 (0)20 770 6000 - can provide further information. CapMan is not responsible for updating shareholders' addresses.

IR CONTACTS

CapMan’s IR contacts are the joint responsibility of the CEO, the CFO, and the Communications and IR Manager. The company observes a two-week silent period prior to publication of its interim reports and financial statements, during which it does not comment on the company’s financial performance or future prospects.

ANALYSTS FOLLOWING CAPMAN PLC

Inderes	Sauli Vilén, tel. +358 (0)44 025 8908
OP Financial Group	Niclas Catani, tel. +358 10 252 8780

# Calculation of Key Ratios

Return on equity (ROE), % =	$\frac{\text{Profit / loss}}{\text{Shareholders' equity (average)}} \times 100$	Earnings per share (EPS) =	$\frac{\text{Profit/loss for the financial year - hybrid loan interest}}{\text{Share issue adjusted number of shares (average)}}$
Return on investment (ROI), % =	$\frac{\text{Profit / loss + income taxes + interest expenses and other financial expenses}}{\text{Balance sheet total - non-interest bearing debts (average)}} \times 100$	Shareholders' equity per share =	$\frac{\text{Shareholders' equity}}{\text{Share issue adjusted number of shares at the end of the financial year}}$
Equity ratio, % =	$\frac{\text{Shareholders' equity + non-controlling interests}}{\text{Balance sheet total - advances received}} \times 100$	Dividend per share =	$\frac{\text{Dividend paid in the financial year}}{\text{Share issue adjusted number of shares at the end of the financial year}}$
Net gearing, % =	$\frac{\text{Net interest-bearing liabilities}}{\text{Shareholders' equity}} \times 100$	Dividend per earnings, % =	$\frac{\text{Dividend/share}}{\text{Earnings/share}} \times 100$



A modern office interior with a grey and white hexagonal patterned carpet. In the background, there is a grey sofa, a large potted plant, a painting of a couple, and a television displaying a city street. To the right, a white, pod-like structure with glass walls contains a black leather tufted ottoman and a small table. A blurred figure of a person is in the foreground on the left. The ceiling has a grid of lights and an exit sign.

# CapMan

— [www.capman.com](http://www.capman.com) —

