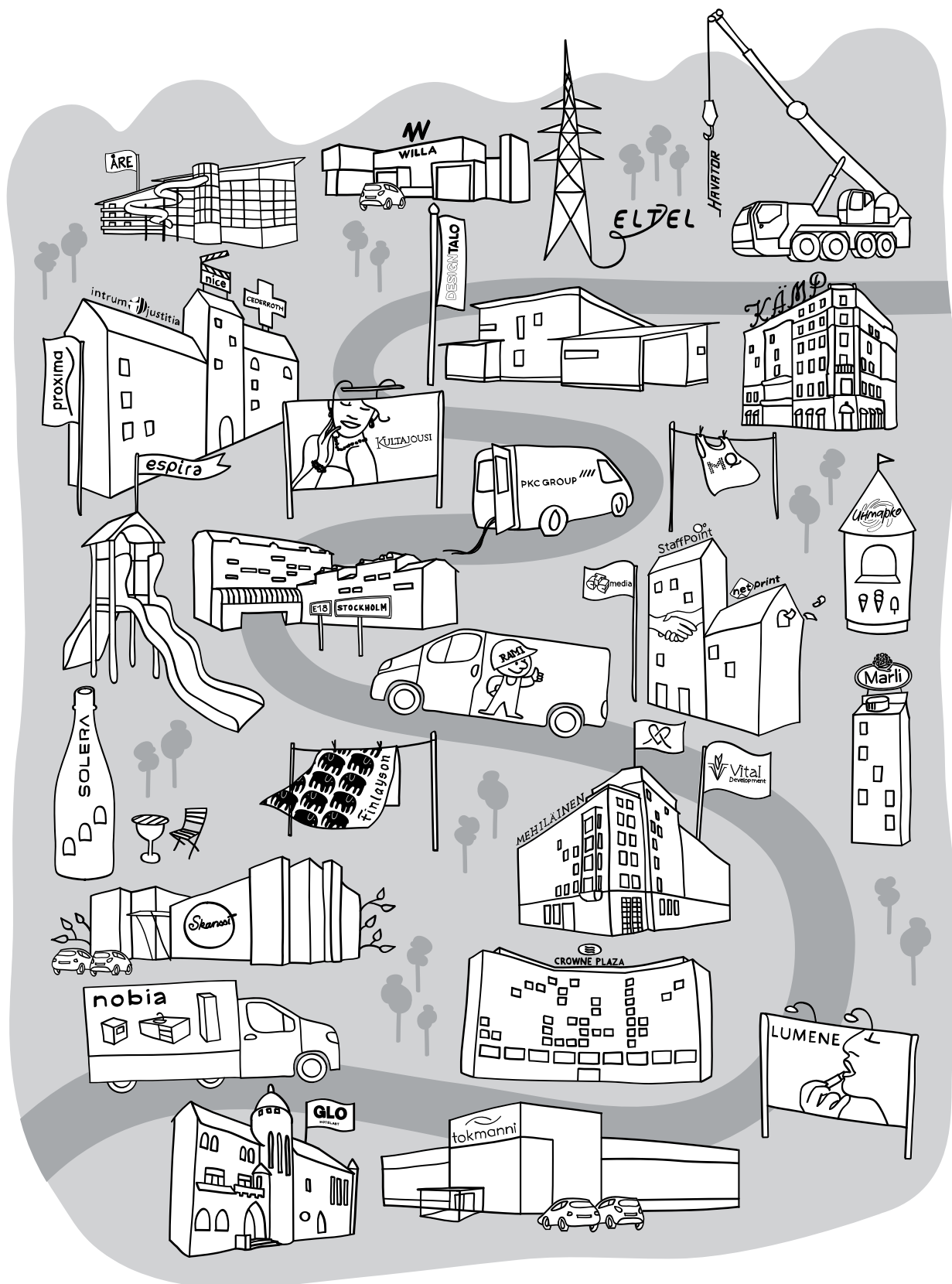


# CapMan

25 years

// ANNUAL REPORT 2014



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**BUILDING SUCCESSFUL BUSINESSES  
SINCE 1989**

GROUP 2014

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// Our mission is to build  
successful businesses  
contributing to the  
enrichment of society.

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# CEO's review

## STEP BY STEP TOWARDS SUCCESS

**TYPICALLY, IN PRIVATE EQUITY**, achieving the expected increase in value of portfolio companies and real estate takes from three to five years and requires hard work and patience. A little more than a year ago we decided to apply the same way of thinking to our own operations – seeing CapMan as one of our portfolio companies and creating value for our shareholders by the same guiding principles. Our aim is to accelerate CapMan's growth by reinforcing our strategic position, increasing turnover and at the same time improving our profitability. Our development programme has already produced results: in 2014, we returned to a growth path, improving both our turnover and result. Concurrently, we further strengthened our financing position and launched strategic initiatives that will create a good foundation for profitable growth in the future.

**IN LINE WITH** our dividend policy, we wish to share the results of our growth with our shareholders, as detailed in the Board's dividend proposal for 2014. During the past ten years, CapMan has paid a dividend of approximately 7 cents per year.

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// In 2014, we returned to a growth path, improving both our turnover and result.

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## FOCUS ON VALUE CREATION FOR OUR CLIENTS

**A CENTRAL ELEMENT OF** our success is a good and competitive return on the funds we manage and thereby the satisfaction of our customers. In the long term, the absolute return on our funds, independent of the market situation and reference indices, should also be competitive compared with other asset classes.

**TO REACH OUR TARGET**, we focus particularly on value creation in our investment activities. As a competent and active owner, we seek to increase the value of our portfolio companies and real estate together with the management and tenants. For instance, with our real estate investments in Copenhagen, we have renewed and enlivened entire city blocks. Good return is not, however, the only factor affecting our competitive position. Each element of our service offering to our customers must be in place. In private equity, this means for example more diverse reporting and higher degree of liquidity, that is, the possibility to trade with the portfolio companies' securities. Accordingly, we have renewed our investor reporting and developed new products during the past year.

## WE BROADENED OUR CUSTOMER BASE BOTH INTERNATIONALLY AND TO NEW INVESTOR GROUPS

**ACCORDING TO** many market surveys, growth prospects for private equity are good. Investors are looking for investments with return potential in a low or even negative interest rate environment.

&gt;

// Alongside the traditional fund model, we want to offer our customers more alternatives to invest in private equity.

**DURING THE ONGOING** fundraising round, we succeeded in broadening our customer base into new investor groups, while attracting a growing number of international investors. Today, our investor base is very international, which differentiates us from other Finnish private equity investors.

**SUCCESSFUL FUNDRAISING** is an indicator we use to measure our customers' trust every 3–4 years. By the end of 2014, we had raised more than EUR 600 million in our three newest funds – the Nordic Real Estate fund, our tenth Buyout fund and our Russia fund. In view of the recent developments in Russia, we consider this a good result. Fundraising for the Nordic Real Estate fund continues until the end of March 2015.

**ALONGSIDE THE TRADITIONAL** fund model, we want to offer our customers more alternatives to invest in private equity. A prime example of this is the non-UCITS fund CapMan Collection established by our collaboration partner Elite Asset Management. CapMan Collection invests primarily in funds managed by CapMan, making private equity available also for private investors.

## DEVELOPING OUR OPERATIONAL MODEL IN A CHANGING MARKET ENVIRONMENT

**IN 2014**, we launched a service business to leverage our more than 25 years of expertise more efficiently. Our business is now divided into three sections: 1) investment activities based on a partnership model, 2) service business and 3) investments made from our own balance sheet.

**OUR SERVICE BUSINESS** offering includes, among others, fundraising advisory services, purchasing activities and fund management services. We believe that in the future these services will generate us a growing and significant source of fee income alongside the management fees. The CapMan Purchasing Scheme CaPS is a good example of a service providing purchasing expertise.

**IN INVESTMENT ACTIVITIES** based on the partnership model, our investment teams focus on Nordic real estate and buyouts, debt products and growth companies in Russia. In 2014, the investment teams were active and our funds made 13 new investments. At the same time, the funds made 12 exits in total.

**IN 2014**, the return from investments made from our own balance sheet was negative. The decrease in fair value was mainly caused by some portfolio companies not reaching their targets. In addition, the weakening rouble and the ongoing structural changes in certain industries, such as engineering and oil industry, subcontracting and retail trade, caused decline in fair values. This year in particular, we are focusing our resources on value creation in our portfolios. At the moment, investments made from our own balance sheet do not equally and comprehensively represent all funds managed by CapMan. Instead, they are centred on a period preceding 2009, when our strategy was to invest up to 10 percent of the fund's capital from our own balance sheet. Our current strategy is 1–5 percent. We manage several funds, which provided good returns in 2014 and represent the best in their sector. >

## TOWARDS GROWTH IN 2015

**OUR GOAL IS** to further improve our result in 2015, and we estimate that our earnings per share will improve from the level achieved in 2014. Our strong financial position also enables us to launch new strategic projects, which we can use to accelerate our growth. However, we are very selective in M&A activities.

**OUR SHORT-TERM** remuneration scheme is bound to the development of CapMan Plc's share-based result and sets a minimum target for it. Our long-term remuneration scheme is based on our professionals' investments in our funds and stock option program, thereby aligning our interests with our clients and shareholders. We believe that our remunerations schemes enable us to support our investment teams and CapMan's entire personnel in reaching our common goals. Our corporate culture emphasises a willingness to learn by doing and by studying the changes in the market, a motivation to grow and a trust in our strategy to bring us success.

**I WOULD LIKE TO THANK** our investors, shareholders and the employees of CapMan and our portfolio companies for the past year.



**Heikki Westerlund**  
CEO

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### PRIORITIES FOR 2015

- // Exploit growth opportunities in the growing private equity market
  - // Focus on value creation in portfolio companies and real estate investments
  - // Develop our service offering and increase its share as a source of fee income
  - // Expand customer base to new customer groups and develop new fund models
  - // Finalise fundraising in the CapMan Nordic Real Estate fund and start fundraising for a new Credit fund
  - // Streamline our operational model and cost structures
-

# Main events during 2014

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## SIGNIFICANT CASH FLOW FROM EXITS

**FUNDS MANAGED BY** CapMan exited from a total of 12 portfolio companies and real estate properties in 2014. As a result, CapMan received a total of €25.2 million of cash flow from the exiting funds. The exits from Ljunghäll and Espira had the most significant result and cash flow impact for CapMan Plc. During the year, the funds made additional complete exits from Intrum Justitia, LUMENE, Bank Evropeisky, Finlayson, Global Intelligence Alliance Group, Profit Software, SHV Holding (Sensia), ScanJour, Yrjönkatu 17 property, and Mäntsälä logistics centre and partial exits from Cederroth, B&B Tools, ÅF and Symbio, among others.

## FUNDRAISING FINALISED IN TWO KEY INVESTMENT AREAS

**AT THE END OF 2014**, we had raised more than €600 million in our three latest funds. The CapMan Buyout X and the CapMan Russia II funds reached final sizes of €245.0 million and €99.1 million, respectively. The CapMan Nordic Real Estate fund had reached a total size of €266 million at the year-end. Fundraising for CapMan Nordic Real Estate continues and its final size will be established by the end of March 2015.

## NEW FUNDS MADE SEVERAL INVESTMENTS WITH SIGNIFICANT VALUE CREATION POTENTIAL

**CAPMAN BUYOUT X** fund made in total seven new investments in 2014. The fund invested in The North Alliance Group (NOA), a network focused on digital communication in the Nordic markets, a Finnish luxury and lifestyle hotel chain Kämp Group, Suomen Lämpöikkuna Oy, a provider of turnkey window and door renovation solutions in Finland, and the Finnish Harvia Oy, which operates in the sauna industry. In addition, the fund invested in Oral Hammaslääkärit Plc, the largest

chain of oral and dental care providers in Finland, in Malte Månson, a Swedish network of heavy vehicle service workshops, as well as in YrkesAkademin, a private provider of vocational education in Sweden.

CapMan Nordic Real Estate fund made in total four new investments in 2014, including office buildings Bergshamra Bro ("Bladet 3") and Solna Strand located in Solna, Northern Stockholm. Furthermore, the fund made its first investment in Finland by acquiring Plaza Presto, an office building in Vantaa Aviapolis business centre near Helsinki Airport. In addition, the fund made a few investments in Copenhagen by acquiring the Prime Residential Portfolio, which consists of several residential properties, and by adding two properties in the Amagerbrogade portfolio.

The CapMan Russia II fund made its second investment in Kidburg, which is the first Russian operator providing children's educational entertainment services. In addition, CapMan announced in the beginning of 2015 the fund's third investment in Maximum Education, a company specialised in test preparation services in Russia.

## CAPMAN STRENGTHENED ITS POSITION IN ITS KEY MARKETS

**CAPMAN BUYOUT** focused its resources in Helsinki and Stockholm, as the majority of its recent investment activities concentrate on these markets. At the same time, CapMan's office in Oslo was closed, while a new office was opened in London to strengthen the international fundraising. CapMan further strengthened its position by recruiting new private equity professionals. Four people were recruited to the CapMan Nordic Real Estate team, and CapMan's Purchasing Scheme CaPS recruited two people to support its fast growth in Finland and Sweden. CapMan Buyout will reinforce its team in Finland and Sweden during 2015.

## SERVICE BUSINESS HAS SIGNIFICANT LONG-TERM GROWTH POTENTIAL

**CAPMAN'S SERVICE BUSINESS** comprises, among others, fundraising advisory services, purchasing and fund management services. The service business is expected to generate a growing stream of fee income to CapMan in the future.

CapMan's Purchasing Scheme CaPS is a good example of purchasing services offered by CapMan. CaPS provides portfolio companies with a service for driving down costs on non-strategic products and services, such as logistics and telecommunications. By the end of 2014, CaPS had tendered 50 service categories in Finland and 22 in Sweden with significant cost reductions, saving over €15 million p.a. in total for the portfolio companies.

## PRIVATE EQUITY IS NOW AVAILABLE FOR PRIVATE INVESTORS

**CAPMAN COLLECTION** is the first Finnish non-UCITS fund providing private investors an opportunity to invest in unlisted companies and real estate with a structure providing liquidity and a possibility to join with a lower minimum investment. The fund is managed by Eufex Fund Administration Ltd, which is part of Elite Group. CapMan Collection invests mainly in funds managed by CapMan, whose current investment portfolio includes, among others, the luxury and lifestyle hotel chain Kämp Group and the global sauna heater manufacturer Harvia. CapMan Collection provides private and institutional investors an opportunity to invest in private equity more flexibly – previously the asset class has been available mainly to bigger institutional investors. CapMan Collection is the first of its kind in Finland and targeted to investors who seek for returns offered by private equity investing, but at the same time demand liquidity for their investment. CapMan took active part in developing this new opportunity to invest in the unlisted market.

## A STRONG FINANCIAL POSITION ENABLES GROWTH

**AS A RESULT OF THE EXITS**, CapMan received €25.2 million of cash flow from funds in 2014. Due to this and funding arrangements, CapMan's net debt decreased to €3.3 million and the cash in hand amounted to €29.0 million.

## RESPONSIBILITY REPORT TO UN PRI

**TO REINFORCE OUR COMMITMENT** to responsible investment, CapMan became a signatory of the UN Principles for Responsible Investment (UN PRI) in 2012. We report to UN PRI on our activities and progress towards implementing the six Principles for Responsible Investment. The UN PRI will publish our first Transparency report for 2014 in March 2015.

## 25 YEARS AS A PIONEER IN PRIVATE EQUITY

**CAPMAN CELEBRATED** its 25th anniversary in March 2014. To commemorate the anniversary, a book called "Into the driver's seat - Stories about entrepreneurs and CapMan" was written by journalist Marko Erola. CapMan is one of the longest-operating private equity firms in the Nordics. During this journey, CapMan was listed among the first private equity companies in the world in 2001, expanded its operations in the Nordics and Russia and established new investment teams. Despite the challenges of the financial crisis, the company's position has strengthened and its investor base has internationalised. CapMan has a strong expertise in the private equity industry and has excellent prerequisites to continue its pioneering journey in the future.



# Fund operations in figures

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CapMan's capital under management was **€2,955.7** million as of 31 December 2014

Of the total capital under management, **€1,466.3** million was held in funds making investments in portfolio companies and **€1,489.4** million in real estate funds

Funds managed by CapMan exited completely from a total of **12** portfolio companies and real estate properties in 2014

A total of **€317.7** million was returned to investors as a result of completed exits during the year

In 2014, the funds made **13** new investments and several add-on investments in existing portfolio companies and real estate properties

The combined investment volume of the funds amounted to **€307.1** million, of which **€201.4** million was invested in portfolio companies and **€85.6** million in real estate

The average IRR p.a. of exits made by Buyout, Russia and Public Market funds in 2014 was **14.6%** and the return multiple was **2.2**

The average IRR p.a. of exits made by real estate funds in 2014 was **21.3%** and the return multiple was **2.4**

**More information** about CapMan's funds can be found on the Funds section on CapMan's website <http://www.capman.com/capman-group/funds>.

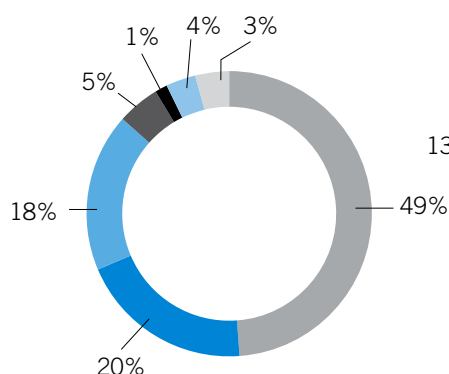
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## FUND INVESTORS – OUR CLIENTS

Our investor base expanded to new investor groups during 2014 and new international investors joined our funds. By the end of 2014, more than 120 Nordic and international institutional investors had invested in funds managed by CapMan.

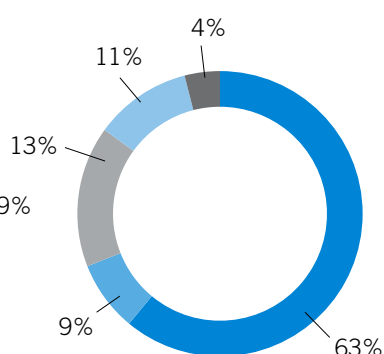
Pension funds and insurance companies are among our largest investors. Most of our investors have invested in more than one CapMan fund. CapMan Collection, a non-UCITS fund launched by our collaboration partner Elite Asset Management, enables also private investors to invest in our funds with a structure providing liquidity and a possibility to join with a lower minimum investment.

**Committed capital by investor type, %**



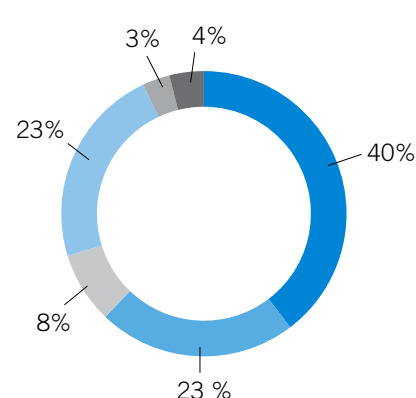
- Pension funds
- Insurance companies
- Funds of funds
- Banks
- Public sector institutions
- Other
- CapMan

**Committed capital by exposure, %**



- Investor in 6 or more funds
- Investor in 4-5 funds
- Investor in 2-3 funds
- Investor in 1 fund
- CapMan

**Committed capital by region, %**



- Finland / Private Equity funds
- Finland / Real Estate funds
- Other European countries
- Other Nordic countries
- US
- CapMan

# Responsible investing increases the value of our investments

**RESPONSIBILITY IS** a prerequisite for our investment activities. Taking environmental, social and governance (ESG) issues into consideration in our investment activities is a way to reduce risks and increase the value of our investments, thereby having an impact on CapMan's long-term success. Our mission is to build successful businesses contributing to the enrichment of the society.

To reinforce our commitment to responsible investment, CapMan became a signatory of the UN Principles for Responsible Investment (UN PRI) in 2012. We report to UN PRI on our activities and progress towards implementing the six Principles for Responsible Investment. The UN PRI will publish our first Transparency report for 2014 in March 2015.

Please find below some concrete examples of how the UN Principles for Responsible Investment have been implemented at CapMan:

**1** We will incorporate ESG issues into investment analysis and decision-making processes.

Our well-defined investment process requires that ESG issues are systematically incorporated into all of our investments, in every investment phase from due diligence to investment decision.

**2** We will be active owners and incorporate ESG issues into our ownership policies and practices.

CapMan monitors responsibility of its investments through active board work and by participating in the development of its portfolio companies and real estate properties.

**EXAMPLE: CapMan Real Estate II fund's investment in MREC Turun Centrum.** The property was thoroughly renovated and energy efficiency was improved. As a result of these improvements, the property received a LEED Gold Certification in March 2012. More information about the LEED Certification can be found on [www.usgbc.org](http://www.usgbc.org) (US Green Building Council).

**3** We will seek appropriate disclosure on ESG issues by the entities in which we invest.

CapMan actively monitors the financial and non-financial performance of its investments.

**EXAMPLE: CapMan Russia** expects its portfolio companies to commit to ESG improvement plans, based on the ESG risks and opportunities identified during the due diligence process. In addition, each portfolio company is required to draw up a programme for good corporate governance. Furthermore, CapMan Russia monitors the ESG performance of the portfolio companies by regular site visits, addressing ESG issues in board meetings and by analysing the annual ESG reports.

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**4** We will promote acceptance and implementation of the Principles within the investment industry.

CapMan promotes the implementation of best practices related to responsibility and good corporate governance with its portfolio companies, investors and other stakeholders.

**5** We will work together to enhance our effectiveness in implementing the Principles.

As a member of the European Private Equity Venture Capital Association (EVCA) and the corresponding local interest groups, CapMan is involved in collaboration related to responsibility.

**6** We will each report on our activities and progress towards implementing the Principles.

ESG issues are an integral part of regular reporting to our fund investors. In addition, CapMan reports on its responsible investment activities according to the UN Principles for Responsible Investment on a yearly basis. As a stock exchange listed company, CapMan strives for transparency and publishes a number of reports, which are available in the Governance section on CapMan's website on [www.capman.com/capman-group/governance](http://www.capman.com/capman-group/governance).

**Further information** about responsibility at CapMan can be found in the Responsibility section of CapMan's website on [www.capman.com/capman-group/Responsibility\\_group](http://www.capman.com/capman-group/Responsibility_group) or in CapMan's Annual Report for 2013, which included a more thorough introduction of CapMan's ESG processes.

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# CapMan in brief

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**Four** key investment partnerships

Capital under management **€3.0** billion

**43** portfolio companies\* and **61** real estate properties

Aggregate net sales of portfolio companies\* **€4.7** billion  
and number of employees\* approx. **44,000** in 2014

Lettable area of the properties **690,000** m<sup>2</sup> in total  
and approx. **740** tenants

*\* Including investments of all CapMan's investment teams making private equity investments.*

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**CAPMAN GROUP IS** a leading private equity fund manager in the Nordic countries and Russia. For more than 25 years we have been developing companies and real estate properties and supporting their sustainable growth. Our goal is to provide excellent returns and innovative services and solutions to our customers in an ever-changing market environment. Altogether, CapMan employs approx. 100 people in Helsinki, Stockholm, Moscow, Luxembourg and London. CapMan was established in 1989 and has been listed on the Helsinki Stock Exchange since 2001.

## INVESTMENT TEAMS AT CAPMAN

CapMan has four key investment partnerships – CapMan Buyout, CapMan Real Estate, CapMan Russia and CapMan Credit – each of which has its own dedicated investment team and funds.

**// CAPMAN BUYOUT** makes controlling investments in unlisted Nordic mid-market companies in various industries. The main targets set for our companies are growth, improved profitability and strengthened strategic position. Our portfolio companies have a competitive and established market position, a unique business with standout products and services, clear growth potential and positive cash flow. Our team comprises 15 investment professionals in Helsinki and Stockholm.

**// CAPMAN REAL ESTATE** manages four private equity real estate funds, which focus on office, retail, residential and hotel properties in the Nordic region. We have extensive experience in real estate investments in the Nordic countries and work in close cooperation with our tenants to continuously develop our properties. Our team comprises over 20 investment professionals in Helsinki, Stockholm, London and Copenhagen.

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**// CAPMAN RUSSIA** provides growth financing for Russian small and mid-sized enterprises. We have operated in the Russian private equity market since 1995 and are one of the strongest teams in Russia. We help our portfolio companies to grow into domestic champions and expand internationally. We invest in non-strategic sectors that benefit from Russia's expanding middle class. Our team comprises 10 investment professionals in Moscow.

**// CAPMAN CREDIT** makes mezzanine and other debt investments in leveraged buyouts in the Nordic region. Mezzanine is a flexible debt instrument that shares characteristics of both debt and equity. We invest in Nordic businesses with strong and defensible market positions, positive and predictable cash flow and experienced management teams. Our team comprises three investment professionals in Stockholm.

## OTHER INVESTMENT AREAS

CapMan's other investment areas include CapMan Public Market that has invested in listed Nordic mid cap companies, CapMan Technology focused on technology companies, and CapMan Life Science, which has invested in medical technology and health care services. The teams of other investment areas are committed to developing and exiting their existing portfolio companies. Although we will not set up new funds in these sectors in the future, they may remain in the investment focus of other CapMan funds.

## CORPORATE GOVERNANCE

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// As an active and significant owner we are committed to promoting responsible business practices.

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# CapMan Plc – Corporate Governance Statement 2014

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## APPLICABLE RULES AND REGULATIONS

CapMan Plc (“CapMan”) complies, in accordance with comply or explain principle, with the Finnish Corporate Governance Code (the “Code”) for listed companies issued by the Securities Market Association and entered into force on 1 October 2010. The deviations from the Code are explained below in section 2. Furthermore, CapMan’s corporate governance is in compliance with the laws of Finland, its articles of association and the rules and directions of NASDAQ OMX Helsinki Ltd. This Corporate Governance Statement (the “Statement”) has been prepared in compliance with the Code’s Recommendation 54 (Corporate Governance Statement). The 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/capman-group/governance](http://www.capman.com/capman-group/governance).

## DEVIATIONS FROM THE CODE

The Board of Directors has decided, in accordance with the Code’s Recommendation 22, that due to the overall small size of the Board, the Audit Committee comprises only two members.

In accordance with the decision of the Board of Directors, also the Nomination Committee comprised only two members until 19 March 2014 due to the overall small size of the Board. In addition, CapMan deviated until 19 March 2014 from the Code’s Recommendation 29 which corresponds to the independence of the

majority of the Nomination Committee members due to Ari Tolppanen’s, the other member of the then two-member Nomination Committee, being non-independent of the company. However, the Board considered the Nomination Committee membership of Mr Tolppanen to be justified due to his significant ownership of the company’s stock and, in addition, the Nomination Committee’s preparation process for the election of members of the Board of Directors included consultation with the largest shareholders. The three-member composition of the Nomination Committee elected by the Board in its organizing meeting held on 19 March 2014 meets the Code’s Recommendations 22 (Appointment of members to the committees) and 29 (Members of the nomination committee).

## BOARD OF DIRECTORS

### 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 19 March 2014 elected five members to the Board. Mr Koen Dejonckheere, Mr Claes de Neergaard, Mr Karri Kaitue, Ms Nora Kerppola and Mr Ari Tolppanen were re-elected to the Board. 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.

Their biographical details are presented in the table on page 19. >



## INDEPENDENCE OF THE BOARD MEMBERS

The Board has in its organizing meeting on 19 March 2014 assessed its members' independence of the company and of its significant shareholders. Koen Dejonckheere, Karri Kaitue, Nora Kerppola and Claes de Neergaard were independent of both the company and its significant shareholders. Ari Tolppanen, CapMan's Senior Partner and member of CapMan Buyout investment team, was non-independent of both the company and its significant shareholders.

## 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 and his/her deputy
- 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 supervise and 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.

## WORK OF THE BOARD IN 2014

In 2014, the Board met ten times (nine meetings for the Board elected by the 2014 AGM and one meeting for the Board elected by the 2013 AGM). The table on page 19 presents Board members' attendance at the meetings in 2014.

## BOARD COMMITTEES

The committees are generally established and the committee members elected in the Board's organizing meeting to be held after the AGM from among its members for the same term as the Board. As a general rule, the committee shall have at least three members but, in accordance with Recommendation 22 (Appointment of members to the committees), the committee may, due to the limited number of board members, consist of two members only. 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 organizing meeting held on 19 March 2014, CapMan's Board established Audit, Nomination and Remuneration Committees.

### 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 organizing meeting on 19 March 2014 elected Nora Kerppola (Chairman) and Karri Kaitue as members of the Audit Committee. In 2014, the Audit Committee met four times in this composition. Prior to AGM 2014, the members of the Audit Committee were Karri Kaitue (Chairman) and Nora Kerppola in which composition the Committee met once in 2014. The table on page 19 presents the Committee members' attendance at the meetings.

### 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 organizing meeting on 19 March 2014 elected Karri Kaitue (Chairman), Koen Dejonckheere and Ari Tolppanen as members of the Nomination Committee. In 2014, the Nomination Committee met three times in this composition. Prior to AGM 2014, the members of the Nomination Committee were Koen Dejonckheere (Chairman) and Ari Tolppanen in which composition the Committee met once in 2014. The table on page 19 presents the Committee members' attendance at the meetings.

### 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:**

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

#### **The Committee shall further contribute to securing:**

- objectivity in 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 transparency of the company's remuneration programs.

The Board has in its organizing meeting on 19 March 2014 elected Karri Kaitue (Chairman), Koen Dejonckheere and Claes de Neergaard as members of the Remuneration Committee in which composition the Committee met once in 2014. Prior to AGM 2014, the members of the Remuneration Committee were Nora Kerppola (Chairman), Koen Dejonckheere and Claes de Neergaard in which composition the Committee met once in 2014. The table on page 19 presents the Committee members' attendance at the meetings.

## 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 2014, CapMan's CEO was Senior Partner Heikki Westerlund (born 1966, M.Sc. (Econ.)).

>

## BOARD OF DIRECTORS IN 2014

Name	Personal information	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	10/10	Nomination Committee: 3/3  Remuneration Committee: 1/1  Audit 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: CEO of Nordic Investment Group Oy. Chairman of the Audit Committee, Chairman of the Remuneration Committee until 19 March 2014. Independent of the company and significant shareholders.	9/10	Audit Committee: 5/5  Remuneration Committee: 1/1
<b>Koen Dejonckheere</b>	Member of the Board since 2010. Born 1969, MBA, M.Sc. (Eng.). Main occupation: CEO of Gimv NV. Member of the Nomination Committee and the Remuneration Committee. Independent of the company and significant shareholders.	7/10	Nomination Committee: 3/4  Remuneration Committee: 2/2
<b>Claes de Neergaard</b>	Member of the Board since 2011. Born 1949, M.Sc. (Econ.). Main occupation: Board professional. Member of the Remuneration Committee. Independent of the company and significant shareholders	10/10	Remuneration Committee: 2/2
<b>Ari Tolppanen</b>	Member of the Board since 2013. Born 1953, M.Sc. (Eng.). Main occupation: Senior Partner at CapMan. Member of the Nomination Committee. Non-independent Board member.	9/10	Nomination Committee: 4/4

## 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

### **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 seven countries report their results on a monthly basis to the parent company. The accounting function is outsourced except for Finland and Sweden.

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.

### **FINANCIAL REPORTING PROCESS CONTROL**

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

### **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.

#### **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 is handled in accordance with the group disclosure policy, which is available on the company's website <http://www.capman.com/capman-group/governance/disclosure>.

#### **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.

# Board of Directors

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## // KARRI KAITUE

*Chairman of the Board*

*Independent Member of the Board*

**Born** 1964

**Education** LL. Lic.

**Board of Directors since** 2012

**Board committees**

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

**Main occupation**

Board professional

**Key Board memberships**

Cleantech Industries Global NV (Chairman), Finnish University for Arts (Chairman), Finnpiilot Pilotage Oy (Member), Ekokem Oy Ab (Member)

**Key employment history**

Karri Kaitue worked as 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 the Vice Chairman. His responsibilities at Outokumpu included among others Tornio Works, Group strategy, business development and M&A. He joined Outokumpu Group in 1990. Further, Kaitue worked as Chairman of the Board of Destia Oy during 2009–2014.



## // 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)

**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.



## // KOEN DEJONCKHEERE

*Member of the Board*

*Independent Member of the Board*

**Born** 1969

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

**Board of Directors since** 2010

**Board committees**

Nomination Committee (Member)

Remuneration Committee (Member)

**Main occupation**

CEO of Gimv NV

**Key Board memberships**

Hospital Group AZ Delta, Belgian Venturing Association, Home invest GVV (listed), Roularta NV (listed), Member of the Executive Committee of Belgian Employers' Association (VBO), Director of the Board of Flemish Employers' Association (VOKA), non-executive Director Enternext SA

**Key employment history**

Dejonckheere has been the CEO of the European private equity and venture capital investment company Gimv NV since 2008. Prior to that, he was Managing Director and Head of Corporate Finance at KBC Securities, where he made major contributions to the European expansion of the corporate finance activities. He has also worked for the venture capital fund NeSBIC Groep (now part of Fortis Group), buyout company Halder, Price Waterhouse Corporate Finance Europe, and the former BBL (now part of ING). Dejonckheere has extensive experience as a dealmaker in investment banking and private equity in Belgium and abroad.



## // 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**

Remuneration Committee (Member)

**Main occupation**

Board professional and consultant

**Key Board memberships**

CapMan Plc (Member)

**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. De Neergaard 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 both the company and its significant shareholders*

**Born** 1953

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

**Board of Directors since** 2013

**Board committees**

Nomination Committee (Member)

**Main occupation**

Senior Partner of CapMan Plc. Has worked at CapMan since 1989.

**Key Board memberships**

Kämp Group Oy (Chairman), Esperi Care Group Oy (Member), Bright Group Oy (Member)

**Key employment history**

Ari Tolppanen has 25 years of experience in private equity. Tolppanen is one of the founders of CapMan and acted as the CEO of CapMan during 1989–2005. He was also the Chairman of the European Venture Capital Association (EVCA) in 2000–2001. During 2005–2010, Tolppanen was the Chairman of CapMan Plc's Board of Directors. Previously, Tolppanen was the CEO of Huurre Oy and before that the CEO of Nordfilm Oy.



# Management group

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## // HEIKKI WESTERLUND

*CEO, CapMan Plc,  
Senior Partner*

**Born** 1966

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

**In Management Group since** 2005-2010, 2013

**Key positions of trust** Walki Group Oy, Orion Corporation.

**Key employment history**

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



## // JEROME BOUIX

*Head of Business Development and Investor Relations,  
Senior Partner*

**Born** 1971

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

**In Management Group since** 2007

**Key positions of trust -**

**Career history**

Jerome has been working for CapMan since 2000. His main responsibilities have been fundraising, business development and IR. Prior to CapMan Jerome served as Senior Adviser in the Ministry of Trade and Industry.



## // NIKO HAAVISTO

*CFO*

**Born** 1972

**Education** M. Sc. (Business)

**In Management Group since** 2010

**Key positions of trust -**

**Career history**

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 PricewaterhouseCoopers.



## // HANS CHRISTIAN DALL NYGÅRD

*Head of CapMan Russia,  
Senior Partner*

**Born** 1968

**Education** M.Sc. (Econ.), MBA, CEFA

**In Management Group since** 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.



## // MIKA MATIKAINEN

*Head of CapMan Real Estate,  
Senior Partner*

**Born** 1975

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

**In Management Group since** 2010

**Key positions of trust** -

Prior to joining CapMan Real Estate in 2006, Mika worked for UBS Investment Bank in London.



## // MARKUS SJÖHOLM

*Head of CapMan Buyout,  
Senior Partner*

**Born** 1971

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

**In Management Group since** 2014

**Key positions of trust** InfoCare (Chair), Pohjolan Design-Talo, Kämp-Group Oy, Oral Hammaslääkärit Plc (Chair), Esperi Care Oy (Chair)

**Career history**

Markus has been Deputy Head of CapMan Buyout since 2010 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 investor.

## FINANCIAL STATEMENTS

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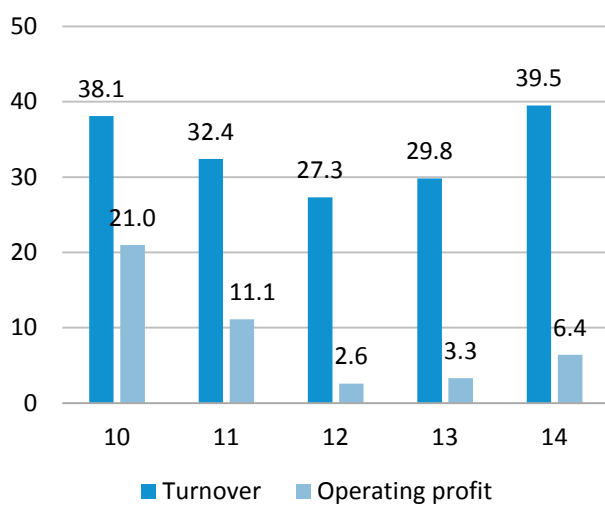
// In 2014, we returned  
to a growth path,  
improving both our  
turnover and result.

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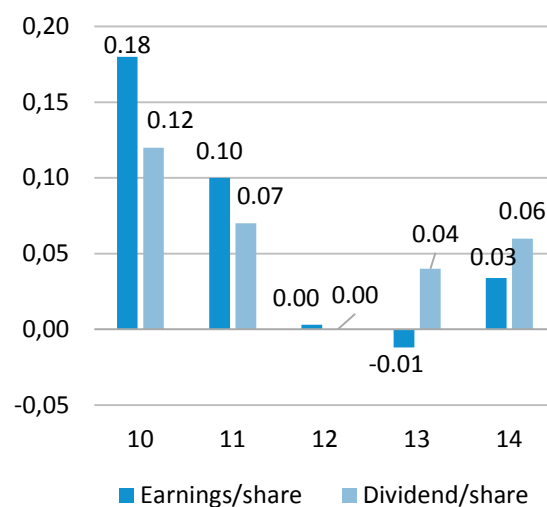
# Key Figures 2014

## KEY FIGURES – CAPMAN GROUP

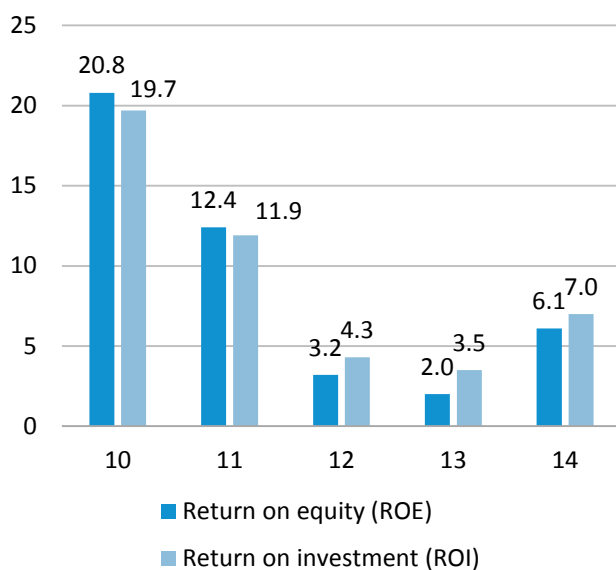
Group turnover and operating profit, M€



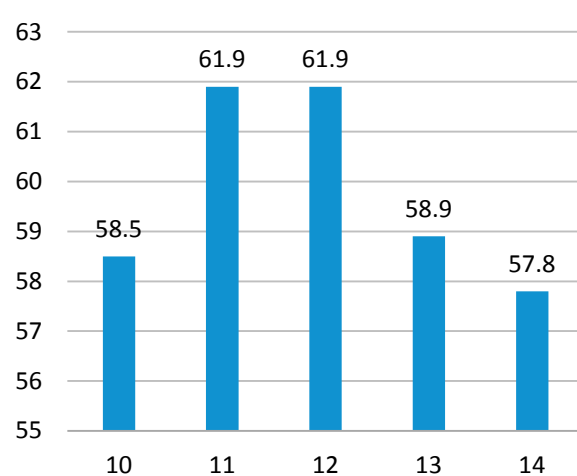
Earnings/share and dividend/share, €



ROI and ROE, %



Equity ratio, %



**Key performance indicators for CapMan Group**

M€	2010	2011	2012	2013	2014
Turnover	38.1	32.4	27.3	29.8	39.5
Fees	33.9	28.3	25.5	26.9	28.7
Carried interest	2.6	3.1	1.8	2.9	10.8
Income from real estate consulting	1.6	1.0	0.0	0.0	0.0
Other operating income	23.0	0.6	0.2	0.0	0.2
Operating expenses	-42.8	-34.9	-30.3	-27.9	-30.2
Fair value gains/losses of investments	2.7	12.8	5.3	1.2	-3.1
Operating profit	21.0	11.1	2.6	3.3	6.4
Financial income and expenses	0.6	0.6	0.1	-0.7	-1.4
Share of the income of investments accounted for using the equity method	2.4	2.1	0.6	-0.6	0.0
Profit before taxes	23.9	13.7	3.3	2.0	4.9
Profit for the financial year	17.6	11.1	2.7	1.5	4.0
Return on equity (ROE), %	20.8	12.4	3.2	2.0	6.1
Return on investment (ROI), %	19.7	11.9	4.3	3.5	7.0
Equity ratio, %	58.5	61.9	61.9	58.9	57.8
Net gearing, %	7.3	14.4	32.2	22.3	5.0
Dividend paid *)	10.1	5.9	0.0	3.4	5.2
Personnel (at year-end)	150	122	109	103	106

\*) Proposal of the Board of Directors to the Annual General Meeting for year 2014.

**Key ratios per share**

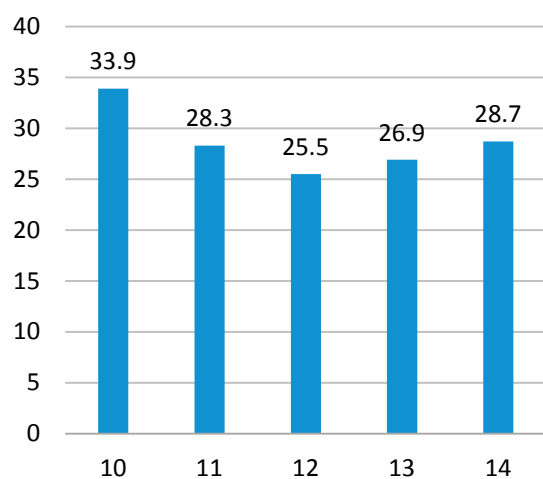
	2010	2011	2012	2013	2014
Earnings/share, cents	17.7	10.1	0.3	-1.2	3.4
Diluted, cents	17.7	10.1	0.3	-1.2	3.4
Shareholders' equity/share, cents	107.7	104.7	93.9	77.0	76.1
Dividend/share, cents *)	12.0	7.0	0.0	4.0	6.0
Dividend/earnings, % *)	68.0	70.0	0.0	0.0	0.0
Average share issue adjusted number of shares during the financial year ('000)	84,255	84,255	84,255	84,269	86,164
Share issue adjusted number of shares at year-end ('000)	84,282	84,282	84,282	85,267	86,317
Number of shares outstanding ('000)	84,255	84,255	84,255	85,240	86,291
Own shares ('000)	26	26	26	26	26

\*) Proposal of the Board of Directors to the Annual General Meeting for year 2014.

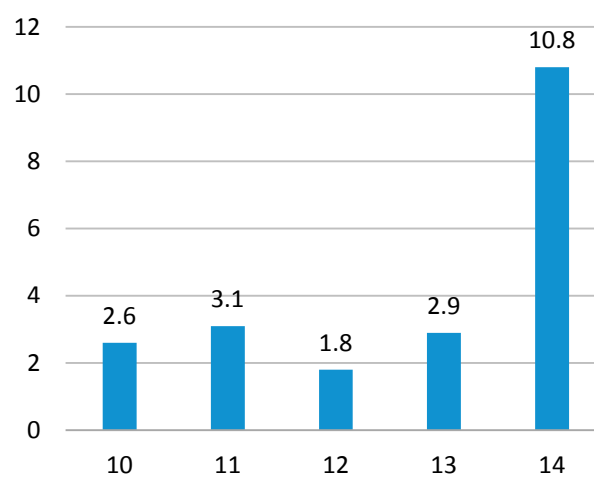
In line with IFRS standards, the MEUR 15 (2010-2012: MEUR 29, 2013; MEUR 15) hybrid bond has been included in equity, also when calculating equity per share. The interest on the hybrid bond (net of tax) for the financial year has been deducted when calculating earnings per share.

## MANAGEMENT COMPANY BUSINESS

Fees, M€



Carried interest income, M€

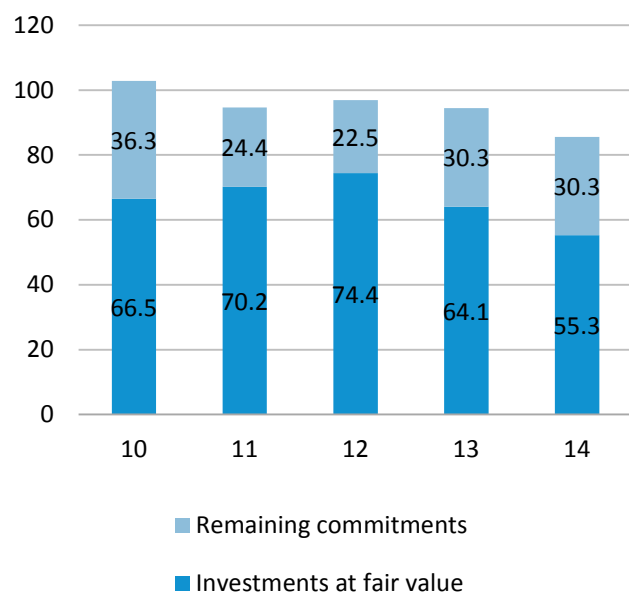


## Result of Management Company business

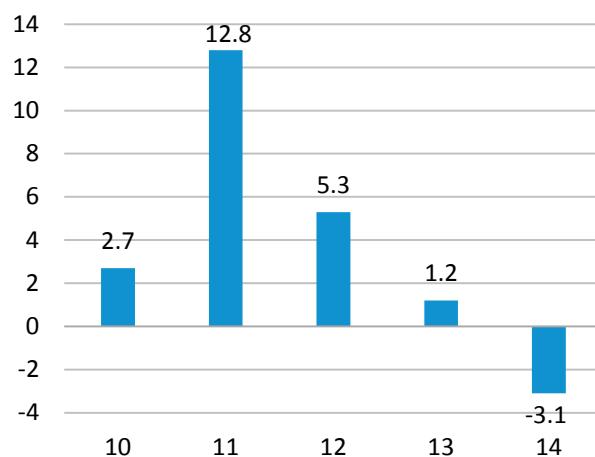
M€	2014	2013
Turnover	39.5	29.8
Fees	28.7	26.9
Carried interest	10.8	2.9
Operating profit	10.4	2.8
Profit	8.4	1.5

## FUND INVESTMENT BUSINESS

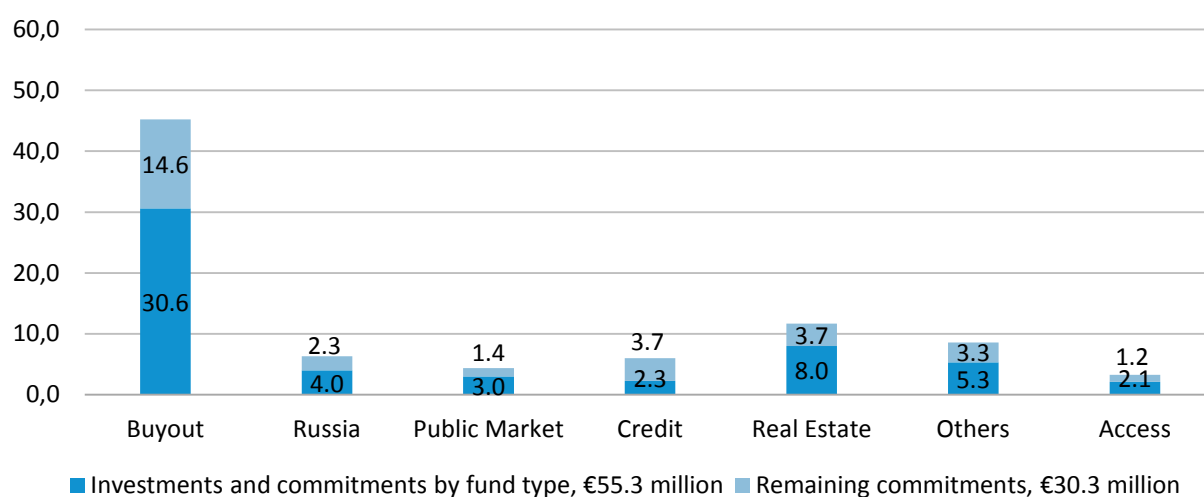
**Fund investments and commitments, M€**



**Profit impact from own fund investments, M€**



**Fund investments and commitments by fund type, M€**



### Result of fund investment business

M€	2014	2013
Fair value changes of investments	-3.1	1.2
Fees	-4.0	0.5
Operating loss	-4.4	-0.1

# Report of the Board of Directors

## Business operations

CapMan Group is a private equity fund manager operating in the Nordic countries and Russia. The Group also makes investments in its own funds. The Group operates through two segments: a Management Company business and a Fund Investment business.

In its Management Company business, CapMan raises capital from Nordic and international institutions for the funds that it manages. The investment teams invest this capital in Nordic and Russian companies and Nordic real estate. The Management Company business has two main sources of income: fees and carried interest 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 purchasing scheme (CaPS), fundraising advisory services and other services related to fund management, among others.

Through its Fund Investment business, CapMan makes investments from its own balance sheet in the funds that it manages. Income in this business is generated by increases in the fair value of investments and realised returns.

## Group turnover and result in 2014

The Group's turnover grew by 32.6% from 2013 and totalled MEUR 39.5 (2013: MEUR 29.8). The increase in turnover for the year was due to higher fees and carried interest income compared to 2013. Operating expenses totalled MEUR 30.2 (MEUR 27.9). Expenses for the year included approx. MEUR 3 of bonus reservations for the investment teams based on CapMan's compensation scheme. Expenses also included MEUR 0.8 of non-recurring expenses related to the closing of CapMan's Oslo office. Expenses for 2013 included MEUR 1.5 of non-recurring expenses

related to CapMan's CEO change and the establishment of the CapMan Nordic Real Estate fund.

The Group recorded an operating profit of MEUR 6.4 (MEUR 3.3), which represented an increase of 91.2% from last year as a result of higher fees and carried interest income.

Financial income and expenses amounted to MEUR -1.4 (MEUR -0.7). The 2013 figure included returns from the partial sale of Maneq receivables in June 2013. The return profile of Maneq investments is largely consistent with that of our own fund investments. CapMan's share of the income of investments accounted for using the equity method was MEUR 0.0 (MEUR -0.6).

Profit before taxes was MEUR 4.9 (MEUR 2.0) and profit after taxes was MEUR 4.0 (MEUR 1.5). Earnings per share were 3.4 cents (-1.2 cents) after deducting the (net of tax) interest on the hybrid bond for the financial year.

A breakdown of turnover and profit, together with turnover, operating profit/loss, and profit/loss by segment for the year are presented in the Notes to the Financial Statements in Section [2. Segment Information](#).

## Management Company business

Turnover generated by the Management Company business during the financial year totalled MEUR 39.5 (MEUR 29.8). Fees increased 6.7% from last year and totalled MEUR 28.7 (MEUR 26.9). The growth in fees resulted, among others, from management fees accrued from new CapMan Buyout X and CapMan Nordic Real Estate fund commitments, as well as from management fees for new commitments received during the financial year that were recorded



retroactively from the time the funds were established. The amount also includes fees generated by CapMan's purchasing scheme (CaPS) and other services related to fund management.

Carried interest income for the financial year totalled MEUR 10.8 (MEUR 2.9) and was received from CapMan Equity VII B, Fenno Program and Finnmezzanine II, III A and III B funds following the exit from Ljunghäll AB, LUMENE Oy and Finlayson & Co Oy. In addition, CapMan received carried interest income from the sale of the Yrjönkatu 17 property. Carried interest income for the year included MEUR 1.2 of recognised revenue from the RE I fund excluding the minority owners' share (reserve in balance sheet), based on the fund's revised outlook. The remaining MEUR 5.2 accrual of unrecognised revenue including the minority owners' share is estimated to cover the possible return of carried interest income to investors.

The operating profit of the Management Company business improved significantly and was MEUR 10.4 (MEUR 2.8) due to higher fees and carried interest income compared to the previous year. Expenses do not include bonus provisions based on CapMan's short-term compensation scheme as the minimum level of earnings per share was not met during 2014. The profit for the year was MEUR 8.4 (MEUR 1.5). The status of the funds managed by CapMan is presented in more detail on the company's website at [www.capman.com/capman-group/funds](http://www.capman.com/capman-group/funds).

### Fund Investment business

Fair value changes of fund investments in 2014 were MEUR -3.1 (MEUR 1.2) representing a 4.3% decrease in value (1.6% increase in value during 2013). The decline in fair values was impacted by the weaker than anticipated financial development of certain portfolio companies. Furthermore, the weakening of rouble had a negative impact on the fair value development of CapMan's investments in Russia. The aggregate fair value of fund investments as of 31 December 2014 was MEUR 55.3 (31 December 2013: MEUR 64.1).

Operating loss for the Fund Investment business was MEUR 4.0 (MEUR 0.5) and loss for the financial year was MEUR 4.4 (loss of MEUR 0.1). The Fund Investment business includes the results of Maneq companies remaining in the CapMan portfolio.

CapMan invested a total of MEUR 9.7 (MEUR 5.5) in its funds during 2014. The majority of this was allocated to the CapMan Buyout X and CapMan Nordic Real Estate funds. CapMan received distributions from funds totalling MEUR 12.1 (MEUR 14.1). The majority of the distributions came from the CapMan Buyout VIII fund as a result of exit from Espira Gruppen AS and from CapMan Public Market fund as a result of exit from Intrum Justitia AB and partial exits from B&B Tools AB and ÅF AB. In 2014, CapMan made new commitments totalling MEUR 4.9 into the CapMan Buyout X, CapMan Nordic Real Estate and CapMan Russia II funds.

The amount of remaining commitments that have not yet been called totalled MEUR 30.3 as of 31 December 2014 (31 December 2013: MEUR 30.3). CapMan estimates that only MEUR 15-20 of the remaining commitments will be called in the next 3-4 years, particularly due to unused investment capacity of the older funds. The aggregate fair value of existing investments and remaining commitments was MEUR 85.5 (MEUR 94.4). CapMan invests 1-5% of the original capital in the new funds that it manages, depending on fund size.

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.

Investments at fair value and remaining investment capacity by investment area are presented in the Notes to the Financial Statements in Section [31. Financial risk management g\) Determining fair values](#) and Section [27. Commitments and contingent liabilities](#).

## Balance sheet and financial position as of 31 December 2014

CapMan's balance sheet totalled MEUR 113.9 as of 31 December 2014 (31 December 2013: MEUR 110.4). Non-current assets amounted to MEUR 79.0 (MEUR 87.9), of which goodwill totalled MEUR 6.2 (MEUR 6.2).

Fund investments booked at fair value totalled MEUR 55.3 (MEUR 64.1). Long-term receivables amounted to MEUR 3.3 (MEUR 2.4). As of 31 December 2014, investments accounted for using the equity method were MEUR 9.1 at fair value (31 December 2013: MEUR 9.6).

Current assets amounted to MEUR 34.9 (MEUR 22.6). Liquid assets (cash in hand and at banks, plus other financial assets at fair value through profit and loss) amounted to MEUR 29.0 (MEUR 17.4). The increase in liquid assets was due to completed exits during 2014.

In June, CapMan Plc participated in a multi-issuer bond totalling MEUR 70 and guaranteed by Garantia Insurance Company Ltd. CapMan Plc's allocated amount of the bond was with MEUR 10 share. The issuance diversified the company's financing package and increased the maturity of its loan portfolio.

Furthermore, CapMan Plc's MEUR 30 debt securities consist of a MEUR 15 senior bond and a MEUR 15 hybrid bond. The bonds were issued in December 2013. The senior bond has an annual coupon rate of 5.5% and it matures in December 2017. The annual coupon rate of the hybrid bond is 8.0%. 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.

As of 31 December 2014, CapMan Plc had access to MEUR 7.3 (MEUR 16.9) of bank financing, and in addition had a MEUR 15.0 unused long-term credit facility available. Trade and other payables totalled MEUR 13.7 (MEUR 11.3). The Group's interest-bearing net debt amounted to MEUR 3.3 (MEUR 14.5). 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 2014.

The Group's cash flow from operations totalled MEUR 11.7 for the financial year (MEUR -3.0). Income from fund management fees is paid semi-annually, in January and July, and is shown under working capital in the cash flow statement. Cash flow from investments totalled MEUR 2.1 (MEUR 26.8) and includes, inter alia, fund investments and repaid capital received by the Group. The comparison figure includes returns from the partial sale of shares in the Maneq investments in June 2013. In June 2013, CapMan transferred its ownership in 2005-2011 Maneq funds and long-term receivables from the funds to a Luxembourg company founded by CapMan, Maneq Investments Luxembourg, and sold part of that company to an external investor for a cash consideration of MEUR 14. CapMan's share of Maneq Investments Luxembourg and the company's loan are shown as investments accounted for using the equity method. Cash flow from financing was MEUR -2.1 (MEUR -13.4).

## Key figures 31 December 2014

CapMan's equity ratio was 57.8% as of 31 December 2014 (31 December 2013: 58.9%), its return on equity 6.1% (2.0%), and its return on investment 7.0% (3.5%). The target levels for the company's equity ratio and return on equity are at least 60% and over 20%, respectively.

Key figures	31.12.14	31.12.13	31.12.12
Earnings per share, cents	3.4	-1.2	0.3
Diluted, cents	3.4	-1.2	0.3
Shareholders' equity / share, cents *	76.1	77.0	93.9
Share issue adjusted number of shares	86,163,919	84,268,963	84,255,467
Number of shares at the end of period	86,316,766	85,266,991	84,281,766
Number of shares outstanding	86,290,467	85,240,692	84,255,467
Company's possession of its own shares, end of period	26,299	26,299	26,299
Return on equity, %	6.1	2.0	3.2
Return on investment, %	7.0	3.5	4.3
Equity ratio, %	57.8	58.9	61.9
Net gearing, %	5.0	22.3	32.2

\*In line with IFRS standards, the MEUR 15 (31 December 2013: MEUR 15, 31 December 2012: MEUR 29) 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.

## Board's proposal for distribution of profit

CapMan Plc's goal is to distribute at least 50% of net profit as dividends. CapMan Plc's Board of Directors will propose to the Annual General Meeting to be held on 18 March 2015 that a dividend of EUR 0.06 per share will be paid to shareholders, equivalent to a total of approx. MEUR 5.2. A dividend of EUR 0.04 per share, totalling MEUR 3.5, was paid for 2013. CapMan Plc's distributable assets amounted to MEUR 34.2 on 31 December 2014 (MEUR 23.5 on 31 December 2013).

## Fundraising during 2014 and capital under management as of 31 December 2014

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

Fundraising for the CapMan Buyout X and the CapMan Russia II funds was finalised and the funds reached final sizes of MEUR 245.0 and MEUR 99.1 respectively. The size of the CapMan Nordic Real Estate fund grew to MEUR 266. Fundraising for the CapMan Nordic Real Estate fund continues and the fund's final size will be determined at its final closing on 31 March 2015. CapMan exploits its geographically extended network and aims to gain new fund commitments from investor groups that have not previously invested in private equity funds. The low interest rate environment has increased investors interest in private equity investments.

CapMan's collaboration with Elite Asset Management initiated in 2014 provides an opportunity for a wider customer base to invest in private equity. In December 2014, Elite Asset Management introduced CapMan Collection, a non-UCITS fund mainly investing in private equity funds

managed by CapMan. The fund enables private and institutional investors to invest in private equity with a structure providing liquidity and a possibility to join with a lower minimum investment. The fund brings a new customer to CapMan and thereby increases CapMan's capital under management.

In the end of 2014 CapMan started offering fundraising advisory services as part of its service business. CapMan believes the fundraising advisory services have significant growth potential. The services are expected to increase CapMan's fee income in the long term.

Capital under management was MEUR 2,955.7 as of 31 December 2014 (31 December 2013: MEUR 3,098.2). The amount decreased slightly due to completed exits during the financial year. Of the total capital under management, MEUR 1,466.3 (MEUR 1,608.2) was held in funds making investments in portfolio companies and MEUR 1,489.4 (MEUR 1,490.0) in real estate funds.

### CapMan Plc's Board of Directors and Management Group

The members of CapMan Plc's Board of Directors as of the end of 2014 were Karri Kaitue (Chairman), Nora Kerppola (Vice Chairman), Koen Dejonckheere, Claes de Neergaard and Ari Tolppanen.

The members of CapMan Plc's Management Group as of the end of 2014 were CEO Heikki Westerlund, CFO Niko Haavisto, Head of Business Development and IR Jerome Bouix, Head of CapMan Buyout Markus Sjöholm, Head of CapMan Russia Hans Christian Dall Nygård and Head of CapMan Real Estate Mika Matikainen.

### Personnel

CapMan employed a total of 106 people as of 31 December 2014 (31 December 2013: 103), of whom 68 (65) worked in Finland and the remainder in the other Nordic countries, Russia, Luxembourg and the United Kingdom. A breakdown of personnel by country and team is presented in the Notes to the

Financial Statements in Section [4. Employee benefit expenses](#).

### Authorisations held by the Board of Directors

The Annual General Meeting authorised the Board of Directors to decide on the repurchase and/or on the acceptance as pledges of the company's B shares. The number of B 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 2015 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 B shares and the authorization shall remain in force until the end of the following AGM and 30 June 2015 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 19 March 2014.

### Shares and share capital

There were no changes in CapMan Plc's share capital during 2013. Share capital totalled EUR 771,586.98 as of 31 December 2013. Between 30 November and 31 December 2013, a total of 1,049,775 new CapMan Plc series B shares were subscribed for under the company's stock options program 2008B, which expired in the end of 2013. The new shares were registered on 14 February 2014 and listed on 17 February 2014. As a result, the number of B shares totalled 80,566,766 and the number of A shares was 5,750,000 as of 31 December 2014.

B shares entitle holders to one vote per share and A shares to 10 votes per share. A shares entitled holders to 41.65% of the company's voting rights and B shares to 58.35%. A shares are held by CapMan Plc's current senior partners. Both classes of shares have an equal dividend entitlement. 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 [22. Share capital and shares](#).

## Shareholders and management shareholding

The number of CapMan Plc shareholders increased by 3.8% during 2014 and totalled 6,816 as of 31 December 2014 (31 December 2013: 6,567).

CapMan did not issue any flagging related to transactions during the financial year.

As of 31 December 2014, the members of the Board of Directors and the CEO held a total of 10,006,950 A and B shares either directly or through companies they control, representing 11,59% of CapMan Plc's shares and 29,71% of voting rights. The Chairman of the Board of Directors and the CEO also held a total of 800,000 2013A and 2013B options as of the end of the year, entitling them to subscribe to an equivalent number of B shares, representing 0.9% of CapMan Plc's shares and 0.6% of 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 [22. Share capital and shares](#).

## Company shares

As of 31 December 2014, CapMan Plc held a total of 26,299 CapMan Plc B shares, representing 0.03% of both classes of shares and 0.02% of voting rights. The market value of own shares held by CapMan was EUR 21,828 as of 31 December 2014 (31 December 2013: EUR 29,981). No changes occurred in the number of own shares held by CapMan Plc during the financial year.

## 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 Executive Management Group. 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 one stock option programme – Option Programme 2013 – 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 B 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 0.88 (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 1.16 (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 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 will begin on 1 May 2016, that for 2013B options on 1 May 2017, and that for 2013C options on 1 May 2018. Receivables from shares subscribed to under these options will be entered in the company's unrestricted shareholders' equity. A total of 1,175,000 stock option entitlements under the Option Programme 2013A and a total of 1,141,667 stock option entitlements under the Option Programme 2013B had been allocated by the end of 2014. The terms for the stock option programme are available on [CapMan's website](#).

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 the Financial Statements in Section [28. Share-based payments](#).

### Trading and market capitalisation

CapMan Plc's B shares closed at EUR 0.83 on 31 December 2014 (31 December 2013: EUR 1.14). The trade-weighted average price during the financial year was EUR 1.04 (EUR 0.93). The highest price paid was EUR 1.23 (EUR 1.19) and the lowest EUR 0.80 (EUR 0.78). The number of CapMan Plc B shares traded totalled 19.6 million (20.2 million), valued at MEUR 20.4 (MEUR 18.9).

The market capitalisation of CapMan Plc B shares as of 31 December 2014 was MEUR 66.5 (31 December 2013: MEUR 90.7). The market capitalisation of all company shares, including A shares valued at the closing price of B shares, was MEUR 71.2 (MEUR 97.2).

### Publication of the Financial Statements and the Report of the Board of Directors, and the Annual General Meeting for 2014

CapMan Group's Financial Statements and the Report of the Board of Directors for 2014 will be published as part of the company's Annual Report for 2014 in February 2015 during week 9. CapMan Plc's 2015 Annual General Meeting will be held on Wednesday 18 March 2015 at 10:00 am in Helsinki. Complete financial statements, as required under the terms of the Finnish Companies Act, will be available [on the company's website](#) by 25 February 2015 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 2014 during week 9 and will be available [on the company's website](#) by 25 February 2015 at the latest.

### Other events during the year

Funds managed by CapMan completed exit from Espira Gruppen AS in May 2014. The transaction contributed some MEUR 5 in cash flow to the CapMan Group.

Funds managed by CapMan sold Metallfabriken Ljunghäll AB in December 2014. As a result of the transaction, CapMan Group received over EUR 6 million of carried interest income from the exiting funds. The transaction contributed over EUR 7 million in cash flow to CapMan Group including returns from CapMan's own fund investments. During 2014, CapMan received carried interest income also as a result of exits from LUMENE Oy, Finlayson & Co Oy and the Yrjönkatu 17 property.

Markus Sjöholm was nominated as Head of CapMan Buyout and member of CapMan Plc's Management Group. Markus Sjöholm took over from Kai Jordahl, who resigned from his position at CapMan. Dan Johnson was nominated as Deputy Head of CapMan Buyout. At the same time CapMan Buyout strengthened its position and focused its resources in Stockholm and Helsinki. As a result, CapMan's office in Oslo was closed. Furthermore, CapMan opened a new office in London to further strengthen the company's international fundraising.

In October CapMan Russia II fund made its second investment in Kidburg, a company providing children's educational entertainment services in Russia. Furthermore, CapMan Nordic Real Estate fund acquired MREC Plaza Presto, an office building in Vantaa Aviapolis business centre near Helsinki Airport and Solna Strand (Apelsinen 4), an office building located in Northern Stockholm. In October, CapMan Real Estate II fund exited MREC Mäntsälä logistics centre in Finland.

### Events after the end of the financial year

In January 2015, funds managed by CapMan agreed to sell their ownership in Cederroth Intressenter AB. The transaction contributes some EUR 8 million to CapMan Group's 2015 cash flow at the closing of the



transaction. The closing is subject to the approval of the relevant competition authorities and it is expected to be completed no later than within Q3 2015.

In January 2015, funds managed by CapMan sold their holding in Symbio S.A., a provider of outsourced product development services. The transaction has a positive impact on CapMan Group's result for 2015 through approx. EUR 1 million of carried interest income from the exiting funds. The transaction contributes some EUR 1.2 million to CapMan Group's 2015 cash flow. The result impact is expected to materialise during the first half of 2015.

### Significant risks and short-term uncertainties

Economic development in CapMan's key markets and structural changes in industries central to CapMan's portfolio companies may affect CapMan's operations by delaying exits and reducing the fair value of the Group's fund investments. Fluctuations in exchange rates could also affect the valuation of CapMan's portfolio companies.

The market situation may also impact fundraising conditions by reducing fund investors' willingness and ability to make new commitments to CapMan's funds. Fundraising markets are expected to remain crowded over the short term. A successful fundraising effort will impact the total amount of capital under management, hence resulting in new management fees.

The projections related to the profitability of the Management Company business involve uncertainty especially related to timing of exits. Due to limitations in forecasting the timing of carried interest and the change in fair value developments, providing financial guidance remains challenging over the short term.

The CapMan Real Estate I fund transferred into carry in 2007. Of the MEUR 27.4 carried interest paid in 2007, some MEUR 6.4 was not entered in CapMan's profit in 2007 but instead left in reserve in case that some of the carried interest would have to be

returned to investors in future. CapMan's share of the entered carried interest was approx. MEUR 13.5 and the share of minority owners was approx. MEUR 7.5. 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. Based on the fund's revised outlook, MEUR 1.2 of the reserved MEUR 6.4 was recognised as revenue in the end of 2014. The MEUR 1.2 did not include the minority owners' share. The remaining accrual of MEUR 5.2 in CapMan's balance sheet, including the minority owners' share, is estimated to be adequate to cover the possible return of carried interest.

The company's financing agreements include financing covenants, which, if breached, may result in increased financing costs for the company or stipulate partial or full repayment of outstanding bank loans.

The EU's Basel III and Solvency II regulatory initiatives limit the ability of European banks and insurance companies to invest in private equity funds, and could therefore impact CapMan's fundraising activity. The entering into force of the Alternative Investment Fund Managers' Directive (AIFMD) may have an impact on the operations and marketing of the funds.

The risks associated with CapMan Plc's operations and the company's risk management are described in more detail in the Notes to the Financial Statements in Section [31. Financial risk management](#), and in the company's Corporate Governance Statement.

### Business environment

Due to the prolonged slow and negative economic growth in the Eurozone, the growth forecasts for the Nordic countries have also been decreased.<sup>1</sup> The Nordic market, however, is considered one of the strongest private equity markets in Europe, due to its favourable macro environment, open markets, access to financing and strong operational expertise in the private equity industry.<sup>2</sup>

<sup>1</sup> OEDC, Economic Outlook November 2014

<sup>2</sup> UnQuote Analysis: Nordic Survey 2014, 1 July 2014 and Nordic UnQuote, 17 July 2014

In 2014 the total value of real estate transactions in Finland reached the highest transaction volume recorded since 2008, totalling BEUR 3.8. Much of the increased activity was driven by an influx of new capital introduced by foreign investors and one large ownership arrangement.<sup>3</sup> In Sweden the transaction value increased strongly from the previous year, growing by 71% to BSEK 151.<sup>4</sup> Investors in Finland continued to focus primarily on prime assets with stable rents while in Sweden interest towards better secondary properties increased substantially towards the end of year 2014, pushing yields down. The yield gap between prime and secondary assets continued to be historically high. In the occupancy market prime rents increased both in Finland and Sweden, while both rents and occupancy rates have been under increasing downward pressure in secondary cities and locations, particularly in Finland. The availability and terms of credit in the Nordic real estate market continued to improve during 2014.

There is a growing demand for alternative debt financing in Europe, as European SMEs in particular have a limited access to bank financing due to new regulations and increased liquidity requirements for banks. Use of alternative financing in European buyouts has increased significantly and the role of non-bank lenders in supporting businesses has become more important.<sup>5</sup> According to survey by Collier Capital, third of investors plan to invest in Credit funds during the following 12 months.<sup>6</sup>

2014 was a significant year for both Buyout deals and exit activity. The aggregate value of European buyout deals increased from 2013. Furthermore, the global aggregate exit value reached its highest level in history, with a 30% increase from 2013. As a result, a significant amount of capital was returned to fund investors, enabling them to re-allocate this capital to new private equity funds.<sup>7</sup>

The fundraising market showed further signs of picking up. The amount of capital raised in European

Private equity funds saw a slight increase compared to 2013. The fundraising market remains polarised. The largest and the most experienced managers received the majority of investors' commitments, while smaller funds had more difficulties to raise capital.<sup>8</sup> Yet investors favoured smaller fund managers with a specific investment focus. Moreover, investors are expected to invest increasingly in funds with a specific geographical or sector focus. Investor sentiment towards private equity remains very positive, and almost half of investors surveyed by Preqin in December are planning to make their next private equity fund commitment in the first half of 2015.<sup>9</sup>

The growth forecast for the Russian economy has declined further. The rouble has weakened significantly as a result of plummeting oil prices and sanctions imposed on Russia. Inflation is on the rise, negatively affecting the purchasing power of Russian households.<sup>10</sup> Although the weakening of rouble had a negative impact on the fair value development of CapMan's Russia portfolio in euros, the crisis has not yet had a material impact on CapMan Russia's portfolio companies and the team is actively exploring attractive investment opportunities by taking advantage of the decreased competition in the market, among others. Non-strategic sectors serving Russia's expanding middle class such as IT, B2B services, and healthcare that are the investment focus of CapMan Russia are still expected to continue their growth.

### Outlook estimate for 2015:

We estimate our earnings per share to improve from the level achieved in 2014.

### Basis for outlook:

Our fees will cover our expenses before possible non-recurring expenses related to acquisitions or larger development projects. We estimate other fees to increase clearly alongside the management fees.

<sup>3</sup> KTI Transactions Information Service, January 2015

<sup>4</sup> Pangea Monthly Update, January 2015

<sup>5</sup> Preqin Private Debt 2015, November 2014

<sup>6</sup> Collier Capital, Global Private Equity Barometer 2014-15

<sup>7</sup> Preqin Buyout Deals and Exits Q4 2014

<sup>8</sup> Preqin Private Equity Fundraising Jan 2015

<sup>9</sup> Preqin December 2014

<sup>10</sup> BBC, 7 Jan 2015



CapMan receives carried interest income from funds as a result of a completed exit in the event that the fund already is in carry or will enter carry due to the exit. Our current portfolio holds several investments, which we expect to exit during 2015. The most significant exits are expected to be completed during the second half of 2015.

The fair value development of our own fund investments will have a substantial impact on our overall result in 2015. We expect disparity in the

development of individual portfolio companies and real estate also during 2015 depending on their industry and geographical location. In addition, our portfolio companies and real estate are also influenced by various other factors, among others the general development of industries and local economies, inflation development, valuation multiples of peer companies, and exchange rates.

CapMan Plc  
Board of Directors

# Group Statement of Comprehensive Income (IFRS)

€ ('000)	Note	1.1.-31.12.2014	1.1.-31.12.2013
<b>Turnover</b>	<a href="#">2</a>	39,475	29,774
Other operating income	<a href="#">3</a>	226	187
Employee benefit expenses	<a href="#">4</a>	-17,804	-15,560
Depreciation	<a href="#">5</a>	-394	-664
Other operating expenses	<a href="#">6</a>	-11,975	-11,630
Fair value gains/losses of investments	<a href="#">7</a>	-3,127	1,240
<b>Operating profit</b>		6,401	3,347
Finance income	<a href="#">8</a>	417	940
Finance costs	<a href="#">8</a>	-1,829	-1,687
Share of the income of investments accounted for using the equity method	<a href="#">9</a>	-44	-610
<b>Profit before taxes</b>		4,945	1,990
Income taxes	<a href="#">10</a>	-980	-531
<b>Profit for the financial year</b>		3,965	1,459
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurements of post employment benefit obligations		0	-103
<b>Items that may be subsequently reclassified to profit or loss</b>			
Translation difference		11	83
<b>Total comprehensive income</b>		3,976	1,439
<b>Profit attributable to:</b>			
Equity holders of the Company		3,965	1,459
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		3,976	1,439
<b>Earnings per share for profit attributable to the equity holders of the Company:</b>			
Earnings per share (basic), cents	<a href="#">11</a>	3.4	-1.2
Earnings per share (diluted), cents	<a href="#">11</a>	3.4	-1.2

The Notes are an integral part of the Financial Statements.

# Group Balance Sheet (IFRS)

€ ('000)	Note	31/12/2014	31/12/2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible assets	<a href="#">12</a>	236	282
Goodwill	<a href="#">13</a>	6,204	6,204
Other intangible assets	<a href="#">14</a>	756	1,047
Investments accounted for using the equity method	<a href="#">15</a>	9,056	9,583
Investments at fair value through profit and loss			
Investments in funds	<a href="#">16</a>	55,258	64,122
Other financial assets		121	94
Receivables	<a href="#">17</a>	3,250	2,432
Deferred tax assets	<a href="#">18</a>	4,097	4,111
		78,978	87,875
<b>Current assets</b>			
Trade and other receivables	<a href="#">19</a>	5,959	5,199
Other financial assets at fair value	<a href="#">20</a>	319	361
Cash and bank	<a href="#">21</a>	28,650	17,004
		34,928	22,564
<b>Total assets</b>		113,906	110,439
<b>EQUITY AND LIABILITIES</b>			
<b>Capital attributable to the Company's equity holders</b>			
	<a href="#">22</a>		
Share capital		772	772
Share premium account		38,968	38,968
Other reserves		27,175	26,107
Translation difference		137	126
Retained earnings		-1,485	-1,112
<b>Total equity</b>		65,567	64,861
<b>Non-current liabilities</b>			
Deferred tax liabilities	<a href="#">18</a>	1,976	1,820
Interest-bearing loans and borrowings	<a href="#">23</a>	27,247	25,854
Post-employment benefits	<a href="#">29</a>	0	299
		29,223	27,973
<b>Current liabilities</b>			
Trade and other payables	<a href="#">24</a>	13,734	11,344
Interest-bearing loans and borrowings	<a href="#">25</a>	5,000	6,000
Current income tax liabilities		382	261
		19,116	17,605
<b>Total liabilities</b>		48,339	45,578
<b>Total equity and liabilities</b>		113,906	110,439

The Notes are an integral part of the Financial Statements.

# Group Statement of Changes in Equity (IFRS)

## Attributable to the equity holders of the Company

€ ('000)		Share capital	Share premium account	Other reserves	Translation difference	Retained earnings	Total
	Note						
<b>Equity on 1 January 2013</b>		<b>772</b>	<b>38,968</b>	<b>38,814</b>	<b>43</b>	<b>553</b>	<b>79,150</b>
Profit for the year						1,459	1,459
Other comprehensive income for the year:							
Defined pension benefits						-103	-103
Translation differences					83		83
<b>Total comprehensive</b>					<b>83</b>	<b>1,356</b>	<b>1,439</b>
Share issues				877			877
Options				416		-388	28
Hybrid bond, interest (net of tax)						-2,508	-2,508
Redemption of hybrid bond				-29,000			-29,000
Issue of hybrid bond				15,000			15,000
Total contributions by and distributions to owners of the parent, recognised directly in equity				-12,707		-2,896	-15,603
Other changes						-125	-125
<b>Equity on 31 December 2013</b>	<a href="#">22</a>	<b>772</b>	<b>38,968</b>	<b>26,107</b>	<b>126</b>	<b>-1,112</b>	<b>64,861</b>
Profit for the year						3,965	3,965
Other comprehensive income for the year							
Translation differences					11		11
<b>Total comprehensive</b>					<b>11</b>	<b>3,965</b>	<b>3,976</b>
Share issues				934			934
Options				134		44	178
Dividends						-3,452	-3,452
Hybrid bond, interest (net of tax)						-960	-960
Total contributions by and distributions to owners of the parent, recognised directly in equity				1,068		-4,368	-3,300
Other changes						30	30
<b>Equity on 31 December 2014</b>	<a href="#">22</a>	<b>772</b>	<b>38,968</b>	<b>27,175</b>	<b>137</b>	<b>-1,485</b>	<b>65,567</b>

The Notes are an integral part of the Financial Statements.

# Group Cash Flow Statement (IFRS)

€ ('000)	Note	1.1.-31.12.2014	1.1.-31.12.2013
<b>Cash flow from operations</b>			
Profit for the financial year		3,965	1,459
Adjustments:			
Unpaid income and expenses	*)	9,439	363
Change in working capital:			
Change in current non-interest-bearing receivables		-663	2,819
Change in current trade payables and other non-interest-bearing liabilities		2,392	-1,898
Interest paid		-2,843	-5,126
Interest received		176	37
Taxes paid		-784	-619
<b>Cash flow from operations</b>		11,682	-2,965
<b>Cash flow from investing activities</b>			
Investments in tangible and intangible assets		-62	-144
Investments at fair value through profit and loss		2,615	11,477
Proceeds from sale of other investments		0	19
Long-term loan receivables granted		-2,569	-1,541
Receivables from long-term receivables		1,938	1,747
Proceeds from sale of non-current assets		0	718
Sale of interest in an associated company		0	14,000
Dividends received		167	203
Interest received		0	313
<b>Cash flow from investing activities</b>		2,089	26,792
<b>Cash flow from financing activities</b>			
Share issue		934	877
Issue of hybrid bond	<a href="#">22</a>	0	15,000
Redemption of hybrid bond	<a href="#">22</a>	0	-29,000
Proceeds from borrowings	<a href="#">23</a>	9,989	15,000
Repayment of long-term loan		-9,596	-15,325
Dividends paid		-3,452	0
<b>Cash flow from financing activities</b>		-2,125	-13,448
<b>Change in cash and cash equivalents</b>		11,646	10,379
Cash and cash equivalents at start of year		17,004	6,625
<b>Cash and cash equivalents at end of year</b>	<a href="#">21</a>	28,650	17,004

The Notes are an integral part of the Financial Statements.

\*) Profit or loss is adjusted for the effects of transactions of a non-cash nature, the typical items are the fair value gains/losses of investments and the depreciations.

# Notes to the Group Financial Statements

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## GROUP INFORMATION

CapMan's core business is private equity fund management and advisory services. The funds managed by CapMan make investments in Nordic and Russian companies and in real estate, mainly in Finland.

The parent company of the Group is CapMan Plc and is domiciled in Helsinki, with a registered office address at Korkeavuorenkatu 32, 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 2014 have been approved for publication by CapMan Plc's Board of Directors on 4 February 2015. 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 for 2014 have been prepared in accordance with International Financial Reporting Standards (IFRS) as applied in the European Union. The appendices to the Consolidated Financial Statements have been prepared in accordance with 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, with the exception of available-for-sale financial assets and financial assets and financial liabilities and derivative instruments through profit or loss, which have valued at fair value. The information in the Consolidated Financial Statements is presented in thousands of euros.

## *New and amended standards adopted by the Group*

The following new and amended standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014. The adoption of these standards did not have a material impact on the Group's financial statements.

IFRS 10, Consolidated financial statements

IFRS 11, Joint arrangements

IFRS 12, Disclosures of interests in other entities

CapMan plc ("the Company", "CapMan", "the Parent") adopted IFRS 10 "Consolidated financial statements" and the investment entity consolidation exemption amendment for the first time January 1, 2014 in its consolidated financial statements. IFRS 10 defines the principle of control and establishes control as the basis for consolidation. It sets out how

to apply the principle of control to identify, whether an investor controls an investee and therefore must consolidate the investee. However, entities qualifying as investment entities are required to account for investees controlled by the entity at fair value through profit and loss, except for operating subsidiaries providing investment activities/management services, unless those operating subsidiaries qualify as investment entities themselves.

The adoption of IFRS 10 did not have a material impact on CapMan's consolidated financial statements as CapMan has always reported its direct investments at fair value. See section "Significant judgments and consolidation principles for information about managements' judgment, accounting policies and impacts to the Group accounts at the adoption of the new standards

## *IFRS 10 adoption – impact to the consolidated accounts*

The classification as an investment entity and the resulting consolidation measures did not cause material changes to CapMan's consolidated financial statements.

Controlled entities that offer fund management and investment advisory services are considered to be an extension of the parent's business ("operating subsidiaries") and remain to be consolidated. Operating subsidiaries, that in addition to providing fund management services, also hold direct investments in the funds, continue to be consolidated due to their operating nature and the direct investments held by them continue to be fair valued through profit and loss in the consolidated accounts. Most of Group's direct investments are made through subsidiary that qualifies as an investment entity. Since the investments made through this entity have already been fair valued through profit and loss no material changes resulted in the consolidation principles.

*Forthcoming requirements of IFRS Standards, interpretations and amendments*

**IFRS 9, Financial instruments**

The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss.

There are no other IFRSs or IFRIC interpretations already published but not yet effective that would be expected to have a material 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) 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 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. CapMan's business purpose is 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. 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 under the new guidance was 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, it 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. Thus, CapMan has determined that it does not does not have control over the funds under its management

#### *Subsidiaries*

Intra-Group share ownership has been eliminated using the purchase 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. 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 venture*

CapMan has assessed the nature of Maneq Investments Luxembourg S.a.r.l. and determined the company to be joint venture, because of the agreement relating to the profit distribution. Joint venture is accounted for using the equity method. The investments in associated companies include also the loan receivables at fair value. The change of fair value is shown as the share of joint venture's result in the income statement

## 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 amortised on a straight-line basis over their estimated useful lives, which are:

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 have been divided into two subcategories: Held for trading and upon initial recognition designated as at fair value through profit and loss.*

Financial assets are classified as held for trading if they are acquired principally for the purpose of generating a profit from short-term fluctuations in price. Financial assets held for trading and financial assets with a maturity of less than 12 months are included in current assets. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. Both unrealised and realised gains and losses caused by changes in fair value are reported in the income statement under 'Changes in the fair value of investments' for the financial period in which they arise. Derivatives are also categorised as held for trading unless they are designated as hedges.

CapMan has classified its fund investments at inception as financial assets at fair value through profit or loss. The fund investments are managed and their performance evaluated on a fair value basis, in accordance with the Group's risk management strategy. Information on fair values is produced internally on a quarterly basis for CapMan's management and for fund investors.

#### *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.

#### **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. Short-term investments in third-party funds have been categorised as financial assets at fair value through profit and loss, and are presented in this category.

#### **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**

At the end of the year 2013 CapMan issued a €15 million hybrid bond and redeemed its €29 million hybrid bond, which was issued on December 2008. The hybrid bond has been treated as equity in the Group's financial statements under IFRS. 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. The interest on the hybrid bond is deducted from equity as interest is paid, which is annually.

#### **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

The Group has operated various post-employment schemes, including both defined benefit and defined contribution pension plans. In Norway, CapMan had a pension scheme classified as a defined benefit plan in 2013. In autumn 2014 the office in Norway was closed and the employment contracts have ended during the year 2014. The Group has no defined obligation at the end of the year 2014.

#### *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 [28: 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.

#### *Management 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%.

*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 is measured estimating a weighted average

of all possible outcomes (the "expected value" method). The clawback is an adjustment to the related revenue recognized 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.

**One-off items**

In the analysis on financial performance, items that are material either because of their size or their nature, or that are non-recurring are considered one-off items. Such items are e.g. impairment losses, restructuring expenses or severance pay, and major capital gains and losses on disposals.



### **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.

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.

### *Valuation of fund investments*

The determination of the fair value of fund investments using the International Private Equity and Venture Capital Valuation Guidelines 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 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

## 2. SEGMENT INFORMATION

CapMan has two operating segments: the Management Company business and Fund Investments. 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 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 purchasing scheme (CaPS), fundraising advisory services and other services related to fund management, among others.

The Fund Investment business comprises fund investments made from CapMan Plc's balance sheet and investments in Maneq funds. Income from the Fund Investment business is derived from realised returns on fund investments and changes in the fair value of investments.

### Operating segments

#### 2014

€ ('000)	Management company business			Fund investments	Total
	CapMan Private Equity	CapMan Real Estate	Total		
Turnover	28,104	11,371	39,475	0	39,475
Operating profit/loss	7,230	3,209	10,439	-4,038	6,401
Profit/loss for the financial year	5,792	2,569	8,361	-4,396	3,965
Assets	6,551	766	7,317	71,661	78,978
Total assets includes:					
Investments accounted for using the equity method	0	0	0	9,056	9,056

#### 2013

€ ('000)	Management company business			Fund investments	Total
	CapMan Private Equity	CapMan Real Estate	Total		
Turnover	22,628	7,146	29,774	0	29,774
Operating profit/loss	2,951	-150	2,801	546	3,347
Profit/loss for the financial year	1,673	-150	1,523	-64	1,459
Assets	7,326	301	7,627	80,248	87,875
Total assets includes:					
Investments accounted for using the equity method	0	0	0	9,583	9,583



### 3. OTHER OPERATING INCOME

€ ('000)	2014	2013
Sales of tangible assets	0	19
Other items	226	168
Total	226	187

## 4. EMPLOYEE BENEFIT EXPENSES

€ ('000)	2014	2013
Salaries and wages	15,271	13,424
Pension expenses - defined contribution plans	2,285	1,743
Pension expenses - defined benefit plans	-299	106
Share-based compensation expenses	178	28
Other personnel expenses	369	259
Total	17,804	15,560

Remuneration of the management is presented in Table [30. 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 Table [28. Share-based payments](#).

Personnel	2014	2013
<b>By country</b>		
Finland	68	65
Sweden	23	18
Norway	1	8
Russia	10	11
Luxembourg	1	1
United Kingdom	3	0
In total	106	103
<b>By team</b>		
CapMan Private Equity	40	44
CapMan Real Estate	28	23
CapMan Platform	38	36
In total	106	103
<b>Average number of people employed</b>	106	104

## 5. DEPRECIATION

€ ('000)	2014	2013
Depreciation by asset type		
Intangible assets		
Other intangible assets	334	554
Total	334	554
Tangible assets		
Machinery and equipment	60	110
Total	60	110
Total depreciation	394	664

## 6. OTHER OPERATING EXPENSES

€ ('000)	2014	2013
Included in other operating expenses:		
Other personnel expenses	1,493	740
Office expenses	2,986	2,674
Travelling and entertainment	907	775
External services	4,944	5,506
Other operating expenses	1,645	1,935
Total	11,975	11,630
Audit fees		
PricewaterhouseCoopers Oy, Authorised Public Accountants		
Audit fees	259	214
Tax advices	12	17
Other fees and services	26	72
Total	297	303

## 7. FAIR VALUE GAINS/LOSSES OF INVESTMENTS

€ ('000)	2014	2013
Investments at fair value through profit and loss		
Gains/losses of investments, realized	3,277	2,981
Fair value gains/losses of investments, unrealized	-6,404	-1,741
Total	-3,127	1,240

## 8. FINANCE INCOME AND COSTS

€ ('000)	2014	2013
Finance income		
Interest income, loan receivables	209	698
Interest income, deposits	65	26
Dividend income	0	21
Other interest income	15	108
Exchange gains	128	87
Total	417	940
Finance costs		
Interest expenses/loans	-1,377	-839
Interest and finance expenses, derivative instruments	0	-209
Other interest and finance expenses	-337	-529
Exchange losses	-115	-110
Total	-1,829	-1,687

## 9. SHARE OF THE INCOME OF INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

€ ('000)	2014	2013
Associates	369	627
Joint ventures	-413	-1,237
Total	-44	-610

## 10. INCOME TAXES

€ ('000)	2014	2013
Current income tax	562	264
Taxes for previous years	27	-27
Deferred taxes		
Temporary differences	391	207
Impact of change in the Finnish tax rate	0	87
Total	980	531
<b>Income tax reconcillation</b>		
Profit before taxes	4,945	1,990
Tax calculated at the domestic corporation tax rate of 20% (2013; 24,5%)	989	487
Effect of different tax rates outside Finland	41	109
Tax exempt income	-1,178	-401
Non-deductible expenses	39	30
Deferred income tax asset of tax losses	853	0
Effect of consolidation	209	246
Taxes for previous years	27	-27
Impact of change in the Finnish tax rate	0	87
Income taxes in the Group Income Statement	980	531

After completing a tax audit 2010-2011 in Finland, the Finnish tax authorities asserted that some of the operations of the Group's parent company, CapMan Plc, include financial services exempt from VAT and that the parent company should not deduct VAT on certain costs incurred as a result. CapMan Plc disagrees with this assertion and has appealed the decision and submitted a request for rectification. The claim from the tax authorities is approximately MEUR 1.0 is reported in the balance sheet, other receivables. The case is as yet unaccomplished.



## 11. 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.

€ ('000)	2014	2013
Attributable to the equity holders of the Company, € ('000)	3,965	1,459
Interest expense on hybrid bond (net of tax)	-1,010	-2,436
Profit/loss used determine diluted earnings per share	2,955	-977
Weighted average number of shares ('000)	86,164	84,295
Own shares ('000)	-26	-26
Weighted average number of shares ('000)	86,138	84,269
Effect of options ('000)	0	0
Weighted average number of shares adjusted for the effect of dilution ('000)	86,138	84,269
Earnings per share (basic), cents	3.4	-1.2
Earnings per share (diluted), cents	3.4	-1.2

## 12. TANGIBLE ASSETS

€ ('000)	2014	2013
Machinery and equipment		
Acquisition cost at 1 January	1,942	1,907
Additions	18	35
Acquisition cost at 31 December	1,960	1,942
Accumulated depreciation at 1 January	-1,780	-1,663
Accumulated depreciation in changes	-4	-7
Depreciation for the financial year	-60	-110
Accumulated depreciation at 31 December	-1,844	-1,780
Book value on 31 December	116	162
Other tangible assets		
Acquisition cost at 1 January	120	120
Book value on 31 December	120	120
Tangible assets total	236	282

## 13. GOODWILL

€ ('000)	2014	2013
Acquisition cost at 1 January	13,169	13,169
Acquisition cost at 31 December	13,169	13,169
Accumulated impairment at 1 January	-6,965	-6,965
Accumulated impairment at 31 December	-6,965	-6,965
Book value on 31 December	6,204	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 2014.

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 17.7% (2013; 12.7 %). 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.

## 14. OTHER INTANGIBLE ASSETS

€ ('000)	2014	2013
Acquisition cost at 1 January	5,174	5,065
Additions	44	109
Acquisition cost at 31 December	5,218	5,174
Accumulated depreciation at 1 January	-4,127	-3,574
Depreciation for the financial year	-334	-554
Translation difference	-1	1
Accumulated depreciation at 31 December	-4,462	-4,127
Book value on 31 December	756	1,047

Other intangible assets include software €0.1 million and the management fee agreement of €0.6 million regarding the purchase of Norum.

## 15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

€ ('000)	2014	2013
Associates	150	264
Joint ventures	8,906	9,316
Total	9,056	9,580

## Nature of investments in associates

## 2014

€ ('000)		Assets	Liabilities	Turnover	Profit/loss	Ownership %
BIF Management Ltd	Jersey	7	7	160	128	33.33%
Baltic SME Management B.V.	The Netherlands	2	24	0	-13	33.33%
Maneq 2002 AB	Sweden	149	1	0	-34	35.00%
Maneq 2004 AB	Sweden	196	1	3	-1	41.90%
Yewtree Holding AB	Sweden	363	2	0	3	35.00%
Total		717	35	163	83	

## 2013

€ ('000)		Assets	Liabilities	Turnover	Profit/loss	Ownership %
BIF Management Ltd	Jersey	34	0	0	-19	33.33%
Baltic SME Management B.V.	The Netherlands	3	12	0	-15	33.33%
Maneq 2002 AB	Sweden	241	1	26	-10	35.00%
Maneq 2004 AB	Sweden	533	1	443	457	41.90%
Yewtree Holding AB	Sweden	679	1	0	-83	35.00%
Total		1,490	15	469	330	

## Nature of investments in joint ventures

## 2014

€ ('000)						
Maneq Investments Luxembourg S.a.r.l.	Luxembourg	18,567	13,079	0	25	18.18%

## 2013

€ ('000)						
Maneq Investments Luxembourg S.a.r.l.	Luxembourg	22,183	16,720	0	19	18.18%

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 MEUR 14. After the transaction, the Group's share of the Maneq funds is approx. MEUR 9.0, including the loan MEUR 6.7, at fair value as of 31 December 2014.

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.

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.

## 16. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

€ ('000)	2014	2013
Investments in funds		
Investments in funds at 1 January	64,122	74,465
Additions	9,689	5,496
Disposals	-12,149	-14,098
Fair value gains/losses of investments	-6,404	-1,741
Investments in funds at 31 December	55,258	64,122

The cumulative fair value losses of investments in funds is - €0.1 million (2013: €6.3 million).

The valuation principles are presented in Note [31. Financial risk management g\) Determining fair values](#).

### Other financial assets

€ ('000)	2014	2013
Other investments at 1 January	94	99
Additions/disposals	27	-5
Other investments at 31 December	121	94

## 17. RECEIVABLES - NON-CURRENT

€ ('000)	2014	2013
Other loan receivables	2,997	2,094
Accrued income	253	338
Total	3,250	2,432

Other loan receivables include receivables from Norum Russia Co-Investment Ltd €1.3 million, receivables from NEP Priedvidza S.a.r.l. €1.2 million, receivables from NRE Cream Oy €0.3 million and receivables from CapMan Russia Team Guernsey Ltd €0.1 million.

Accrued income includes the Placement Agent fee of €0.3 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.



## 18. DEFERRED TAX ASSETS AND LIABILITIES

### Changes in deferred taxes during 2014:

€ ('000)	31/12/2013	Charged to Income Statement	Charged in equity	31/12/2014
Deferred tax assets				
Accrued differences	1,307	-124	74	1,257
Fair value gains/losses of investments	72	0	-72	0
Employee benefits	132	0	-132	0
Interest expense on hybrid bond	2,600	0	240	2,840
Total	4,111	-124	110	4,097
Deferred tax liabilities				
Accrued differences	1,772	267	-63	1,976
Employee benefits	48	0	-48	0
Total	1,820	267	-111	1,976

### Changes in deferred taxes during 2013:

€ ('000)	31/12/2012	Charged to Income Statement	Charged in equity	31/12/2013
Deferred tax assets				
Accrued differences	1,463	-156	0	1,307
Fair value gains/losses of investments	294	-222	0	72
Employee benefits	526	-423	29	132
Interest expense on hybrid bond	2,398	0	202	2,600
Total	4,681	-801	231	4,111
Deferred tax liabilities				
Accrued differences	2,360	-507	-81	1,772
Employee benefits	0	0	48	48
Total	2,360	-507	-33	1,820

## 19. TRADE AND OTHER RECEIVABLES

€ ('000)	2014	2013
Trade receivables	785	472
Receivables from associated companies	0	51
Loan receivables	175	73
Accrued income	2,519	1,895
Other receivables	2,480	2,708
Total	5,959	5,199

The Group has had no bad debts.

Accrued income includes mainly accrual items.

Other receivables include mainly VAT receivables and the receivables from the funds.

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

Trade and other receivables, € ('000)	Amount in foreign currency	Amount in euros	Proportion
EUR		4,118	69%
NOK	3,853	426	7%
SEK	13,163	1,401	24%
GBP	11	14	0%

## 20. OTHER FINANCIAL ASSETS AT FAIR VALUE

€ ('000)	2014	2013
Other financial assets at fair value	319	361
Total	319	361

Other financial assets at fair value includes shares in external investment fund companies €0.3 million.

## 21. CASH AND BANK

€ ('000)	2014	2013
Bank accounts	28,650	17,004
Total	28,650	17,004

Cash and bank includes bank accounts.

## 22. 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 2012</b>	5,750	78,532	84,282
Share issue	0	985	985
<b>At 31 December 2013</b>	5,750	79,517	85,267
Share issue	0	1,050	1,050
<b>At 31 December 2014</b>	5,750	80,567	86,317

CapMan Plc has two series of shares, A (10 votes) and B (1 vote). The shares have no nominal value. The total authorised number of ordinary shares is A 156,000,000 and B 156,000,000. All issued shares are fully paid.

€ ('000)	Share capital € ('000)	Share premium account € ('000)	Other reserves € ('000)	Total € ('000)
<b>At 31 December 2012</b>	772	38,968	38,814	78,554
Share issue	0	0	877	877
Options	0	0	416	416
Issue of hybrid bond	0	0	15,000	15,000
Redemption of hybrid bond	0	0	-29,000	-29,000
<b>At 31 December 2013</b>	772	38,968	26,107	65,847
Share issue	0	0	934	934
Options	0	0	134	134
<b>At 31 December 2014</b>	772	38,968	27,175	66,915

### Other reserves

Unrestricted equity reserve include granted stock option subscription rights. The stock option programs are presented in Table [28. Share-based payments](#).

CapMan issued a MEUR 15 hybrid bond on 11 December 2013. The annual coupon rate of the new hybrid bond is 8.0%. The interest of the bond will be paid annually. 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.

The hybrid bond is treated as equity in the Group's financial statements under IFRS.

CapMan redeemed its MEUR 29 hybrid bond on 18 December 2013 in accordance with the bond terms.

**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 18 March 2015 that a dividend of EUR 0.06 per share, representing a total of MEUR 5.2, will be paid to shareholders. A dividend of EUR 0.04 per share, total MEUR 3.5, was paid for the year 2013. The dividend was paid to the shareholders on 1 April 2014.

**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. In addition there is a redemption clause pertaining to the transfer of CapMan Plc A shares. If an A share is transferred to a new shareholder who does not already own A shares in the Company, the other shareholders of A shares have the right to redeem the shares under transfer in accordance with the conditions outlined in the Company's Articles of Association.

**Ownership and voting rights agreements**

As at 31 December 2014 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 A and B shareholdings by number of shares and sector as at 31 December 2014**

Shareholding	Number of holdings	%	Number of shares	%	Number of votes	%
1 – 100	1,075	15.79%	51,536	0.06%	51,536	0.04%
101 – 1 000	2,882	42.34%	1,576,660	1.83%	1,576,660	1.14%
1 001 – 10 000	2,428	35.67%	8,382,542	9.71%	8,382,542	6.07%
10 001 – 100 000	360	5.29%	8,902,155	10.31%	9,745,905	7.06%
100 001 -	62	0.91%	67,385,164	78.07%	118,291,414	85.68%
<b>Total</b>	<b>6,807</b>	<b>100.00%</b>	<b>86,298,057</b>	<b>99.98%</b>	<b>138,048,057</b>	<b>99.99%</b>
Nominee registered	9		11,709,232		11,709,232	
On the book-entry register joint account			18,709	0.02%	18,709	0.01%
Total shares outstanding			86,316,766		138,066,766	

Sector	Number of holdings	%	Number of shares	%	Number of votes	%
Corporations	304	4.47%	31,729,281	36.76%	83,198,031	60.26%
Financial and insurance corporations	20	0.29%	14,037,654	16.26%	14,037,654	10.17%
Public sector institutions	6	0.09%	14,528,823	16.83%	14,528,823	10.52%
Households	6429	94.45%	21,213,531	24.58%	21,213,531	15.36%
Non-profit organisations	29	0.43%	3,384,841	3.92%	3,384,841	2.45%
European Union	17	0.25%	1,344,734	1.56%	1,625,984	1.18%
Other countries and international organisations	2	0.03%	59,193	0.07%	59,193	0.04%
<b>Total</b>	<b>6,807</b>	<b>100.00%</b>	<b>86,298,057</b>	<b>99.98%</b>	<b>138,048,057</b>	<b>99.99%</b>
Nominee registered	9		11,709,232	13.57%	11,709,232	8.48%
On the book-entry register joint account			18,709	0.02%	18,709	0.01%
Total shares outstanding			86,316,766	100.00%	138,066,766	100.00%

Source: Finnish Central Securities Depository Ltd, as at 31 December 2014. Figures are based on the total number of shares 86,316,766 and total number of shareholders 6,816. There are 5,750,000 A shares, which are owned by companies under control or authority of CapMan Plc's Senior Partners. A shares are included in Corporations in the sector breakdown. Largest A share shareholders are presented in the CapMan's largest shareholders as at 31 December 2014 table. CapMan Plc had 26,299 B shares as at 31 December 2014.

## CapMan's largest shareholders as at 31 December 2014

	Number of A shares	Number of B shares	Total number of shares	Proportion of shares, %	Number of votes	Porportion of votes, %
<b>Ilmarinen Mutual Pension Insurance Company</b>		7,178,500	7,178,500	8.32%	7,178,500	5.20%
<b>OY Inventiainvest AB (Ari Tolppanen**)</b>	2,192,296	4,832,498	7,024,794	8.14%	26,755,458	19.38%
<b>Joensuun Kauppa Ja Kone Oy</b>		3,836,530	3,836,530	4.44%	3,836,530	2.78%
<b>Winsome Oy + Tuomo Raasio*</b>	863,447	2,920,873	3,784,320	4.38%	11,555,343	8.37%
Winsome Oy	863,447	2,867,129	3,730,576	4.32%	11,501,599	8.33%
Tuomo Raasio*		53,744	53,744	0.06%	53,744	0.04%
<b>Varma Mutual Pension Insurance Company</b>		3,675,215	3,675,215	4.26%	3,675,215	2.66%
<b>Vesasco Oy</b>		3,275,158	3,275,158	3.79%	3,275,158	2.37%
<b>Stiftelsen för Åbo Akademi</b>		3,000,000	3,000,000	3.48%	3,000,000	2.17%
<b>Heiwes Oy + Heikki Westerlund**</b>	1,253,896	1,718,260	2,972,156	3.44%	14,257,220	10.33%
Heiwes Oy	1,253,896	1,440,584	2,694,480	3.12%	13,979,544	10.13%
Heikki Westerlund		277,676	277,676	0.32%	277,676	0.20%
<b>Geldegel Oy** + Mom Invest Oy** + Olli Liitola*</b>	1,144,984	1,367,103	2,512,087	2.91%	12,816,943	9.28%
Geldegel Oy	1,144,984	633,359	1,778,343	2.06%	12,083,199	8.75%
Mom Invest Oy		733,744	733,744	0.85%	733,744	0.53%
<b>The State Pension Fund</b>		2,500,000	2,500,000	2.90%	2,500,000	1.81%
<b>Sijoitusrahasto Taaleritehdas Arvo Markka Osake</b>		2,300,000	2,300,000	2.66%	2,300,000	1.67%
<b>Eläkekassa Verso</b>		1,100,000	1,100,000	1.27%	1,100,000	0.80%
<b>Guarneri Oy + Petri Saavalainen*</b>	201,627	809,302	1,010,929	1.17%	2,825,572	2.05%
Guarneri Oy	201,627	494,414	696,041	0.81%	2,510,684	1.82%
Petri Saavalainen		314,888	314,888	0.36%	314,888	0.23%
<b>Sijoitusrahasto Taaleritehdas Mikro Markka</b>		1,000,000	1,000,000	1.16%	1,000,000	0.72%
<b>Icecapital Pankkiiriliike Oy</b>		903,124	903,124	1.05%	903,124	0.65%
<b>Sr Arvo Finland Value</b>		811,717	811,717	0.94%	811,717	0.59%
<b>Pakarinen Janne</b>		606,111	606,111	0.70%	606,111	0.44%
<b>Mandatum Life</b>		561,000	561,000	0.65%	561,000	0.41%
<b>Nordea Henkivakuutus Suomi Oy</b>		516,717	516,717	0.60%	516,717	0.37%
<b>Stadigh Kari Henrik</b>		476,959	476,959	0.55%	476,959	0.35%
<b>Total</b>	<b>5,656,250</b>	<b>43,389,067</b>	<b>49,045,317</b>	<b>56.82%</b>	<b>99,951,567</b>	<b>72.39%</b>
<b>Nominee registered</b>		11,709,232	11,709,232		11,709,232	8.48%
<b>Shareholdings of management and employees***</b>	5,750,000	12,526,555	18,276,555	21.17%	70,026,555	50.72%

CapMan did not receive any flagging notifications during 2014. An up-date information of all flagging notifications can be found at [www.capman.com](http://www.capman.com).

\* Employed by CapMan.

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

\*\*\* Shareholders among the 190 largest shareholders of the Company.



## 23. INTEREST-BEARING LOANS AND BORROWINGS - NON-CURRENT

€ ('000)	2014	2013
Bank loans	2,258	10,854
Senior bond	15,000	15,000
Multi-issuer bond	9,989	0
Total	27,247	25,854

The loan is amortized twice a year with the final payment due in 6 June 2016. The interest is paid quarterly. The senior bond will have an annual coupon rate of 5.5% and it matures in December 2017. The multi-issuer bond, 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.

## 24. TRADE AND OTHER PAYABLES – CURRENT

€ ('000)	2014	2013
Trade payables	219	476
Advance payments received	467	347
Accrued expenses	12,523	9,868
Other liabilities	525	653
Total	13,734	11,344

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

Accrued expenses include accrued salaries and the social benefit expenses, and a clawback reserve of €5.2 million (2013; €6.4 million) (including the share of the non-controlling interests). The clawback reserve relates to the exit in 2007 from Real Estate I Fund.

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

Trade and other liabilities	Amount in foreign currency	Amount in euros	Proportion
EUR		12,090	88%
NOK	5,874	650	5%
SEK	9,340	994	7%

## 25. INTEREST-BEARING LOANS AND BORROWINGS – CURRENT

€ ('000)	2014	2013
Bank loans	5,000	6,000
Total	5,000	6,000

## 26. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES BY VALUATION CATEGORY 2014

€ ('000)	Loans and other receivables	Fair value through P/L	Financial liabilities	Balance sheet value	Fair value
<b>Valuation principles</b>	Amortised cost	Fair value	Amortised cost		
<b>Non-current assets</b>					
Other investments					
Investments available-for-sale		55,258		55,258	55,258
Receivables					
Interest-bearing loan receivables from associated companies	2,997			2,997	2,997
Other receivables	253			253	253
<b>Current assets</b>					
Trade and other receivables	5,959			5,959	5,959
Other financial assets at fair value		319		319	319
Cash and bank	28,650			28,650	28,650
<b>Total</b>	37,859	55,577	0	93,436	93,436
<b>Non-current interest-bearing loans</b>					
Interest-bearing loans			27,247	27,247	27,247
<b>Current liabilities</b>					
Trade and other liabilities			13,734	13,734	13,734
Interest-bearing loans and borrowings			5,000	5,000	5,000
<b>Total</b>	0	0	45,981	45,981	45,981

**Classification of financial assets and liabilities by valuation category 2013**

€ ('000)	Loans and other receivables	Fair value through P/L	Financial liabilities	Balance sheet value	Fair value
<b>Valuation principles</b>	Amortised cost	Fair value	Amortised cost		
<b>Non-current assets</b>					
Other investments					
Investments available-for-sale		64,122		64,122	64,122
Receivables					
Interest-bearing loan receivables from associated companies				0	0
Interest-bearing other loan receivables	2,094			2,094	2,094
Other receivables	338			338	338
<b>Current assets</b>					
Trade and other receivables	5,199			5,199	5,199
Other financial assets at fair value		361		361	361
Cash and bank	17,004			17,004	17,004
<b>Total</b>	24,635	64,483	0	89,118	89,118
<b>Non-current interest-bearing loans</b>					
Interest-bearing loans			25,854	25,854	25,854
<b>Current liabilities</b>					
Trade and other liabilities			11,344	11,344	11,344
Interest-bearing loans and borrowings			6,000	6,000	6,000
<b>Total</b>	0	0	43,198	43,198	43,198

## 27. COMMITMENTS AND CONTINGENT LIABILITIES

€ ('000)	2014	2013
<b>Leasing agreements - CapMan Group as lessee</b>		
Other hire purchase commitments		
Within one year	1,709	1,998
After one but not more than five years	1,814	4,260
Total	3,523	6,258

The Group has leased the offices. The rental agreements are for 1 to 15 years.

### Securities and other contingent liabilities

€ ('000)	2014	2013
Contingencies for own commitment		
Mortgage bonds (shared in subsidiaries)	60,000	60,000
Pledged deposit for own commitment	2	1
Other contingent liabilities	0	35
Remaining commitments to funds by investment area		
Buyout	14,632	14,929
Credit	3,716	4,257
Russia	2,288	2,500
Public Market	1,387	1,349
Real Estate	3,723	2,664
Other investment areas	3,338	3,410
Funds of funds	1,166	1,196
Total	30,250	30,305

CapMan estimates that only MEUR 15-20 of the remaining commitments will be called in 3-4 years, particularly due to unused investment capacity of the older funds.

## 28. SHARE-BASED PAYMENTS

CapMan Plc had one stock option program at the end of 2014, the stock option program 2013.

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 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	01/05/2016	01/05/2017	01/05/2018
Share subscription period ends	30/04/2018	30/04/2019	30/04/2020
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. €0.88	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. €1.16	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
Information applied in the Black&Scholes model	Stock option 2013A	Stock option 2013B	
Expected volatility	23.29%	25.29%	
Risk-free interest	0.07%	0.19%	

## Shares and stock options

	Issued stock options	Distributed stock options 31.12.14	Subscribed stock options 31.12.14	Remaining stock options 31.12.14	Remaining distributed stock options 31.12.14	Shares 31.12.2014		Stock options 31.12.2014			
						Of shares	Of votes	Of shares	Of votes	Of shares	Of votes
						%	%	%	%	%	%
								If all distributed stock options will be excercised		If all stock options of option programs will be excercised	
A shares	5,750,000					6.7%	41.6%				
B shares	80,566,766					93.3%	58.4%				
2013A options	1,410,000	1,175,000		1,410,000	1,175,000			1.4%	0.9%	1.6%	1.0%
2013B options	1,410,000	1,141,667		1,410,000	1,141,667			1.3%	0.8%	1.6%	1.0%



## 29. POST-EMPLOYMENT BENEFITS

In Norway, CapMan had a pension scheme classified as a defined benefit plan in 2013. In autumn 2014 the office in Norway was closed and the employment contracts have ended during the year 2014. The Group has no defined obligation at the end of the year 2014.

The liability recognised in the balance sheet in respect of defined benefit pension plan is the present value of the defined obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries.

### The amount recognised in the balance sheet are determined as follows

€ ('000)	2014	2013
Present value of funded obligations		767
Fair value assets		-468
Liability in balance sheet	0	299

### The expenses recognised in the income statement

€ ('000)	2014	2013
Current service cost	-299	99
Interest expense	0	7
Total	-299	106

### The expenses recognised in the comprehensive income statement

€ ('000)	2014	2013
Remeasurements	0	103

### The amounts recognised in the balance sheet

€ ('000)	2014	2013
Net liability at beginnig of period		169
Costs recognized in income statement		106
Paid contributions and benefits		-106
Reclassifications		130
Net liability at end of period	0	299

### The significant actuarial assumptions

	2014	2013
		Norway
Discount rate		4.00%
Salary growwth rate		3.75%
Pension growth rate		0.60%

### 30. 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%
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%	

Investments accounted for using the equity method are presented in Table [15. Investments accounted for using the equity method](#).

The investments accounted for using the equity method include the investment of the Maneq funds approx. MEUR 9.0, including the loan MEUR 6.7, at fair value as of 31 December 2014.

#### Commitments to related parties

€ ('000)	2014	2013
Commitments to Maneq funds	4,090	4,290

**Management remuneration**

€ ('000)		2014	2013
Salaries and other short-term employee benefits		2,170	2,792
Termination benefits		0	360
Other long-term benefits		444	686
Share-based payments		122	20
Total		2,736	3,858
Remuneration and fees			
CEO	Period		
Lennart Simonsen	1.1.-8.2.2013	0	395
Niko Haavisto	8.2.-7.8.2013	0	234
Heikki Westerlund	7.8.-31.12.2013	0	143
Heikki Westerlund	1.1.-31.12.2014	374	0
Members of the Board			
Claes de Neergaard		35	41
Koen Dejonckheere *		0	0
Karri Kaitue		56	50
Nora Kerppola		43	48
Ari Tolppanen		187	174
Teuvo Salminen, prior member of the board		0	16
Heikki Westerlund, prior member of the board		0	119

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

**Pension costs**

€ ('000)		2014	2013	2014	2013
		Pension costs		Additional pension costs	
CEO	Period				
Lennart Simonsen	1.1.-8.2.2013	0	6	0	0
Niko Haavisto	8.2.-7.8.2013	0	43	0	7
Heikki Westerlund	7.8.-31.12.2013	0	26	0	6
Heikki Westerlund	1.1.-31.12.2014	69	0	38	0

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 2014 the Management Group members were granted 800 000 stock options (2013; 800 000). The stock options granted to the management are subject to the same terms as for stock options granted to employees.

## 31. 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. Of the MEUR 27.4 carried interest paid in 2007, some MEUR 6.4 was not entered in CapMan's profit in 2007 but instead left in reserve in case that some of the carried interest would have to be returned to investors in future. CapMan's share of the entered carried interest was approx. MEUR 13.5 and the share of minority owners was approx. MEUR 7.5. 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. Based on the fund's revised outlook, MEUR 1.2 of the reserved MEUR 6.4 was recognised as revenue in the end of 2014. The MEUR 1.2 did not include the minority owners' share. The remaining provision of MEUR 5.2, in CapMan's balance sheet, 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 31 December 2014 the undrawn commitments to the funds amount to €30.3 (€30.3 million) and the financing capacity available (cash and third party financing facilities) amount to €43.7 million (€30 million).

In June 2014, CapMan Plc participated in a multi-issuer bond, guaranteed by Garantia Insurance Company Ltd with MEUR 10 share. The issuance diversifies the company's financing package and increases the maturity of its loan portfolio.

Furthermore, CapMan Plc's MEUR 30 debt securities consist of a MEUR 15 senior bond and a MEUR 15 hybrid bond. As of 31 December 2014, CapMan Plc had access to MEUR 7.3 (MEUR 17) of bank financing, and in addition had a MEUR 15 unused long-term credit facility available.

### Maturity analysis

<b>31 December 2014, € ('000)</b>	<b>Due within 3 months</b>	<b>Due between 3 and 12 months</b>	<b>Due between 1 and 3 years</b>	<b>Due between 3 and 5 years</b>
Bonds			30,000	9,989
Bank loan		5,000	2,258	
Accounts payable	219			
Interests, bonds		2,240	4,670	94
Interests, bank loan	50	110	30	
Interest trade swap	39	40		
Commitments to funds	1,000	5,500	13,000	10,750
Commitments to Maneq -funds			4,090	
Clawback		5,212		

Interest rate swap, nominal value MEUR 17,5, expires in June 2015.

<b>31 December 2013, € ('000)</b>	<b>Due within 3 months</b>	<b>Due between 3 and 12 months</b>	<b>Due between 1 and 3 years</b>	<b>Due between 3 and 5 years</b>
Bonds			30,000	
Bank loan		6,000	10,854	
Accounts payable	476			
Interests, bonds		2,025	6,075	
Interests, bank loan	120	260	180	
Interest trade swap	43	126	79	
Commitments to funds	1,800	8,000	10,000	10,505
Commitments to Maneq -funds			4,290	
Clawback			6,364	

### b) Interest rate risk

The Group's exposure to interest rate risk arises principally from long-term liabilities. The Group manages cash flow-related interest rate risk by using partly floating interest and floating to fixed interest rate swaps. The objective is that at least half of the interest rate risk is restored to fixed with regard to the loan maturity date.

The senior bond will have an annual coupon rate of 5.5%. The annual coupon rate of the new hybrid loan is 8.0%. The annual coupon rate of the multi-issuer bond is 1.85%. The interest of the bonds will be paid annually.

**Loans according to interest rate**

€ ('000)	2014	2013
Floating rate	2,258	10,854
Fixed rate	24,989	15,000
<b>Total</b>	<b>27,247</b>	<b>25,854</b>

**The effect on profit after tax**

€ ('000)	+1 %	-1 %	+2 %
Floating rate	18	-18	36

**c) Credit risk**

Group's credit risks relate to the sales and other receivables, and from which the maximum loss is the book value of the said receivables. 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 MEUR 14. After the transaction, the Group's share of the Maneq funds is approx. MEUR 9.0 at fair value as of 31 December 2014. The Group's holdings in Maneq funds are shown in the balance sheet as investments in associated companies. 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, and CapMan therefore no longer has any significant credit risk.

**d) Currency risk**

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.

**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 Equity ratio of at least 60%. CapMan's target is to payout dividend at least 50% of net profit. The company's financial position and cash flows shall be taken into consideration when determining the annual dividend payout ratio.

In June 2014, CapMan Plc participated in a multi-issuer bond, guaranteed by Gartantia Insurance Company Ltd with MEUR 10 share. The issuance diversifies the company's financing package and increases the maturity of its loan portfolio.

Furthermore, CapMan Plc's MEUR 30 debt securities consist of a MEUR 15 senior bond and a MEUR 15 hybrid bond.

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.

€ ('000)	2014	2013
Interest-bearing loans	32,247	31,854
Cash and cash equivalents	-28,969	-17,365
Net debt	3,278	14,489
Equity	65,567	64,861
Net gearing	5.0 %	22.3 %
Return on equity	6.1 %	2.0 %
Equity ratio	57.8 %	58.9 %

#### f) Price risk of the investments in funds

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.

#### g) Determining fair values

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

€ ('000)	2014	2013
Buyout	30,584	33,897
Credit	2,344	2,660
Russia	3,955	4,036
Public Market	2,993	5,296
Real Estate	8,000	7,345
Other investment areas	5,322	8,153
Funds of funds	2,060	2,735
Total	55,258	64,122

**The group's assets measured at fair value at 31 December 2014.**

The different levels have been defined as follows:

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

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

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

€ ('000)	Level 1	Level 2	Level 3	Total
Investments at fair value through profit and loss investments in funds				
at Jan 1		5,296	58,826	64,122
Additions		51	9,638	9,689
Distributions		-2,579	-9,570	-12,149
Fair value gains/losses on investments		225	-6,629	-6,404
at the end of period		2,993	52,265	55,258

Level 2 include the investments in Public Market fund

Level 3 include all other fund investments

No transfers have been made between the levels during the year.

**The group's assets measured at fair value at 31 December 2013.**

€ ('000)	Level 1	Level 2	Level 3	Total
Investments at fair value through profit and loss investments in funds				
at Jan 1		4,008	70,457	74,465
Additions		61	5,435	5,496
Distributions		-838	-13,260	-14,098
Fair value gains/losses on investments		2,065	-3,806	-1,741
at the end of period		5,296	58,826	64,122

Level 2 include the investments in Public Market fund

Level 3 include all other fund investments

No transfers have been made between the levels during the year.



**Sensitive analysis of fund investments, level 3**

Investment area	Fair value MEUR 31.12.2014	Valuation methodology	Unobservable inputs	Used input value (weighted average)	Fair value sensitivity to a +/- 10% change in input value
<b>Buyout</b>	<b>29.8</b>	Peer group	Peer group earnings multiples	EV/EBITDA2014 8.3x	+3.4 MEUR / - 3.5 MEUR
			Discount to peer group multiples	22%	-0.9 MEUR / +1.0 MEUR
		Discounted cash flows	Discount rate; WACC	11%	-/+ 0.6 MEUR
<b>Russia</b>	<b>4.0</b>	Peer group	Peer group earnings multiples	EV/EBITDA2014 10.3x	+/- 0.3 MEUR
			Discount to peer group multiples	33%	-/+ 0.2 MEUR
<b>Real Estate</b>	<b>8.0</b>	Valuation by an independent valuer, using discounted cash flows methodology	Discount rate for cash flows	8%	NA*
			Discount rate for terminal value	8%	
<b>Credit</b>	<b>2.3</b>	Discounted cash flows	Discount rate; market rate and risk premium	13%	- 0.1 MEUR / value increase based on a change in the discount rate is not booked
<b>Other investment areas</b>	<b>6.1</b>	Peer group	Peer group earnings multiples	EV/EBITDA2014 10.2x	+0.6 MEUR / -0.5 MEUR
			Discount to peer group multiples	29%	-0.3 MEUR / +0.2 MEUR

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

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

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

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

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

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

The loan instruments held by the Credit funds are valued applying the discounted cash flows-method. However, any increase in valuation is not booked until it is realized. There is no functional secondary market for these types of investments, where such a value increase driven by a change in the discount rate could be realized. The funds' investment strategy is to hold the loans until they are repaid.

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:

<b>Future rental cash inflows</b>	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
<b>Discount rates</b>	Reflecting current market assessments of the uncertainty in the amount and timing of cash flows
<b>Estimated vacancy rates</b>	Based on current and expected future market conditions after expiry of any current lease
<b>Property operating expenses</b>	Including necessary investments to maintain functionality of the property for its expected useful life
<b>Capitalisation rates</b>	Based on actual location size and quality of the properties and taking into account market data at the valuation date
<b>Terminal value</b>	Taking into account assumptions regarding maintenance costs, vacancy rates and market rents.

\*) Because the real estate properties are valued using third party valuation information, CapMan prepares no sensitivity analysis for the inputs used therein, as the quantitative unobservable inputs are not reasonably available to CapMan.

## 32. EVENTS AFTER THE CLOSING DATE

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

# Parent Company Income Statement (FAS)

€	Note	1.1.-31.12.2014	1.1.-31.12.2013
<b>Turnover</b>	<a href="#">1</a>	4,643,731.38	4,177,520.80
Other operating income	<a href="#">2</a>	1,110,176.19	1,309,898.20
Employee benefit expenses	<a href="#">3</a>	-3,950,941.76	-4,143,272.46
Depreciation	<a href="#">4</a>	-189,169.68	-450,357.81
Other operating expenses	<a href="#">5</a>	-3,015,152.16	-3,650,551.59
<b>Operating loss</b>		-1,401,356.03	-2,756,762.86
Finance income and costs	<a href="#">6</a>	12,080,018.70	9,717,706.96
<b>Profit before extraordinary items</b>		10,678,662.67	6,960,944.10
Extraordinary items	<a href="#">7</a>	2,500,000.00	2,770,000.00
<b>Profit before taxes</b>		13,178,662.67	9,730,944.10
Income taxes	<a href="#">8</a>	0.00	106,555.78
<b>Profit for the financial year</b>		13,178,662.67	9,837,499.88

# Parent Company Balance Sheet (FAS)

€	Note	31/12/2014	31/12/2013
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	<a href="#">9</a>	196,981.97	332,060.24
Tangible assets	<a href="#">10</a>	137,014.57	147,559.41
Investments	<a href="#">11</a>		
Shares in subsidiaries		82,777,441.96	78,340,451.81
Investments in associated companies		1,756,486.02	2,073,060.38
Other investments		2,939,548.66	3,029,034.18
Investments total		87,473,476.64	83,442,546.37
		87,807,473.18	83,922,166.02
<b>Current assets</b>			
Long-term receivables	<a href="#">12</a>	15,659,983.48	14,990,917.89
Short-term receivables	<a href="#">13</a>	8,541,201.76	8,641,405.26
Marketable securities		0.00	41,466.09
Cash and bank		22,338,631.52	10,568,930.32
		46,539,816.76	34,242,719.56
<b>Total assets</b>		<b>134,347,289.94</b>	<b>118,164,885.58</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
	<a href="#">14</a>		
Share capital		771,586.98	771,586.98
Share premium account		38,968,186.24	38,968,186.24
Invested unrestricted shareholders' equity		8,810,890.67	7,876,590.92
Retained earnings		12,164,280.50	5,778,399.30
Profit for the financial year		13,178,662.67	9,837,499.88
		73,893,607.06	63,232,263.32
<b>Liabilities</b>			
Non-current liabilities	<a href="#">15</a>	42,246,717.32	40,854,068.04
Current liabilities	<a href="#">16</a>	18,206,965.56	14,078,554.22
		60,453,682.88	54,932,622.26
<b>Total shareholders' equity and liabilities</b>		<b>134,347,289.94</b>	<b>118,164,885.58</b>

# Parent Company Cash Flow Statement (FAS)

€	1.1.-31.12.2014	1.1.-31.12.2013
<b>Cash flow from operations</b>		
Profit before extraordinary items	10,678,663	6,960,944
Finance income and costs	-12,080,019	-9,717,707
Adjustments to operating profit/loss	-813,007	502,198
Change in net working capital		
Change in current non-interest-bearing receivables	269,940	-397,692
Change in current trade payables and other non-interest-bearing liabilities	5,553	-364,231
Interest paid	-3,347,690	-5,093,534
Interest received	886,107	374,715
Dividends received	14,646,770	13,803,272
Taxes paid	0	-3,700
<b>Cash flow from operations</b>	<b>10,246,317</b>	<b>6,064,265</b>
<b>Cash flow from investments</b>		
Investments in tangible and intangible assets	-43,547	-122,499
Proceed from sale of tangible assets	0	19,000
Investments in other placements	-3,446,348	3,929,139
Long-term loan receivables granted	-2,569,240	-2,054,333
Repayment of long-term loans	1,938,107	0
Sale of interest in an associated company	1,025,361	14,000,000
Proceed from sale of other investments	0	4,311
<b>Cash flow from investments</b>	<b>-3,095,667</b>	<b>15,775,618</b>
<b>Cash flow from financing activities</b>		
Share issue	934,300	0
Long-term loan receivables granted	-200,000	-999,082
Repayment of long-term loans	433,698	250,000
Short-term loan receivables granted	-2,605,000	-3,131,000
Repayment of short-term loans	900,000	980,000
Long-term loan receivables granted	9,989,100	30,000,000
Repayment of loans from financial institutions	-9,596,451	-44,324,396
Dividends paid	-3,451,619	0
Other financial assets at fair value	41,466	-31
Change in group liabilities	8,173,556	2,637,384
Group contributions received	0	2,870,000
Group contributions paid	0	-100,000
<b>Cash flow from financing activities</b>	<b>4,619,050</b>	<b>-11,817,125</b>
<b>Change in cash and cash equivalents</b>	<b>11,769,700</b>	<b>10,022,758</b>
Cash and cash equivalents at beginning of year	10,568,931	546,173
<b>Cash and cash equivalents at end of year</b>	<b>22,338,631</b>	<b>10,568,931</b>

# Notes to the Parent Company Financial Statements (FAS)

## **Basis of preparation for parent company financial statements**

CapMan Plc's financial statements for 2014 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 not 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 [31. Financial risk management](#).

In June, CapMan Plc participated in a multi-issuer bond totalling MEUR 70 and guaranteed by Garantia insurance Company Ltd. CapMan Plc's allocated amount of the bond was with MEUR 10 share.

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.

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.

**Income taxes**

Income taxes are recognised based on Finnish tax law. Deferred taxes are calculated on temporary

## 1. TURNOVER BY AREA

€	2014	2013
Finland	2,801,907	1,837,719
Foreign	1,841,825	2,339,802
Total	4,643,732	4,177,521

## 2. OTHER OPERATING INCOME

€	2014	2013
Gains from sale of tangible assets	0	19,000
Other	1,110,176	1,290,898
Total	1,110,176	1,309,898

### 3. PERSONNEL

€		2014	2013
Salaries and wages		3,277,844	3,502,639
Pension expenses		565,153	550,482
Other personnel expenses		107,945	90,152
Total		3,950,942	4,143,273
Salaries and other remuneration of the CEO	period		
Lennart Simonsen	1.1.-8.2.2013	0	395,100
Niko Haavisto	8.2.-7.8.2013	0	234,346
Heikki Westerlund	7.8.-31.12.2013	0	142,227
Heikki Westerlund	1.1.-31.1.2014	374,272	0
Board members		164,100	214,570
Average number of employees		36	32

Management remuneration is presented in the Group Financial Statements Table [30. Related party disclosures](#).

## 4. DEPRECIATION

€	2014	2013
Depreciation by asset type:		
Intangible rights	53,512	138,100
Other long-term expenditure	125,113	258,923
Machinery and equipment	10,545	53,334
Total	189,170	450,357

## 5. OTHER OPERATING EXPENSES

€	2014	2013
Other personnel expenses	202,396	264,807
Office expenses	1,003,354	757,755
Travelling and entertainment	248,644	197,729
External services	1,427,601	2,178,955
Other operating expenses	133,158	251,306
Total	3,015,153	3,650,552
Audit fees PricewaterhouseCoopers Oy, Authorised Public Accountants		
Audit fees	76,672	102,964
Tax advices	11,770	8,458
Other fees and services	25,795	71,875
Total	114,237	183,297

## 6. FINANCE INCOME AND COSTS

€	2014	2013
Dividend income		
Group companies	14,480,000	13,600,000
Associated companies	166,770	182,000
Other	0	21,272
Total	14,646,770	13,803,272
Other interest and finance income		
Group companies	171,098	181,207
Others	302,786	684,247
Total	473,884	865,454
Interest and other finance costs		
Group companies	-62,388	-116,427
Others	-2,978,248	-4,834,592
Total	-3,040,636	-4,951,019
Finance income and costs total	12,080,018	9,717,707

## 7. EXTRAORDINARY ITEMS

€	2014	2013
Extraordinary income		
Group contributions received	2,500,000	2,870,000
Extraordinary expenses		
Group contributions paid	0	-100,000



## 8. INCOME TAXES

€	2014	2013
Income taxes	0	106,556
Total	0	106,556

## 9. INTANGIBLE ASSETS

€	2014	2013
Intangible rights		
Acquisition cost at 1 January	828,188	828,188
Acquisition cost at 31 December	828,188	828,188
Accumulated depreciation at 1 January	-722,335	-584,235
Depreciation for financial year	-53,512	-138,100
Accumulated depreciation at 31 December	-775,847	-722,335
Book value on 31 December	52,341	105,853
Other long-term expenditure		
Acquisition cost at 1 January	2,316,733	2,207,698
Additions	43,547	109,036
Acquisition cost at 31 December	2,360,280	2,316,734
Accumulated depreciation at 1 January	-2,090,526	-1,831,603
Depreciation for financial year	-125,113	-258,923
Accumulated depreciation at 31 December	-2,215,639	-2,090,526
Book value on 31 December	144,641	226,208
Intangible rights total	196,982	332,061

## 10. TANGIBLE ASSETS

€	2014	2013
Machinery and equipment		
Acquisition cost at 1 January	902,094	888,630
Additions	0	13,464
Acquisition cost at 31 December	902,094	902,094
Accumulated depreciation at 1 January	-874,211	-820,877
Depreciation for financial year	-10,545	-53,334
Accumulated depreciation at 31 December	-884,756	-874,211
Book value on 31 December	17,338	27,883
Other tangible assets		
Acquisition cost at 1 January	119,677	119,677
Book value on 31 December	119,677	119,677
Tangible assets total	137,015	147,560

## 11. INVESTMENTS

€	2014	2013
Shares in subsidiaries		
Acquisition cost at 1 January	78,340,452	74,740,237
Additions	14,940,334	3,761,478
Disposals	-10,503,344	-161,263
Acquisition cost at 31 December	82,777,442	78,340,452
Shares in associated companies		
Acquisition cost at 1 January	2,073,061	5,867,098
Additions	0	1,073,608
Disposals	-316,575	-4,867,645
Acquisition cost at 31 December	1,756,486	2,073,061
Shares, other		
Acquisition cost at 1 January	3,029,033	3,102,670
Additions	85,242	115,372
Disposals	-174,726	-189,009
Acquisition cost at 31 December	2,939,549	3,029,033
Investments total	87,473,477	83,442,546

The subsidiaries and the associated companies are presented in the Notes to the Consolidated Financial Statements, Table [30. Related party disclosures](#).

## 12. LONG-TERM RECEIVABLES

€	2014	2013
Receivables from Group companies		
Loan receivables	3,114,302	3,348,000
Receivables from associated companies		
Loan receivables	9,548,817	9,548,817
Other loan receivables	2,996,864	2,094,101
Long-term receivables total	15,659,983	14,990,918

### 13. SHORT-TERM RECEIVABLES

€	2014	2013
Accounts receivable	320,815	152,517
Receivables from Group companies		
Accounts receivable	59,561	1,227
Loan receivables	2,915,839	2,220,840
Other receivables	2,894,204	3,933,135
Total	5,869,604	6,155,202
Receivables from associated companies		
Accrued income	146,187	50,699
Total	146,187	50,699
Loan receivables	121,034	18,326
Other receivables	1,132,002	1,249,350
Accrued income	951,560	1,015,312
Short-term receivables total	8,541,202	8,641,406

## 14. SHAREHOLDERS' EQUITY

€	2014	2013
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	7,876,591	6,999,741
Additions	934,300	876,850
Invested unrestricted shareholders' equity at 31 December	8,810,891	7,876,591
Retained earnings at 1 January	15,615,899	5,778,399
Dividend payment	-3,451,619	0
Retained earnings at 31 December	12,164,280	5,778,399
Profit for the financial year	13,178,663	9,837,500
Shareholders' equity, total	73,893,607	63,232,263

### Calculation of distributable assets

€	2014	2013
Retained earnings	12,164,280	5,778,399
Profit for the financial year	13,178,663	9,837,500
Invested unrestricted shareholders' equity	8,810,891	7,876,591
Total	34,153,834	23,492,490

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

	2014	2013
	Number of shares	Number of shares
Series A share (10 votes/share)	5,750,000	5,750,000
Series B share (1 vote/share)	80,566,766	79,516,991

## 15. NON-CURRENT LIABILITIES

€	2014	2013
Hybrid bond	15,000,000	15,000,000
Senior bond	15,000,000	15,000,000
Multi-issuer bond	9,989,100	0
Bank loans	2,257,617	10,854,068
Non-current liabilities total	42,246,717	40,854,068



## 16. CURRENT LIABILITIES

€	2014	2013
Accounts payable	13,297	183,698
Liabilities to Group companies		
Pohjola Bank plc; Group account	10,810,941	2,637,384
Accounts payable	175	0
Other liabilities	910,105	3,710,881
Accrued expenses	44,622	356,200
Total	11,765,843	6,704,465
Bank loans	5,000,000	6,000,000
Other liabilities	124,543	94,485
Accrued expenses	1,303,282	1,095,906
Current liabilities total	18,206,965	14,078,554

## 17. CONTINGENT LIABILITIES

€	2014	2013
<b>Leasing agreements</b>		
Operating lease commitments		
Within one year	35,970	69,900
After one but not more than five years	48,816	13,435
Total	84,786	83,335
Other hire purchase commitments		
Within one year	1,126,867	1,126,867
After one but not more than five years	1,220,772	2,347,639
Total	2,347,639	3,474,506
<b>Securities and other contingent liabilities</b>		
Contingencies for own commitment		
Mortgage bonds	60,000,000	60,000,000
Loan commitments to Maneq funds	4,089,989	4,289,989
Other contingent liabilities	0	35,288
Remaining commitments to funds		
Equity funds	616,766	674,609
Fund of funds	353,180	383,055
Total	969,946	1,057,664

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

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Helsinki, 4 February 2015

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Karri Kaitue  
Chairman

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Koen Dejonckheere

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Nora Kerppola

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Claes de Neergaard

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Ari Tolppanen

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Heikki Westerlund  
CEO

The Auditor's Note

Our auditor's report has been issued today.

Helsinki, 4 February 2015

PricewaterhouseCoopers Oy  
Authorised Public Accountants

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Mikko Nieminen  
Authorised Public Accountant

# Auditor's Report

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## (Translation from the Finnish original)

### To the Annual General Meeting of CapMan Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of CapMan Plc for the year ended 31 December 2014. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

### Responsibility of the Board of Directors and the Managing Director

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, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

### **Opinion on the Consolidated Financial Statements**

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

### **Opinion on the Company's Financial Statements and the Report of the Board of Directors**

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial

position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 4 February 2015

### **PricewaterhouseCoopers Oy**

Authorised Public Accountants

Mikko Nieminen

Authorised Public Accountant

# Shares and shareholders

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**CapMan is one of the few listed fund management companies in Europe. CapMan Plc's B share has been listed on the Helsinki Stock Exchange since 2001. CapMan had 6,816 shareholders at the end of 2014.**

## CapMan shares

CapMan has two series of shares, A and B. The company's unlisted A shares account for 41.6% of votes; while B shares, listed in Helsinki Stock Exchange (Nasdaq OMX Helsinki), account for 58.4% of votes. The company has total 5,750,000 of A shares and total 80,566,766 of B shares. Both series of shares carry an equal entitlement to a dividend. CapMan's shares are included in the book-entry securities register and have no nominal value. CapMan Plc's share capital as of 31 December 2014 was €771,568.98.

## Option programmes

CapMan had one option programme to engage and commit personnel to the company in force as of the end of 2014: Option programme 2013A. 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 6,816 shareholders as of the end of 2014. CapMan issued no flagging notices in 2014.

## 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 15% of CapMan's shares as of the end of 2014. A breakdown by sector and size of holding can be found on the Notes to the Financial Statements.

## Dividend policy and dividend payable for 2014

CapMan aims to pay at least 50% of its net result in the form of a dividend. The Board of Directors will propose to the Annual General Meeting that a dividend of €0.06 per share should be paid to shareholders.

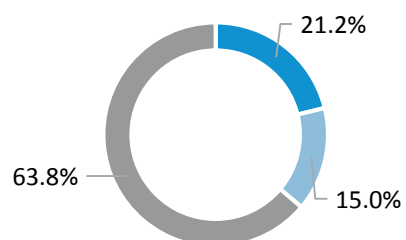
## IR contacts

CapMan's IR contacts are the joint responsibility of the CEO, the head of the Business Development and Investor Relations team, 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 and does not meet investors, analysts, or financial journalists.

## Read more

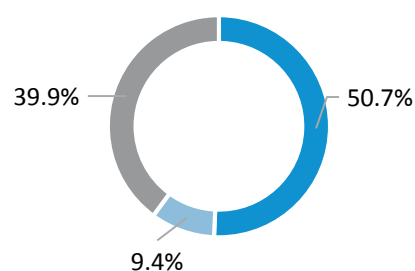
[Share-related key figures](#)  
[Information for shareholders](#)

## Voting rights by shareholder class



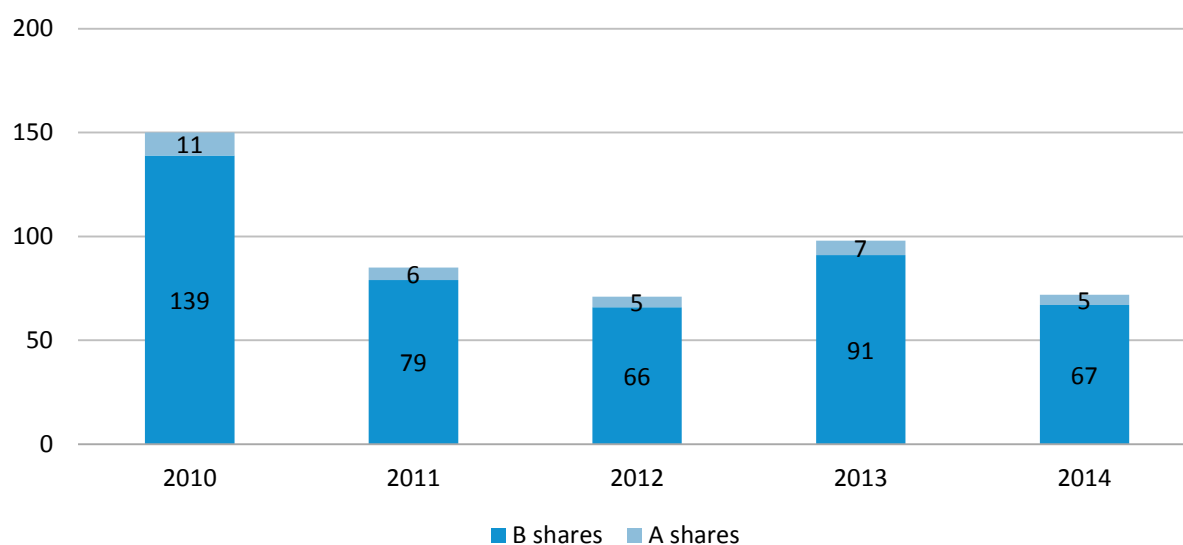
- Management and employees of CapMan
- Nominee registered shareholders and other foreign ownership (non-Finnish owners)
- Finnish institutions and households

## Voting rights by shareholder class



- Management and employees of CapMan
- Nominee registered shareholders and other foreign ownership (non-Finnish owners)
- Finnish institutions and households

## Market Capitalisation



## Share price development and trading of B shares

	2014	2013
<b>Share price, €</b>		
highest	1.23	1.19
lowest	0.80	0.78
volume-weighted average	1.04	0.93
closing price, 31.12	0.83	1.14
<b>Trading turnover</b>		
million shares	19.6	20.2
million euros	20.4	18.9

**CapMan B-share**

Market	Helsinki
Currency	€
Listed	02.04.2001
ISIN	FI0009009377
Trading code	CPMBV
Reuters code	CPMBV.HE
Bloomberg code	CPMBV
List	Nordic Small Caps
Industry	Finance
Number of shares	80,566,766
Votes/share	1/share

**CapMan A-share (unlisted)**

Number of shares	5,750,000
Votes/share	10/share

**CapMan 2013 A-option**

Stock options, number	1,410,000
Share subscription price	0.88 EUR
Exercise period	1.5.2016 - 30.4.2018

**CapMan 2013 B-option**

Stock options, number	1,410,000
Share subscription price	1.16 EUR
Exercise period	1.5.2017 - 30.4.2019

The 2013A option programme entitles to subscribe to 1,410,000 and the 2013B option programme entitles to subscribe to 1,410,000.



# Information for shareholders

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## Annual General Meeting 2015

CapMan Plc's Annual General Meeting 2015 will be held on Wednesday, 18 March 2015 at 10:00 am EET at Cultural Centre G18 ball room, Yrjönkatu 18, 00120 Helsinki. All shareholders registered with the company's list of shareholders maintained by Euroclear Finland Oy on Friday 6 March 2015 are entitled to attend.

Shareholders wishing to attend the AGM should inform the company by 10:00 am EET on Friday 13 March 2015 at the latest. Registration can be made by sending a written notification to the company's address (CapMan Plc/AGM, Korkeavuorenkatu 32, 00130 Helsinki) online at [www.capman.com/general-meetings](http://www.capman.com/general-meetings), by phone (Anni Luoma, +358 (0)207 207 627 or Hannele Luukkainen, +358 (0)207 207 649), by email ([agm@capman.com](mailto:agm@capman.com)), or by fax (+358 (0)207 207 510). 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 €0.06 per share will be paid.

## CapMan Plc's financial reporting in 2015

CapMan Plc will publish three interim reports during 2015:

1 January – 31 March 2015: Thursday, 7 May 2015  
1 January – 30 June 2015: Thursday, 6 August 2015  
1 January – 30 September 2015: Thursday, 5 November 2015.

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 Web site also includes other IR material. Anyone interested in receiving CapMan releases by email can subscribe them at [www.capman.com](http://www.capman.com).

## 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's free phone number – +358 (0)800 180 500 – 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, Head of the Business Development and Investor Relations team, the CFO, and the Manager, Communications and IR. 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 and does not meet investors, analysts, or financial journalists.

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# Calculation of Key Ratios

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