

CapMan  
Annual Report  
2012





# CapMan Annual Report 2012

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## *CEO's review*



*Our goal: to  
return CapMan  
to a growth  
path in 2013*

### **A competitive market ripe with opportunities**

The private equity industry encountered its fair share of challenges in 2012. Competitive fundraising conditions in particular impacted CapMan's operations. There were a

record number of funds in the market at year end, and the success rate of funds achieving final close has been the lowest in years. The exit market remained subdued, delaying capital returns to investors which in turn encumbered investors' ability to make commitments to new funds. Despite a difficult market, we were successful in achieving the first close of our tenth buyout fund. M&A activity picked up during the last quarter of 2012 especially in the Nordic countries, and several industries show signs of growth. The Russian economy also remained on a growth track and our successful operations in Russia reflect this optimism.

The Nordic countries have fared the sovereign debt crisis better compared to the rest of Europe. While financing for transactions was generally available, small and mid-sized businesses experienced difficulties in obtaining bank financing during 2012 due to tightened lending terms of banks. The restrictions in obtaining bank financing enhanced the role of private equity investors as supporters of growth companies. Changes in the regulatory environment provide opportunities for a player like CapMan, which has access to a broad network of investors. While stricter regulations guide the investment allocations of banks and insurance companies, private equity has historically provided better returns compared to the stock market and the asset class plays an important role in supporting return expectations of for example pension funds.

### **Our strategic overhaul is close to completion**

Despite rough conditions, we have consistently executed our strategy, which builds on entrepreneurial investment partnerships. We have continued to improve the teams' ability to work independently and are completing the business model enhancement process in 2013. A substantial part of the implementation of the strategy is the alignment of compensation with the teams' achievements.

Added business responsibility will provide the investment teams with improved means as well as incentives to maximise the value of their portfolios. Simultaneously, we have implemented significant cost savings at Group level and trimmed operations that do not belong to our core activities.

Due to cost savings and new funds under establishment, we expect management fees to cover our operating expenses from the second half of 2013 onwards.

The autonomous investment teams accelerate the creation and offering of new products to investors. As an example the CapMan Credit team provides a foundation for the development of debt financing products beyond mezzanine.

We have incorporated environmental, social and governance issues broadly into our operations, which culminated in our decision to become a signatory of the UN Principles for Responsible Investment (UN PRI). This year, we focus on the integration of responsible investment practices into development and monitoring across all investment partnerships.

The outcome of our efforts often take years to show, which is why our activities should be evaluated over longer cycles than on a quarterly or even annual basis. The dearth of companies going public, the challenging fundraising environment and sophisticated buyers are testaments to the demanding "new normal" of private equity, which CapMan is also a part of. Our net result for 2012 was expected, but not satisfactory. The proposal of the Board of Directors to abstain from paying a dividend is in line with our dividend policy.

## New funds play a vital role in 2013

Fundraising for three separate investment partnerships took centre stage in 2012. Fundraising for CapMan Buyout X

continues in 2013 and focuses currently on Continental Europe, the United States, the Middle East and Asia, in addition to institutional investors in the Nordics. Fundraising for CapMan Nordic Real Estate and CapMan Russia II funds progresses as well. The establishment of new funds determines the minimum level of our management fees for several years to come, providing a solid foundation for operational planning and growth.

In addition to achieving successful completion of ongoing fundraising rounds, our main objectives for 2013 are improved profitability of the Management Company business and the development of new products. Strong local know-how, excellent investor relationships, and focus on our core business provide a foundation for CapMan to return to a growth track. Value creation at its final stages in several portfolio companies provides opportunities for carried interest as well as capital returns from our own fund investments. Consequently, we expect our 2013 operating income to exceed levels obtained last year.

We appreciate our shareholders and fund investors for demonstrated resilience in an uncertain market. I would also like to extend my warmest gratitude to our employees for their efforts this past year. Together, we are exploring fresh waters.

**Niko Haavisto**  
Interim CEO and CFO

## CapMan Development Programme 2013



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### Heikki Westerlund Chairman of the Board

"In February 2013, CapMan initiated a growth programme with the objective to return the company to a growth track. Successful fundraising for funds currently in the market constitutes an important foundation for our growth. Balanced results from management fees and improved carried interest income and income from our own fund investments are key components for developing our results in the upcoming

years. A low interest rate environment and the awareness of new investor groups for private equity investments provide an opportunity to selectively launch new product areas. The partnership model that we use for our investment activities offers room for growth without deviating from the focus of our existing funds: the generation of healthy returns from investment activities. As part of this programme, we have decided to look for a new CEO, who will support our growth objectives."

# *Main events in 2012*

## Progress in fundraising

Fundraising was a central theme for CapMan in 2012 with three fundraising processes ongoing for three separate investment partnerships. The CapMan Buyout X fund achieved first closing at €151,8 million in November. Fundraising for the fund continues in 2013. CapMan Nordic Real Estate and CapMan Russia II funds are expected to achieve first closings in the next few months.

## Six exits

During the year, funds exited the Tokmanni Group, Ascade, Inmeta Crayon, Ordynha, Quickcool and Turun Yliopistonkatu 22. In addition, funds made a partial exit from Metals and Powders Technology. After year-end, funds managed by CapMan exited IT2 Treasury Solutions and MQ and signed agreements to exit Tieturi Group and Locus.

## Five investments and several add-ons

During the year, funds made a total of five new investments. CapMan Buyout invested in Norwegian well management and drilling services provider Acona in December. CapMan Russia invested in sports retail chain store Top League, diagnostic laboratory chain KDL Test and laboratory equipment and reagent producer Vital Development. CapMan Real Estate acquired an office building in Sollentuna in the Greater Stockholm area. The investment is the team's first in Sweden since the expansion of CapMan Real Estate into Stockholm in 2011. A total of 20 add-on investments and arrangements were made throughout the year, mainly in CapMan Buyout portfolio companies. The most significant arrangement was the creation of Fortaco, a manufacturing partner for the engineering industry.

## Value creation at the core

Our investment teams focused on the value creation of portfolio companies and properties and the fair value of our fund investments developed favourably in 2012. Local presence and active ownership provide a great foundation for the value development effort. Real estate development remained active over the year. The second phase of the Willa

shopping centre, a property owned by CapMan Real Estate II, was inaugurated in October.

## Effective purchasing for portfolio companies

CapMan's purchasing scheme CaPS helps portfolio companies lower the costs of their non-strategic products and services, which in turn improves profitability. The savings made to CaPS companies in 2012 exceeded €10 million in Finland and Sweden.

## Responsible investment practices

In December, CapMan became a signatory of the UN Principles for Responsible Investment (UN PRI). Signing the UN PRI is the next step in the integration of environmental, social and governance (ESG) issues into our decision making and investment processes. In practice, CapMan already follows the principles for responsible investment in all our funds on a general level and is actively seeking to develop ESG practices further. The Skanssi shopping centre was granted LEED environmental certification, making it the only shopping centre in Europe with LEED certification for both the construction process and operations.

## Reorganisation of investment activities

During 2012, CapMan prepared for the creation of a new CapMan Credit team. The team was established in February 2013 and will continue to execute the investment strategy of the Mezzanine V fund while building a foundation for the development other debt financing products. The two members of the investment team are based in CapMan's Stockholm office.

CapMan began investigating options for the establishment of a new Public Market fund together with a partner. The planned Public Market Fund II would be established as an independent fund from CapMan and the new fund would pay management fees and carried interest income to CapMan based on fund commitments made through CapMan in accordance with the agreement. The existing Public Market Fund continues its exit and value creation activities in line

with its strategy and the aforementioned arrangement in the Public Market Fund II has no effect on CapMan's earnings potential from the Public Market Fund.

**Read more:** [www.capman.com](http://www.capman.com)

# CapMan in brief

- › **Five** key investment partnerships
- › Capital under management **€3.1 billion** in 2012
- › **38** portfolio companies\* and **57** real estate properties
- › Aggregate net sales of portfolio companies **€5.5 billion** in 2012 and number of employees approx. **38,200**.
- › Lettable area of the properties **680,000 m<sup>2</sup>** in total and approx. **300** tenants

CapMan Group is a leading private equity fund manager in the Nordic countries and Russia. We have more than 20 years of experience in supporting business growth in the region. Altogether, CapMan employs 109 people in Helsinki, Stockholm, Oslo, Moscow, and Luxembourg. CapMan was established in 1989 and has been listed on the Helsinki Stock Exchange since 2001.

\* Including investments of Buyout, Russia and Public Market teams.

## Investment teams at CapMan

CapMan has five key investment partnerships - CapMan Buyout, CapMan Russia, CapMan Credit, CapMan Public Market, and CapMan Real Estate - each of which has its own dedicated investment team and funds.

### CapMan Buyout

**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 sustainable market position, a unique business with standout products and services, clear growth potential and positive cash flow.

Our team comprises approx. 20 investment professionals in Helsinki, Stockholm and Oslo.

### CapMan Russia

**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 pursue growth both in Russia and internationally. We make minority investments in small and mid-sized enterprises operating especially in rural areas in Russia and in industries with minimal government involvement.

Our team comprises approx. 10 investment professionals in Moscow.

### CapMan Credit

**CapMan Credit** advises the CapMan Mezzanine V fund, which makes mezzanine 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 defendable market positions, positive and predictable cash flow and experienced management teams.

Our team comprises 2 investment professionals in Stockholm.

### CapMan Public Market

**CapMan Public Market** invests in listed Nordic small and mid cap companies. Through substantial minority investments we obtain genuine governance positions in companies where we identify significant value potential. Our aim is to develop the companies through active ownership in co-operation with other owners and the board.

Our team comprises 4 investment professionals in Stockholm.

### CapMan Real Estate

**CapMan Real Estate** manages four private equity real estate funds, which invest in commercial and hotel properties and property developments. We have extensive experience in real estate investments in Finland and Sweden, and work in close cooperation with our tenants to continuously develop our properties.

Our team comprises approx. 20 investment professionals in Helsinki and Stockholm.



## Why invest in CapMan?

CapMan's stock combines the return potential of private equity with the liquidity of the stock market. All investor groups have the opportunity to access the value generated by Nordic and Russian companies and real estate and benefit from the growth of the private equity industry through CapMan's stock.

We aim to ensure that management fees cover our operating costs. Funds in carry have earnings potential whenever a

portfolio company or real estate is exited. Funds yet to enter carry represent a significant source of earnings potential. Our own fund investments offer additional earnings potential for investors. Our targeted payout ratio is 50% of net profits at minimum.

The large number of funds under management and multiple individual investments contribute to a diversification of risks related to individual investments.

Read more from the Shares and shareholders section.

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# *Corporate Governance*

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CapMan complies with the Finnish Corporate Governance Code for listed companies and its corporate governance is in compliance with the laws of Finland, CapMan's Articles of Association, and the rules and regulations of NASDAQ OMX Helsinki Ltd.

- › Corporate Governance Statement for 2012
- › Board of Directors
- › Management Group

# Corporate Governance Statement 2012

## 1 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).

## 2 Deviations from the Code

CapMan deviates from Recommendation 43 (Participation of the directors in a share-based remuneration scheme) which covers the participation of non-executive directors in share-related remuneration schemes. Non-executive members of the Board can participate in a share-related remuneration scheme in accordance with the decision of the general meeting, in which case shareholders have the opportunity to evaluate whether such remuneration is in their interest.

## 3 Board of Directors

### 3.1 Composition

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

The AGM held on 14 March 2012 elected six members to the Board. Mr Koen Dejonckheere, Mr Claes de Neergaard, Mr Karri Kaitue, Ms Nora Kerppola, Mr Teuvo Salminen and Mr Heikki Westerlund were elected to the Board. The Board elected from among its members Heikki Westerlund as the Chairman of the Board and Teuvo Salminen as the Vice Chairman of the Board.

Conny Karlsson was a member of the Board until the close of the AGM 2012.

Their biographical details are presented in a separate Board section.

### 3.2 Independence of the Board members

The Board has in its organizing meeting on 14 March 2012 assessed its members' independence of the company and of its significant shareholders. Karri Kaitue, Nora Kerppola, Claes de Neergaard and Teuvo Salminen were independent of both the company and its significant shareholders. Koen Dejonckheere was independent of the company, but non-independent of its significant shareholders. Heikki Westerlund, CapMan's Senior Partner and member of CapMan Buyout investment team, was non-independent of both the company and its significant shareholders. The independence assessment of Teuvo Salminen was changed in the organizing meeting since he no longer acted as an advisor to CapMan's investment teams. Therefore, Mr

Salminen was as from 14 March 2012 independent of both the company and its significant shareholders.

### 3.3 Duties and responsibilities

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

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

- › to appoint and dismiss the CEO 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.

### 3.4 Work of the Board in 2012

In 2012, the Board met nine times (eight meetings for the Board elected by the 2012 AGM and one meeting for the Board elected by the 2011 AGM). The table below presents Board members' attendance at the meetings in 2012.



**Board of Directors in 2012**

<b>Name</b>	<b>Personal information</b>	<b>Attendance at the Board meetings</b>	<b>Attendance at the Committee meetings</b>
<b>Heikki Westerlund</b>	Chairman of the Board since 31 March 2010. Member of the Board since 2010. Born 1966, M.Sc. (Econ.). Main occupation: Senior Partner at CapMan. Chairman of the Nomination Committee. Non-independent Board member.	9/9	Nomination Committee: 3/3
<b>Teuvo Salminen</b>	Vice Chairman of the Board since 31 March 2005. Member of the Board since 2001. Born 1954, M. Sc. (Econ.), Authorised Public Accountant. Main occupation: Board professional. Chairman of the Audit Committee, member of the Nomination Committee. Independent of the company and significant shareholders.	9/9	Audit Committee: 5/5 Nomination Committee: 3/3
<b>Koen Dejonckheere</b>	Member of the Board since 2010. Born 1969, MBA, M.Sc. (Eng.). Main occupation: CEO at Gimv NV. Member of the Remuneration Committee and Nomination Committee. Independent of the company.	8/9	Nomination Committee: 3/3 Remuneration Committee: 5/5
<b>Claes de Neergaard</b>	Member of the Board since 2011. Born 1949, M.Sc. (Econ.). Main occupation: CEO of Industrifonden. Member of the Remuneration Committee. Independent of the company and significant shareholders.	9/9	Remuneration Committee: 5/5
<b>Karri Kaitue</b>	Member of the Board since 2012. Born 1964, LL. Lic. Main occupation: Board professional. Member of the Audit Committee. Independent of the company and significant shareholders.	8/8	Audit Committee: 4/4
<b>Nora Kerppola</b>	Member of the Board since 2011. Born 1964, MBA. Main occupation: CEO of Nordic Investment Group Oy. Chairman of the Remuneration Committee, member of the Audit Committee. Independent of the company and significant shareholders.	9/9	Audit Committee: 4/4 Remuneration Committee: 5/5

**The following persons were members of the Board until the end of the AGM 2012.**

<b>Name</b>	<b>Personal information</b>	<b>Attendance at the Board meetings</b>	<b>Attendance at the Committee meetings</b>
<b>Conny Karlsson</b>	Member of the Board during 2008-2012. Born 1955, MBA. Main occupation: Board professional. Member of the Audit Committee. Independent of significant shareholders.	0/1	Audit Committee: 1/1

## 4 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 14 March 2012, CapMan's Board established Audit, Nomination and Remuneration Committees.

#### 4.1 Audit Committee

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

The duties of the Audit Committee include:

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

The Board has in its organizing meeting on 14 March 2012 elected Teuvo Salminen (Chairman), Karri Kaitue and Nora Kerppola as members of the Audit Committee. In 2012, the Audit Committee met four times in this composition. Prior to AGM 2012, the members of the Audit Committee were Teuvo Salminen (Chairman) and Conny Karlsson in which composition the Committee met once in 2012. The table in section 3.4 presents the Committee members' attendance at the meetings.

#### 4.2 Nomination Committee

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

The Board has in its organizing meeting on 14 March 2012 re-elected Heikki Westerlund (Chairman), Koen Dejonckheere and Teuvo Salminen as members of the Nomination Committee. In 2012, the Nomination Committee met three times. The table in section 3.4 presents the Committee members' attendance at the meetings.

#### 4.3 Remuneration Committee

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

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

- › 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 14 March 2012 re-elected Nora Kerppola (Chairman), Koen Dejonckheere and Claes de Neergaard as members of the Remuneration Committee. In 2012, the Remuneration Committee met five times. The table in section 3.4 presents the Committee members' attendance at the meetings.

### 5 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 2012, CapMan's CEO was Senior Partner Lennart Simonsen (born 1960, LL.M., M. Sc. (Law)).

## 6 Internal control and risk management pertaining to the financial reporting

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

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

The aim of CapMan's internal control is to:

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

### 6.1 General description of the financial reporting process

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

### 6.2 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.

### 6.3 Risk assessment and control activities

CapMan has defined financial reporting objectives in order to identify risks related to the financial reporting process. The risk assessment process is designed to identify financial

reporting risks and to determine how these risks should be managed.

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

As part of the risk management process the company conducted an extensive risk mapping project during 2011. As a consequence of the project, CapMan's risks are better identified, documented and classified. In 2012, CapMan continued the project carried out preceding year in order to ensure comprehensiveness of the risk management systems. In the annual strategy process, the identified risks are reviewed, the risk management control activities are audited and effects of potential new identified risks on the strategy are evaluated.

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

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

In terms of internal control and financial reporting information, CapMan's external and internal information is obtained systematically, and the management is provided with relevant information on the group's activities. Timely, current and accessible information relevant for financial reporting purposes is provided to the appropriate functions, such as

the Board, the management group and the monitoring team. All external communications is handled in accordance with the group disclosure policy, which is available on the company's website [www.capman.com/capman-group/governance/disclosure](http://www.capman.com/capman-group/governance/disclosure).

#### **6.5 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 Board.

The Board regularly reviews group-level financial reports, including comparison of actual figures with prior periods and budgets, other forecasts, monthly cash flow estimates and covenant levels. 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 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.



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## *Board of Directors*

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### Heikki Westerlund

Chairman of the Board,  
Senior Partner

b. 1966

M.Sc. (Econ.), Chairman of the Board since 30 March 2010. Member of the Board since 2010. CapMan's Senior Partner. Joined company in 1994. Non-independent of CapMan Plc and its significant shareholders.

**Key Board memberships:** Walki Group Oy, Lumene Holding Oy, Orion Corporation.



### Teuvo Salminen

Vice Chairman of the Board

b. 1954

M.Sc. (Econ.), Authorised Public Accountant, Vice Chairman of the Board since 31 March 2005. Member of the Board since 2001. Independent of CapMan Plc and of its significant shareholders.

**Key Board memberships:** Havator Group Oy (Chairman), Holiday Club Resorts Oy (Chairman), Cargotec Corporation, Tieto Corporation, Glaston Corporation, Evli Bank Plc, 3StepIt Group Oy.



### Koen Dejonckheere

Member of the Board

b. 1969

MBA, M.Sc. (Eng.). Member of the Board since 2010. CEO to Gimv NV. Independent of CapMan Plc, but dependent of its significant shareholders.

**Key Board memberships:** Hospital Group HHRM, Belgian Venturing Association, Home Invest REIT, Member of the Executive Committee of Belgian Employers' Association (VBO), Director of the Board of Flemish Employers' Association (VOKA).



## Karri Kaitue

Member of the Board

b. 1964

LL. Lic. Member of the Board since 2012. Board professional. Independent of CapMan Plc and of its significant shareholders.

**Key Board memberships:** Destia Ltd. (Chairman), Outotec Oyj (Vice Chairman), Cargotec Corporation



## Nora Kerppola

Member of the Board

b. 1964

MBA. Member of the Board since 2011. Managing Director of Nordic Investments Oy. Independent of CapMan Plc and of its significant shareholders.

**Key Board memberships:** Finnish Fund for Industrial Cooperation Ltd. (Finnfund).



## Claes de Neergaard

Member of the Board

b. 1949

M.Sc. (Econ.). Member of the Board since 2011. Managing Director of Industrifonden. Independent of CapMan Plc and of its significant shareholders.

**Key Board memberships:** CONNECT Sverige (Chairman), Hemsö Fastighets AB.

The information presented on Board members is as of 31 December 2012. Detailed information on Board members, their key employment history, shareholdings, remuneration, and Board committees is available at [www.capman.com/capman-group/governance](http://www.capman.com/capman-group/governance) and in CapMan Group's Corporate Governance Statement for 2012.

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## *Management Group*

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### Lennart Simonsen

CEO, Senior Partner

b. 1960

LL.M. Joined the company in 2010. Member of the Management Group since 2010.

**Key Board memberships:** Finnish Venture Capital Association (FVCA)



### Jerome Bouix

Head of Sales, Marketing, IR and Communications, Senior Partner.

b. 1971

M.Sc. (Econ.). Joined the company in 2000. Member of the Management Group since 2007.

**Key Board memberships:** -



### Niko Haavisto

CFO

b. 1972

M.Sc. (Business). Joined the company in 2010. Member of the Management Group since 2010.

**Key Board memberships:** -



## Kai Jordahl

Head of CapMan Buyout, Senior Partner

b. 1960

M.Sc. (Econ.). Joined the company in 2004. Member of the Management Group since 2007.

**Key Board memberships:** Cardinal Foods AS (Chairman), Espira Gruppen, Curato ja EastAvab Norway.



## Mika Matikainen

Head of CapMan Real Estate, Senior Partner

b. 1975

M.Sc. (Econ.), M.Soc.Sc. Joined the company in 2006. Member of the Management Group since 2010.

**Key Board memberships:** -



## Hans Christian Dall Nygård

Head of CapMan Russia, Senior Partner

b. 1968

M.Sc.(Econ.), MBA, CEFA. Joined the company in 2008. Member of the Management Group since 2009.

**Key Board memberships:** Bank Evropeisky, ROK-1, Norwegian-Russian Chamber of Commerce (NRCC).



## Joakim Rubin

Head of CapMan Public Market, Senior Partner

b. 1960

M.Sc. (Eng.). Joined the company in 2008. Member of the Management Group since 2010.

**Key Board memberships:** B&B Tools AB, Intrum Justitia AB, ÅF AB (publ).

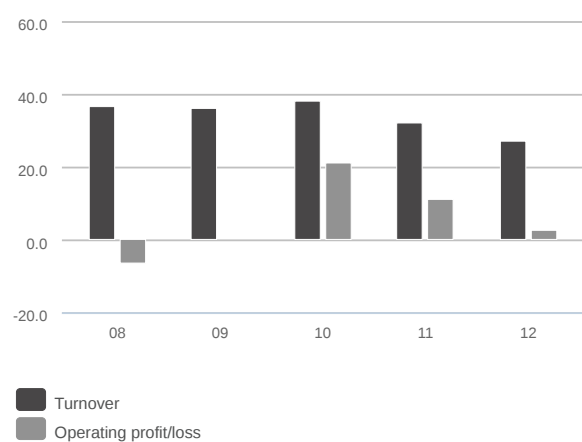


The information presented on Management Group members is as of 31 December 2012. Detailed information on the CEO and Management Group members, their key employment history, shareholdings and options as well as remuneration is available at [www.capman.com/capman-group/governance/management-group](http://www.capman.com/capman-group/governance/management-group).

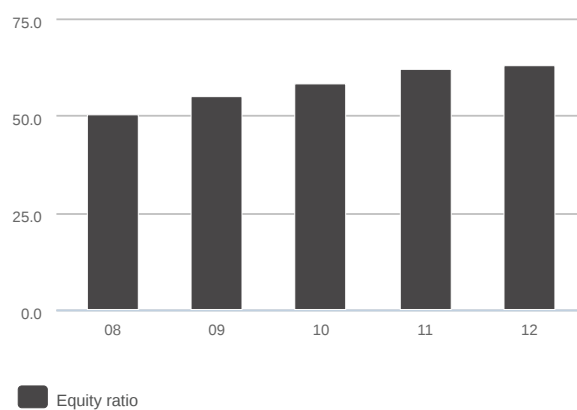
# Financial Statements

## Key figures - CapMan Group

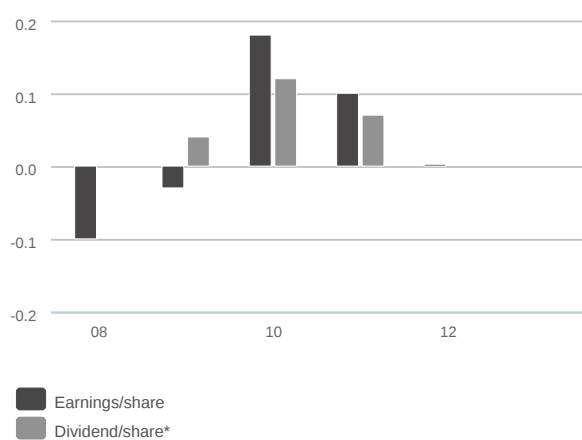
Group turnover and operating profit, M€



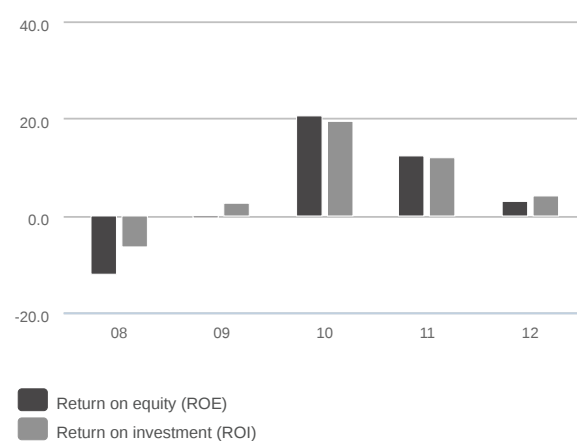
Equity ratio, %



Earnings/share and dividend/share, €



ROI and ROE, %



## Key Performance Indicators for CapMan Group

M€	2008	2009	2010	2011	2012
Turnover	36.8	36.3	38.1	32.4	27.3
Management fees	29.6	33.3	32.9	27.1	23.9
Carried interest**	4.1	0.0	2.6	3.1	1.8
Income from real estate consulting	2.4	2.4	1.6	1.0	0.0
Other income	0.7	0.6	1.0	1.2	1.5
Other operating income	0.1	0.1	23.0	0.6	0.2
Operating expenses	-29.8	-33.0	-42.8	-34.9	-30.3
Fair value gains/losses of investments	-13.4	-3.3	2.7	12.8	5.3
Operating profit/loss	-6.3	0.1	21.0	11.1	2.6
Financial income and expenses	-2.0	-0.2	0.6	0.6	0.1
Share of associated companies' result	-2.4	1.3	2.4	2.1	0.6
Profit/loss before taxes	-10.7	1.2	23.9	13.7	3.3
Profit/loss for the financial year	-8.1	0.1	17.6	11.1	2.7
Return on equity (ROE), %	-11.8	0.2	20.8	12.4	3.2
Return on investment (ROI), %	-6.3	2.8	19.7	11.9	4.2
Equity ratio, %	50.3	55.1	58.5	61.9	63.1
Net gearing, %	30.0	34.8	7.3	14.4	30.7
Dividend paid *	0.0	3.4	10.1	5.9	0.0
Personnel (at year-end)	141	150	150	122	109

## Key Ratios Per Share

	2008	2009	2010	2011	2012
Earnings/share, €	-10.2	-3.0	17.7	10.1	0.3
Diluted	-9.8	-3.0	17.7	10.1	0.3
Shareholders' equity/ share, €	86.1	94.2	107.7	104.7	98.6
Dividend/share*, €	0.0	4.0	12.0	7.0	0.0
Dividend/earnings*, %	0.0	0.0	68.0	70.0	0.0
Average share issue adjusted number of shares during the financial year ('000)	80,433	83,016	84,255	84,255	84,255
Share issue adjusted number of shares at year-end ('000)	81,458	84,282	84,282	84,282	84,282
Number of shares outstanding ('000)	81,323	84,255	84,255	84,255	84,255
Own shares ('000)	136	26	26	26	26

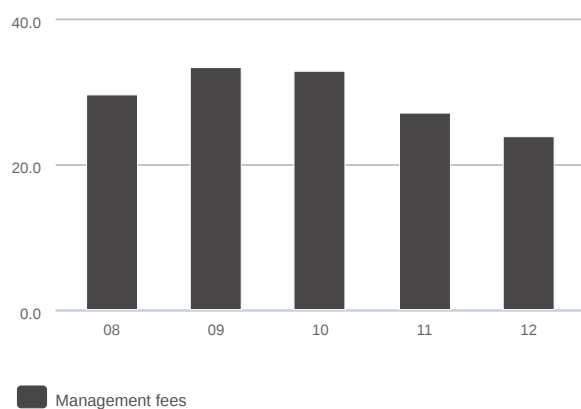
\* Proposal of the Board of Directors to the Annual General Meeting for year 2012.

In line with IFRS standards, the €29 million bond issued is included in equity and also in calculating shareholders' equity per share.

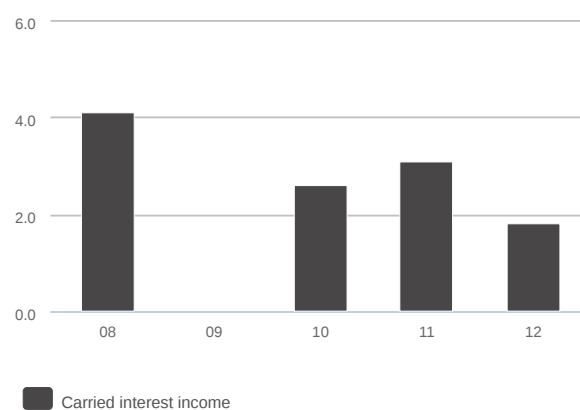


## Management Company business

Management fees, M€



Carried interest income, M€

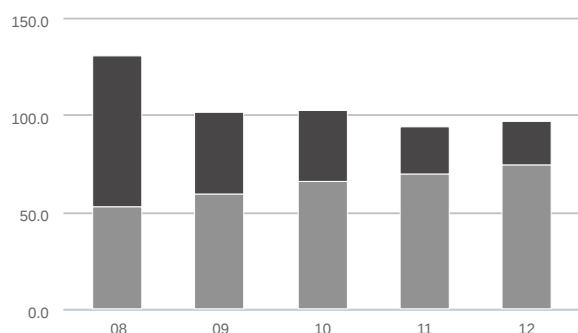


### Result of Management Company business

M€	2012	2011
Turnover	27.3	32.4
Management fees	23.9	27.1
Real estate consulting	0.0	1.0
Carried interest	1.8	3.1
Other income	0.2	1.2
Operating profit / loss	-2.3	-1.1
Profit / loss	-2.6	-1.7

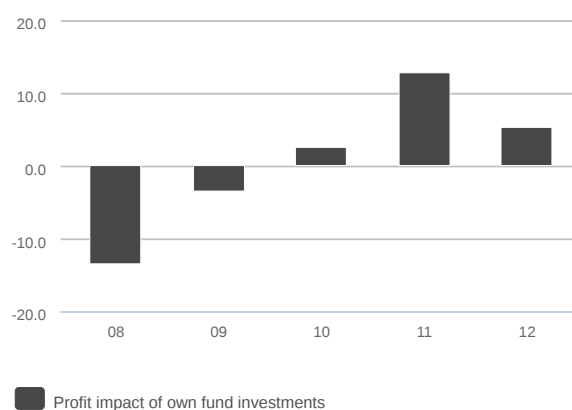
## Fund Investment business

Fund investments and commitments, M€



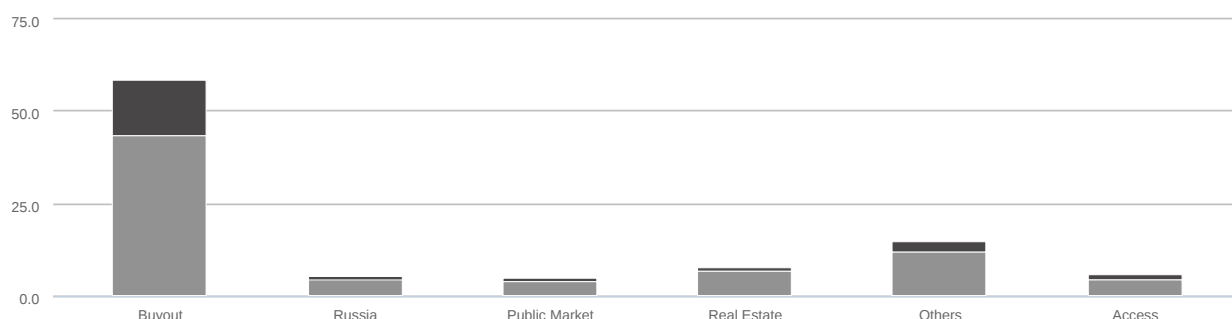
■ Remaining commitments from CapMan's balance sheet  
 ■ Investments at fair value from CapMan's balance sheet

Profit impact of own fund investments, M€



■ Profit impact of own fund investments

Fund investments and commitments by fund type, M€



■ Remaining commitments, €22.5 million  
 ■ Investments and commitments by fund type, €74.4 million

### Result of Fund Investment business

M€	2012	2011
Fair value changes of investments	5.3	12.8
Operating profit / loss	4.9	12.2
Profit / loss	5.3	12.8

# *Report of the Board of Directors*

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## **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.

Private equity investment means making direct equity investments in companies and real estate. Investments are made through funds, which raise their capital primarily from institutional investors such as pension funds and foundations. Private equity investors actively develop their portfolio companies and real estate by working closely with the management and tenants. Value creation is based on promoting companies' sustainable growth and strengthening their strategic position. Private equity investment is of a long-term nature – investments are held for an average of four to six years and the entire life cycle of a fund is typically around 10 years. Over the long term, private equity funds have generated significantly higher levels of returns compared to other investment classes<sup>1</sup>, and the industry's long term prospects are favourable. By investing in CapMan, institutional and private investors can benefit from the profit potential of the private equity industry while diversifying their exposure.

The Group has two operating segments: 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 real estate. The Management Company business has two sources of income. Fund investors pay a management fee to CapMan (typically 0.5-2.0% p.a.) during the life cycle of each fund. The management fee is based on fund size less realised exits during the fund's investment period (typically 5 years), after which the management fee is based on the remaining invested portfolio valued at cost. Management fees normally cover CapMan's operating costs and generally represent a steady and highly predictable source of income.

The second source of income of the Management Company business is carried interest received from funds. Carried interest denotes the Management Company's share of each fund's cash flow after paid-in capital has been distributed to

fund investors and the latter have received their annual preferential return (so-called hurdle rate (IRR), typically 8% p.a.). The amount of carried interest generated depends on the timing of exits and the stage at which funds are in their life cycle, which makes advance prediction difficult.

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. Fair value is determined by the development of portfolio companies and real estate held by the funds in addition to general market developments. Revenue from CapMan's fund investments can sometimes be negative.

As there may be considerable quarterly fluctuations in carried interest and the fair value of fund investments, the Group's financial performance should be analysed over a longer time span than the quarterly cycle.

## **Group turnover and result in 2012**

The Group's turnover in 2012 declined by 15.8% from 2011 and totalled MEUR 27.3 (2011: MEUR 32.4). Turnover for the year was impacted by lower management fees compared to 2011. In addition, turnover for 2011 included MEUR 1.0 of real estate consulting income. CapMan sold its real estate consulting business in June 2011.

Operating expenses fell as expected, as a result of efficiency enhancement initiatives, and totalled MEUR 30.3 (MEUR 34.9). Operating expenses for the year included an impairment loss of 0.6 MEUR resulting from CapMan's sale of a 4% stake in Access Capital Partners Group SA. Operating expenses also include the investment teams' share of total carried interest, which amounted to MEUR 0.5 for the accounting period.

The Group recorded an operating profit of MEUR 2.6 (MEUR 11.1), which represented a decrease of 76.5% from the previous year. The decrease in operating profit from 2011 was largely the result of a more modest increase in the value of CapMan's own fund investments.

Financial income and expenses amounted to MEUR 0.1 (MEUR 0.6). CapMan's share of the profit of its associated

companies was MEUR 0.6 (MEUR 2.1). Profit before taxes was MEUR 3.3 (MEUR 13.7) and profit after taxes was MEUR 2.7 (MEUR 11.1).

Profit attributable to the owners of the parent company was MEUR 2.7 (MEUR 10.9). Earnings per share were 0.3 cents (10.1 cents).

A quarterly 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 year totalled MEUR 27.3 (MEUR 32.4).

Management fees decreased, as expected, compared to 2011 and totalled MEUR 23.9 (MEUR 27.1). This was attributable to exits made after the 2011 financial year.

Carried interest income totalled MEUR 1.8 (MEUR 3.1) and was received mainly from the CapMan Equity VII B fund, following the exit from Tokmanni Group.

Other income included in turnover was MEUR 1.5 (MEUR 1.2) for the year and included income from the CapMan Purchasing Scheme (CaPS), a purchasing service aimed at CapMan's portfolio companies, among other income.

The Management Company business recorded an operating loss of MEUR 2.3 (loss of MEUR 1.1) and a loss for the year of MEUR 2.5 (loss of MEUR 1.7). 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 related to fund investments during 2012 were MEUR 5.3 (MEUR 12.8) and represented a 7.0% increase in value over the year (21.8% increase in value during 2011). Fair value changes during the last quarter were MEUR 1.8 (MEUR 2.6) and represented a 2.5% increase in value during the quarter (3.9% increase in value during Q4 2011). The positive trend was a result of favourable financial development of portfolio companies during 2012. Fair value changes were also influenced by developments in the market value of the listed peers of our portfolio companies. The aggregate fair value of fund investments as of 31 December 2012 was MEUR 74.5 (31 December 2011: MEUR 70.2).

Operating profit for the Fund Investment business was MEUR 4.9 (MEUR 12.2) and profit for the year MEUR 5.3 (MEUR

12.8). CapMan's share of the result of its Maneq associated companies impacted profit performance. Changes in the fair value of Maneq fund investments impacted the performance of Maneq companies.

CapMan invested a total of MEUR 6.3 (MEUR 11.8) in its funds during 2012. The majority of this was allocated to the CapMan Buyout VIII and CapMan Russia funds. CapMan received distributions from funds totalling MEUR 4.0 (MEUR 19.5). The majority of the distributions came from the CapMan Equity VII A fund and the CapMan Equity VII B fund as a result of the exit from Tokmanni Group. CapMan made new commitments of MEUR 3.0 into the CapMan Buyout X fund during the accounting period.

The amount of remaining commitments totalled MEUR 22.5 as of 31 December 2012 (31 December 2011: MEUR 24.4). The aggregate fair value of existing investments and remaining commitments as of the same date was MEUR 96.9 (MEUR 94.6). CapMan's objective is to invest 1-5% of the original capital in the new funds that it manages, depending on fund size, fund demand, and CapMan's own investment capacity.

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

Investments at fair value and remaining investment capacity by investment area are presented in the Notes to the Financial Statements in Section 16. *Investments at fair value through profit and loss* and Section 29. *Commitments and contingent liabilities*.

### Balance sheet and financial position as of 31 December 2012

CapMan's balance sheet totalled MEUR 132.5 as of 31 December 2012 (31 December 2011: MEUR 142.5). Non-current assets amounted to MEUR 116.1 (MEUR 111.3), of which the carrying amount of goodwill totalled MEUR 6.2 (MEUR 6.2).

Fund investments booked at fair value totalled MEUR 74.5 (MEUR 70.2). Long-term receivables amounted to MEUR 20.0 (MEUR 19.6), of which MEUR 18.7 (MEUR 18.7) were loan receivables from Maneq funds. Both CapMan Plc and CapMan personnel are investors in Maneq funds. The expected returns from CapMan's Maneq investments are broadly in line with the return expectations for CapMan's

other investments in its own funds, and Maneq funds pay market rate interest on loans they receive from CapMan Plc.

Current assets amounted to MEUR 15.5 (MEUR 27.7). Liquid assets (cash in hand and at banks, plus other financial assets at fair value through profit and loss) amounted to MEUR 7.0 (MEUR 22.3). The decrease in liquid assets was mainly due to fewer exits made during the year.

CapMan Plc's hybrid bond stands at MEUR 29.0. Due to the dividends paid, the interest on the bond for the financial year is deducted from equity in line with the terms of the loan. The interest on the bond is payable semi-annually. CapMan Plc had a bank financing package totalling MEUR 45.0 (MEUR 44.4) available as of 31 December 2012, of which MEUR 32.2 (MEUR 34.4) was utilised. Trade and other payables totalled MEUR 13.2 (MEUR 15.3). The Group's interest-bearing net debts amounted to MEUR 25.5 (MEUR 12.7).

CapMan Plc's bank loans include financing covenants, which are conditional to the equity ratio, the ratio of interest bearing bank loans to fund investments from the balance sheet and the level of rolling 12 month EBITDA. CapMan honoured all covenants as of 31 December 2012.

#### Key Figures

	31.12.12	31.12.11
Earnings per share, cents	0.3	10.1
Diluted, cents	0.3	10.1
Shareholders' equity / share, cents *	98.6	104.7
Share issue adjusted number of shares	84,255,467	84,255,467
Number of shares at the end of period	84,281,766	84,281,766
Number of shares outstanding	84,255,467	84,255,467
Company's possession of its own shares, end of period	26,299	26,299
Return on equity, %	3.2	12.4
Return on investment, %	4.2	11.9
Equity ratio, %	63.1	61.9
Net gearing, %	30.7	14.4

\*) In line with IFRS standards, the 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 accounting period has been included 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 20 March 2013 that no dividend be paid to shareholders for 2012. A dividend of EUR 0.7 per share was paid for 2011. CapMan Plc's

The Group's cash flow from operations totalled MEUR -8.8 (MEUR -8.2). 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 0.9 (MEUR 14.6) and includes, *inter alia*, fund investments and repaid capital received by the Group. Cash flow before financing totalled MEUR -7.9 (MEUR 6.4), while cash flow from financing was MEUR -7.4 (MEUR -18.6).

#### Loans from related parties

CapMan Plc's receivables from Maneq funds are specified in more detail in the Notes to the Financial Statements in Section 31. *Related party disclosures*.

#### Key figures 31 December 2012

CapMan's equity ratio as of 31 December 2012 was 63.1% (31 December 2011: 61.9%), its return on equity 3.2% (12.4%), and its return on investment 4.2% (11.9%). The target levels for the company's equity ratio and return on equity are at least 60% and over 20%, respectively.

distributable assets amounted to MEUR 12.8 on 31 December 2012 (MEUR 13.8 on 31 December 2011).

#### Fundraising during 2012 and capital under management as of 31 December 2012

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.

CapMan held the first closing for the CapMan Buyout X fund at MEUR 151.8 during 2012. CapMan continues fundraising for the CapMan Buyout X fund during the current year and expects to complete the first closings of fundraising for the CapMan Nordic Real Estate and the CapMan Russia II funds in the next few months.

CapMan expects fundraising conditions to remain challenging also in 2013. The extended period of economic instability has prolonged fundraising efforts of many private equity funds, resulting in a record number of funds in the market. As fund investors are increasingly selective in making investment decisions, fewer funds have been established compared to previous years. The weak exit market reduces capital repayments to investors and impedes their ability to make new commitments to private equity funds. 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.

Capital under management was MEUR 3,126.7 as of 31 December 2012 (31 December 2011: MEUR 3,065.9). The increase is attributable to the establishment of the CapMan Buyout X fund. Of the total capital under management, MEUR 1,686.5 (MEUR 1,632.0) was held in funds making investments in portfolio companies and MEUR 1,440.2 (MEUR 1,433.9) in real estate funds.

### Group structure

The companies belonging to the CapMan Group are detailed in the Notes to the Financial Statements in Section 31.

*Related party disclosures.*

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

The members of CapMan Plc's Board of Directors as of the end of 2012 were Heikki Westerlund (Chairman), Teuvo Salminen (Vice Chairman), Koen Dejonckheere, Karri Kaitue, Nora Kerppola, and Claes de Neergaard.

The members of CapMan Plc's Management Group as of the end of 2012 were CEO Lennart Simonsen, CFO Niko Haavisto, Head of Sales, Marketing, IR, and Communications Jerome Bouix, Head of CapMan Buyout Kai Jordahl, Head of CapMan Russia Hans Christian Dall Nygård, Head of

CapMan Public Market Joakim Rubin, and Head of CapMan Real Estate Mika Matikainen.

### Other events during the year

Funds managed by CapMan completed the exit from the Tokmanni Group in July. The exit transferred the CapMan Equity VII B fund to carry. The impact of the transaction on CapMan's result for the accounting period was approx. MEUR 1.2 consisting of carried interest income and return on CapMan's own fund investments. The impact on the Group's cash flow was approx. MEUR 4.4.

CapMan sold a 4% percent stake in Access Capital Partners Group SA in July. Following the transaction, CapMan retains a 1% stake in the company. The transaction resulted in a MEUR 0.6 loss and positive cash flow of approx. MEUR 2 for the Group for the accounting period.

CapMan signed the UN Principles for Responsible Investment (UNPRI) in December 2012.

CapMan began investigating options for the establishment of a new Public Market fund together with a partner. The planned Public Market Fund II would be established as an independent fund from CapMan in June 2013 the earliest. In accordance with the new arrangement, the new fund would pay management fees and carried interest income to CapMan based on fund commitments made through CapMan. The existing Public Market Fund continues its exit and value creation activities in line with its strategy and the aforementioned arrangement in the Public Market Fund II has no effect on CapMan's earnings potential from the Public Market Fund.

### Events after the end of the accounting period

Funds managed by CapMan exited IT2 Treasury Solutions in January 2013. The transaction did not have a substantial impact on CapMan's result in 2012 or 2013 as the funds are not in carry and as the change in fair value was small.

In January 2013, funds managed by CapMan signed an agreement to exit Tieturi Oy. Carried interest income from the Finnventure Rahasto V and CapMan Equity VII B funds has no substantial impact on CapMan's result for 2013.

In February 2013, funds managed by CapMan signed an agreement to exit Locus Holding AS. The transaction did not have a substantial impact on CapMan's result in 2013 as the funds are not in carry and as the change in fair value was small.



In February 2013, funds managed by CapMan made a final exit from MQ Retail AB. Carried interest income from the CapMan Equity VII B fund has no substantial impact on CapMan's result for 2013.

The CapMan Buyout X fund started generating management fees in January 2013.

CapMan Plc issued a notice on 16 January 2013 related to Eläkekassa Verso's change in ownership of CapMan Plc that took place on 29 November 2012. The flagging notice, received on 15 January 2013, stated that the total number of CapMan Plc shares held by Eläkekassa Verso had exceeded 5%.

CapMan separated the mezzanine business from the CapMan Buyout investment partnership in February 2013 into an independent partnership, CapMan Credit. Under the arrangement, CapMan Credit will continue to execute the investment strategy of the Mezzanine V fund, while building a foundation for the development of other debt financing products. The two members of the investment team are based in CapMan's Stockholm office.

Lennart Simonsen resigned as CEO on 8 February 2013 and CapMan's CFO Niko Haavisto has been appointed CEO for the interim period.

#### Personnel

CapMan employed a total of 109 people as of 31 December 2012 (31.12.2011: 120), of whom 71 (79) worked in Finland and the remainder in the other Nordic countries, Russia, and Luxembourg. The decrease in number of employees during 2012 is largely attributable to efficiency enhancement measures carried out during the year. 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 held on 14 March 2012 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 2013 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, however no later than 30 June 2013. The Board did not utilise the aforementioned authorisations during 2012.

Further details on these authorisations can be found in the stock exchange release on the decisions taken by the AGM issued on 14 March 2012.

#### Shares and share capital

There were no changes in CapMan Plc's share capital or the number of company shares during 2012. Share capital as of 31 December 2012 totalled EUR 771,586.98. The number of B shares was 78,531,766 and that of A shares 5,750,000 as of 31 December 2012.

B shares entitle holders to one vote per share and A shares to 10 votes per share. A shares entitled holders to 57.73% of the company's voting rights and B shares to 42.27%. 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 23. *Share capital and shares*.

#### Shareholders and management shareholding

The number of CapMan Plc shareholders increased by 8.4% during 2012 and totalled 6,137 as of 31 December 2012 (31 December 2011: 5,659).

CapMan Plc received two flagging notices on 26 September 2012 related to share transactions that took place on 26 September 2012. Oy Inventiainvest Ab's share of the total number of shares and voting rights in CapMan Plc has exceeded 5% and 15%, respectively. Ari Tolppanen's and Oy Aristo-Invest Ab's combined share of the total number of shares in CapMan Plc and their combined share of voting rights in CapMan Plc have fallen below 5%. Ari Tolppanen's combined direct and indirect ownership of and voting rights in CapMan Plc remain unchanged following the transaction.

CapMan Plc issued a notice on 16 January 2013 related to Eläkekassa Verso's change in ownership of CapMan Plc that took place on 29 November 2012. The flagging notice, received on 15 January 2013, stated that the total number of CapMan Plc shares held by Eläkekassa Verso had exceeded 5%.

As of 31 December 2012, the members of the Board of Directors and the CEO held a total of 3,613,406 A and B shares either directly or through companies they control, representing 4.28% of CapMan Plc's shares and 10.95% of

voting rights. The Chairman of the Board of Directors and the CEO also held a total of 125,000 2008A options and 590,000 2008B options as of the end of the year, entitling them to subscribe to an equivalent number of B shares, representing 0.8% of CapMan Plc's shares and 0.5% 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 23. *Share capital and shares*.

### Company shares

As of 31 December 2012, 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 shares held by CapMan was EUR 22,091.16 as of 31 December 2012. No changes occurred in the number of shares held by CapMan Plc during the year.

### Stock option programmes

As of 31 December 2012, CapMan Plc had one stock option programme—Option Programme 2008—in place as part of its incentive and commitment arrangements for personnel. The maximum number of stock options issued under Option Programme 2008 will be 4,270,000, which will carry an entitlement to subscribe to a maximum of 4,270,000 new B shares. The programme is divided into A and B series, both of which cover a maximum of 2,135,000 option entitlements. The share subscription price of the 2008A options is EUR 2.46 and of the 2008B option EUR 0.89. The subscription period for 2008A and 2008B options started on 1 May 2011 and 1 May 2012, respectively. Receivables from shares subscribed to under these options will be entered in the company's unrestricted shareholders' equity. As of 31 December 2012, 1,926,250 2008A stock option entitlements and 2,070,000 2008B stock option entitlements were allocated. All 7 management group members are entitled to participate in the stock option programme. 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 30. *Share-based payments*.

### Trading and market capitalisation

CapMan Plc's B shares closed at EUR 0.84 on 31 December 2012 (31 December 2011: EUR 1.01). The average price during the year was EUR 0.93 (EUR 1.39). The highest price

paid was EUR 1.18 (EUR 1.84) and the lowest EUR 0.81 (EUR 0.90). The number of CapMan Plc B shares traded totalled 20.4 million (24.1 million), valued at MEUR 19.0 (MEUR 32.0).

The market capitalisation of CapMan Plc B shares as of 31 December 2012 was MEUR 66.0 (31 December 2011: MEUR 79.3). The market capitalisation of all company shares, including A shares valued at the closing price of B shares, was MEUR 70.8 (MEUR 85.1).

### Publication of the Financial Statements and the Report of the Board of Directors, and the Annual General Meeting for 2013

The key details of the CapMan Group's Financial Statements and the Report of the Board of Directors for 2012 will be published in the company's Annual Report for 2012 in Week 9. CapMan Plc's 2013 Annual General Meeting will be held on Wednesday 20 March 2013 at 9:00 am in Helsinki. Complete financial statements, as required under the terms of the Finnish Companies Act, will be available on CapMan's website by 27 February 2013 at the latest.

### Corporate Governance Statement

CapMan Plc's Corporate Governance Statement will be published separately from the Report of the Board of Directors as part of the company's electronic Annual Report for 2012 in Week 9 and will be available on the company's website.

### Significant risks and short-term uncertainties

Prolonged financial market uncertainty 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.

Continued market uncertainty will also likely deteriorate the already challenging 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, possibly affecting the outcome of the on-going fundraising. 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 significant uncertainty in the near term. Due to difficulties in forecasting the timing of carried interest and the change in fair value developments, providing financial guidance remains challenging over the long term.

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. Risks for a breach in covenants are related to potential market-induced volatility in EBITDA.

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 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 32.

*Financial risk management*, and in the company's Corporate Governance Statement.

### Business environment

An ever-challenging fundraising market, a slowdown of M&A activities and prolonged uncertainty of the financial markets characterised the private equity industry in 2012. Regardless, private equity funds have maintained their status as an attractive form of investment. According to a survey by Preqin, more than four out of five plan to invest at least the same amount into private equity funds in 2013 as compared to last year. Only 14% of respondents intend to decrease their investments in the asset class. Approx. 40% of the respondents consider Europe an attractive investment area. Funds that invest in small and mid-sized buyouts remain popular as more than half of all respondents intend to invest in this fund category.<sup>2</sup>

Despite the positive attitudes, fundraising markets have remained competitive and the number of funds raising capital increased during the last quarter of 2012. Due to growing supply, investors are more discerning and the average time taken for funds to achieve final close has increased compared to 2011.<sup>3</sup>

M&A activity rebounded a little in Europe during the last quarter of 2012, although the number of deals completed during the full year was below levels obtained in 2011 and 2010. The pan-European trend was duplicated in the Nordic countries as the number of Nordic buyout deals completed during the last quarter of 2012 doubled from the previous quarter.<sup>4</sup> In a challenging market, GPs have strengthened their portfolio companies by improving their market positions and performance through add-on investments. The number of add-on investments has grown robustly from levels preceding the 2008 financial crisis.<sup>5</sup> CapMan funds investing

in portfolio companies have some MEUR 599 available for new and add-on investments, while real estate funds have approx. MEUR 53 in investment capacity, primarily for developing their existing portfolios.

Deleveraging pressures on European banks also affect the activity of Nordic banks. Debt financing remains available, although banks are focused on financing larger companies, which has hampered the availability of financing for small and mid-sized businesses. Small and mid-sized companies in Finland and Sweden have experienced reduced availability of bank financing.<sup>6</sup> The impact of private equity for growth financing is emphasised also in Russia, as the availability of bank financing for small and mid-sized businesses is limited.

In 2012, the volume of real estate transactions in Finland increased to BEUR 2.1 from BEUR 1.8 in 2011, according to statistics compiled by KTI.<sup>7</sup> Foreign buyers accounted for approx. one quarter of the annual volume and investors focused mainly on prime real estate targets with stable rents.<sup>8</sup> In Sweden, transaction volumes increased to BEUR 12.5 based on preliminary information by leading real estate advisors. In Europe, transaction volumes in 2012 remained at levels obtained in the previous year.<sup>9</sup> Rent increases were curbed in the Nordic countries during 2012 and vacancy rates are edging higher, with the exception of Stockholm.<sup>10</sup> Availability of traditional senior financing outside of the prime sector remains relatively scarce throughout the year with tightened terms.

CapMan funds investing in portfolio companies will continue to execute their investment strategies and believes that the fair value changes of our own investments to be largely positive during the current year. In accordance with IPEVG criteria, the fair value development of portfolio companies will also be impacted by the development of the profit projections and market valuations of listed companies and the performance of currencies used in our areas of operations against the euro.

### Regulatory environment

The European Directive on Alternative Investment Fund Managers (AIFM directive) came into force on 21 July 2011 and AIFMD Level 2, the supplementing act that guides its implementation, was released on 19 December 2012. Member states have until 22 July 2013 to integrate it into their national legislation. The directive stipulates an operating license for participants, as well as other significant requirements, including fund investor and authority reporting. Thanks to its organisation and operating model, CapMan is in

a good position to operate within the requirements of these new regulations.

CapMan actively monitors other regulatory developments affecting the industry, including the Basel III and Solvency II initiatives, which are designed to set capital requirements for European banks and insurance companies.

#### Outlook for 2013:

The development of management fees during 2013 depends on the timing of exits made from current funds and the size and timing of new funds under establishment. We are adjusting our operating costs to match the level of management fees and anticipate that our management fees will cover our expenses as of the second half of 2013.

Our current portfolio holds several investments, which we are ready to exit during 2013. The timing of such exits will impact the results of our Management Company business for 2013 through carried interest income from funds, in the event that the fund is in carry or about to enter carry as a result of the exit.

The result of our Fund Investment business will mainly depend on the value development of investments in those funds, in which CapMan is a substantial investor. We continue our value creation effort in our portfolio companies and believe that the fair values of our fund investments will develop positively during the current year.

We estimate our operating profit to increase from the level obtained in 2012.

CapMan Plc

Board of Directors

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<sup>1</sup> Bain & Company, Global Private Equity Report

<sup>2</sup> Preqin Private Equity Spotlight January 2013

<sup>3</sup> Preqin 2012 Private Equity Fundraising January 2013

<sup>4</sup> Unquote Arle Q4 2012 Private Equity Barometer

<sup>5</sup> Preqin Private Equity Spotlight December 2012

<sup>6</sup> ECB Survey of the Access to Finance of SMEs November 2012, ALMI Företagspartner–Låneindikator Q4 2012

<sup>7</sup> KTI Transaction Information Services January 2013

<sup>8</sup> Fastighetsvärlden 7.1.2013: "Fyra konsultbolag om 2012: Drygt 107 mdr i omsättning"

<sup>9</sup> CBRE MarketView Q4 2012, European Investment Quarterly

<sup>10</sup> Jones Lang Lasalle Nordic City Report Autumn 2012

# Group Statement of Comprehensive Income (IFRS)

€ ('000)	Note	1.1.-31.12.2012	1.1.-31.12.2011
<b>Turnover</b>	<a href="#">2</a>	27,304	32,440
Other operating income	<a href="#">3</a>	216	670
Employee benefit expenses	<a href="#">4</a>	-17,411	-22,349
Depreciation	<a href="#">5</a>	-822	-811
Other operating expenses	<a href="#">6</a>	-12,017	-11,704
Fair value gains/losses of investments	<a href="#">7</a>	5,333	12,849
<b>Operating profit</b>		2,603	11,095
Finance income	<a href="#">8</a>	1,813	1,998
Finance costs	<a href="#">8</a>	-1,682	-1,439
Share of associated companies' result	<a href="#">9</a>	598	2,055
<b>Profit before taxes</b>		3,332	13,709
Income taxes	<a href="#">10</a>	-624	-2,622
<b>Profit for the financial year</b>		2,708	11,087
<b>Other comprehensive income:</b>			
Translation difference		5	-31
<b>Total comprehensive income</b>		2,713	11,056
<b>Profit / loss attributable to:</b>			
Equity holders of the Company		2,708	10,899
Non-controlling interests		0	188
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		2,713	10,868
Non-controlling interests		0	188

Earnings per share for profit/loss attributable to the equity holders of the Company:			
Earnings per share (basic), cents	<a href="#">11</a>	0.3	10.1
Earnings per share (diluted), cents	<a href="#">11</a>	0.3	10.1

The Notes are an integral part of the Financial Statements.



# Group Balance Sheet (IFRS)

€ ('000)	Note	31 Dec 2012	31 Dec 2011
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible assets	<a href="#">12</a>	364	438
Goodwill	<a href="#">13</a>	6,204	6,204
Other intangible assets	<a href="#">14</a>	1,491	1,881
Investments in associated companies	<a href="#">15</a>	8,954	8,347
Investments at fair value through profit and loss	<a href="#">16</a>		
Investments in funds		74,465	70,167
Other financial assets		99	597
Receivables	<a href="#">17</a>	19,957	19,601
Deferred tax assets	<a href="#">18</a>	4,578	4,025
		116,112	111,260
<b>Current assets</b>			
Trade and other receivables	<a href="#">19</a>	8,532	5,467
Other financial assets at fair value	<a href="#">20</a>	365	378
Cash and bank	<a href="#">21</a>	6,625	21,887
		15,522	27,732
Non-current assets held for sale	<a href="#">22</a>	848	3,501
<b>Total assets</b>		<b>132,482</b>	<b>142,493</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital attributable to the Company's equity holders</b>			
Share capital	<a href="#">23</a>	772	772
Share premium account	<a href="#">23</a>	38,968	38,968
Other reserves	<a href="#">23</a>	38,814	38,679
Translation difference	<a href="#">23</a>	43	38
Retained earnings		4,450	9,784

<b>Total equity</b>		83,047	88,241
<b>Non-current liabilities</b>			
Deferred tax liabilities	<a href="#">18</a>	2,313	2,569
Interest-bearing loans and borrowings	<a href="#">24</a>	22,678	28,753
Other liabilities	<a href="#">25</a>	1,241	1,131
		26,232	32,453
<b>Current liabilities</b>			
Trade and other payables	<a href="#">26</a>	13,219	15,269
Interest-bearing loans and borrowings	<a href="#">27</a>	9,785	6,250
Current income tax liabilities		199	280
		23,203	21,799
<b>Total liabilities</b>		49,435	54,252
<b>Total equity and liabilities</b>		132,482	142,493

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)	Note	Share capital	Share premium account	Other reserves	Translation difference	Retained earnings	Total	Non-controlling interests	Total equity
<b>Equity on 31 December 2010</b>		772	38,968	38,679	69	12,241	90,729	273	91,002
Options	<a href="#">23</a>					591	591		591
Dividends paid	<a href="#">23</a>					-10,114	-10,114	-222	-10,336
Hybrid bond, interest paid (net of tax)	<a href="#">23</a>					-2,414	-2,414		-2,414
Other changes						384	384		384
Comprehensive profit					-31	10,899	10,868	188	11,056
Acquisition of non-controlling interests						-1,803	-1,803	-239	-2,042
<b>Equity on 31 December 2011</b>		772	38,968	38,679	38	9,784	88,241	0	88,241
Options	<a href="#">23</a>			135		272	407		407
Dividends paid	<a href="#">23</a>					-5,898	-5,898		-5,898
Hybrid bond, interest paid (net of tax)	<a href="#">23</a>					-2,463	-2,463		-2,463
Other changes						47	47		47
Comprehensive profit					5	2,708	2,713		2,713
<b>Equity on 31 December 2012</b>		772	38,968	38,814	43	4,450	83,047	0	83,047

The Notes are an integral part of the Financial Statements.

# Group Cash Flow Statement (IFRS)

€ ('000)	Note	1.1.-31.12.2012	1.1.-31.12.2011
<b>Cash flow from operations</b>			
Profit for the financial year		2,708	11,087
Adjustments:			
Unpaid income and expenses		-240	-10,350
Change in working capital:			
Change in current non-interest-bearing receivables		-4,653	1,237
Change in current trade payables and other non-interest-bearing liabilities		-2,222	-2,379
Interest paid		-4,978	-4,773
Interest received		65	256
Dividends received		211	195
Taxes paid		351	-3,466
<b>Cash flow from operations</b>		<b>-8,758</b>	<b>-8,193</b>
<b>Cash flow from investing activities</b>			
Investments in tangible and intangible assets		-379	-135
Investments at fair value through profit and loss		-2,889	7,592
Proceeds from sale of other investments		704	0
Long-term loan receivables granted		-1,592	-2,727
Receivables from long-term receivables		1,549	8,681
Other financial assets at fair value		13	602
Proceeds from sale of non-current assets		2,055	0
Interest received		1,401	594
<b>Cash flow from investing activities</b>		<b>862</b>	<b>14,607</b>
<b>Cash flow from financing activities</b>			
Loan repayments received from other		729	0
Proceeds from borrowings		40,000	10
Repayment of long-term loan		-42,197	-6,250
Dividends paid		-5,898	-10,336
Acquisition of non-controlling interests		0	-2,000
<b>Cash flow from financing activities</b>		<b>-7,366</b>	<b>-18,576</b>
<b>Change in cash and cash equivalents</b>		<b>-15,262</b>	<b>-12,162</b>

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Cash and cash equivalents at start of year		21,887	34,049
<b>Cash and cash equivalents at end of year</b>	<a href="#"><u>21</u></a>	6,625	21,887

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The Notes are an integral part of the Financial Statements.

# *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 2012 have been approved for publication by CapMan Plc's Board of Directors on 7 February 2013. 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 2012 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:*

CapMan Plc adopted all the new and updated accounting standards published by the International Accounting Standards Board (IASB) in 2012, together with amendments and interpretations to existing accounting standards that are significant in respect of the Group's business and were in force as of 1 January 2012. The adoption of these standards did not have a material impact on the Group's financial statements.

### *New standards, amendments, and interpretations issued but not effective for the financial year beginning 1 January 2012 and not adopted in advance:*

The Group intends adopting the following new and updated standards published by IASB, together with amendments and interpretations related to existing standards, which are expected to have a material impact on the Group's business:

Amendment to IFRSs 10, 11 and 12 on transition guidance  
These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will

remove the requirement to present comparative information for periods before IFRS 12 is first applied.

### IFRS 10, 'Consolidated financial statements'

The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entity (an entity that controls one or more other entities) to present consolidated financial statements. It defines the principle of control, and establishes controls 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. It also sets out the accounting requirements for the preparation of consolidated financial statements.

### IFRS 11, 'Joint arrangements'

IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the joint venturer has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

### IFRS 12, 'Disclosures of interests in other entities'

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

### IFRS 13, 'Fair value measurement'

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

### IAS 28 (revised 2011), 'Associates and joint ventures'

IAS 28 (revised 2011) includes the requirements for associates and joint ventures that have to be equity accounted following the issue of IFRS 11.

Amendment to IAS 32, 'Financial instruments: Presentation', on asset and liability offsetting

These amendments are to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

Amendment to IFRS10, 'Consolidated financial statements'. Many funds and similar entities will be exempted from consolidating controlled investees under amendments to IFRS 10, 'Consolidated financial statements'. Amendments have been made to IFRS 10, IFRS 12 and IAS 27.

IFRS 9, 'Financial instruments'

IFRS 9 is the first standard issued as part of a wider project to replace IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

Management is assessing the impact of the standards on the financial statements of the group.

### Consolidation principles

The Consolidated Financial Statements include the accounts of all Group companies and associated companies in which the Group has a controlling interest. A controlling interest is defined as existing when the Group holds, either directly or indirectly, more than 50% of the voting rights of a subsidiary or when the Group has the authority to govern the financial and operating policies of a company and receive the financial benefit thereof.

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.

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.

At the end of every reporting period, the Group reviews whether there is objective evidence that the value of its investment in an associated company has declined in value. If there is evidence of such decline, the resulting impairment loss is defined as the difference between the amount recoverable from the company and its book value, and is booked in the income statement under 'Share of profits/losses of associated companies'.

### 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.

The majority of available-for-sale financial assets are fund investments, for which fair value is calculated using the guidelines of the International Private Equity and Venture Capital Valuation Guidelines (IPEVG) and, taking into account the valuation principles in IAS 39 for the fair value of investments that are not quoted in an active market, using multiples based on the current performance level of portfolio companies. IPEVG are generally used for fair value valuation in the private equity industry, and the guidelines have been prepared in the light of IFRS requirements. Investments in real estate are valued at fair value based on appraisals made by independent external experts.

### Loans and other receivables

Loans and other receivables include receivables from associated companies, sales receivables, and other receivables. Receivables are booked at their original fair value and are subsequently valued at amortised cost using the effective interest method. Placement Agent fees associated with fundraising for CapMan's funds are amortised over five years and presented in the line item receivables. Receivables are classified as long-term if their maturity exceeds 12 months. Impairment is reviewed at the end of every reporting period and recognised if there is objective evidence that the Group will not receive a receivable under its original terms.

The majority of receivables are related to long-term receivables from associated companies, the value of which is affected by changes in the value of fund investments made by these companies. Impairment testing of receivables from associated companies takes into consideration a fund's fair value, its life cycle phase, and the fund's expected returns when all investments are realised. The associated credit risk is described in Section C (Credit risk) of Section 32 (Financial risk management).

### 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

Equity bonds are reported in shareholders' equity due to the juridical structure of the bonds. The bond has no specified maturity date but the company may call the bond on 18 December 2013 and on a quarterly basis subsequently.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 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 defined contribution pension plans 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.

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 30: Share-based payments.

The Group offers a sabbatical program for key personnel based on the number of years a person has worked for CapMan. The liability associated with this programme has been estimated and recorded on the basis of the likelihood of employees taking up this opportunity.

### 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 0.5-2.5% 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.

*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 operational period of approximately ten years, yields can be predicted quite reliably. Estimates and assumptions include new funds established as part of CapMan's ongoing operations. A new fund is established at the end of an investment period, typically four years. Carried interest income is taken into account in estimates and assumptions when the realisation of carry seems likely.

## 2. 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 management fees paid by funds and carried interest received from funds. 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

2012	Management company business			Fund Investment business	Total
	CapMan Private Equity	CapMan Real Estate	Total		
€ ('000)					
Turnover	20,529	6,775	27,304	0	27,304
Operating profit/loss	-1,401	-895	-2,296	4,899	2,603
Profit/loss for the financial year	-1,614	-931	-2,545	5,253	2,708
Assets	7,714	444	8,158	107,954	116,112
Total assets includes:					
Investments in associated companies	0	0	0	8,954	8,954
Non-current assets held for sale	848	0	848	0	848

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

### 3. Other operating income

€ ('000)	2012	2011
Sales of tangible assets	216	3
Other items	0	667
Total	216	670

## 4. Employee benefit expenses

€ ('000)	2012	2011
Salaries and wages	14,382	18,484
Pension expenses - defined contribution plans	2,053	2,528
Share-based compensation expenses	322	591
Other personnel expenses	654	746
Total	17,411	22,349

Remuneration of the management is presented in Table 31. 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 30. Share-based payments.

Personnel	2012	2011
<b>By country</b>		
Finland	71	79
Denmark	0	2
Sweden	16	18
Norway	8	8
Russia	13	14
Luxembourg	1	1
In total	109	122
<b>By team</b>		
CapMan Private Equity	47	54
CapMan Real Estate	23	21
CapMan Platform	39	47
In total	109	122
Average number of people employed	115	136

## 5. Depreciation

€ ('000)	2012	2011
Depreciation by asset type		
Intangible assets		
Other intangible assets	632	638
Total	632	638
Tangible assets		
Machinery and equipment	190	173
Total	190	173
Total depreciation	822	811

## 6. Other operating expenses

€ ('000)	2012	2011
Included in other operating expenses:		
Other personnel expenses	938	1,228
Office expenses	2,743	2,723
Travelling and entertainment	1,132	1,055
External services	4,786	4,141
Other operating expenses	2,418	2,557
Total	12,017	11,704
Audit fees		
PricewaterhouseCoopers Oy		
Authorised Public Accountants		
Audit fees	203	202
Taxadvices	16	5
Other fees and services	40	108
Total	259	315



## 7. Fair value gains/losses of investments

€ ('000)	2012	2011
Investments at fair value through profit and loss		
Gains/losses of investments, realized (net)	3,326	1,503
Fair value gains/losses of investments, unrealized (net)	2,007	11,346
Total	5,333	12,849

## 8. Finance income and costs

€ ('000)	2012	2011
Finance income		
Interest income, loan receivables	1,668	1,524
Interest income, deposits	62	435
Dividend income	27	0
Exchange gains	56	39
Total	1,813	1,998
Finance costs		
Interest expenses/loans	-848	-882
Interest and finance expenses, derivative instruments	-190	-332
Other interest and finance expenses	-557	-138
Exchange losses	-87	-87
Total	-1,682	-1,439

## 9. Share of associated companies' result

€ ('000)	2012	2011
Share of associated companies' result	598	2,055
Total	598	2,055

## 10. Income taxes

€ ('000)	2012	2011
Current income tax	427	429
Taxes for previous years	300	945
Deferred taxes	-103	1,248
Total	624	2,622
Income tax reconciliation	2012	2011
Profit before taxes	3,332	13,709
Tax calculated at the domestic corporation tax rate of 24.5% (2011: 26%)	817	3,564
Effect of different tax rates outside Finland	-85	-142
Tax exempt income	-244	-662
Non-deductible expenses	26	32
Effect of consolidation	-190	534
Taxes for previous years	300	945
Adjustments in respect of prior years	0	-1,649
Income taxes in the Group Income Statement	624	2,622

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. CapMan has not booked a contingency to cover this in its Financial Statements for 2011 or 2012.

## 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)	2012	2011
Attributable to the equity holders of the Company, € ('000)	2,708	10,899
Interest expense on hybrid bond (net of tax)	-2,463	-2,414
Profit/loss used determine diluted earnings per share	245	8,485
Weighted average number of shares ('000)	84,281	84,281
Own shares ('000)	-26	-26
Weighted average number of shares ('000)	84,255	84,255
Effect of options ('000)		
Weighted average number of shares adjusted for the effect of dilution ('000)	0	0
	84,255	84,255
Earnings per share (basic), cents	0.3	10.1
Earnings per share (diluted), cents	0.3	10.1

## 12. Tangible assets

€ ('000)	2012	2011
Machinery and equipment		
Acquisition cost at 1 January	1,784	1,774
Additions	143	10
Disposals	-20	0
Acquisition cost at 31 December	1,907	1,784
Accumulated depreciation at 1 January	-1,466	-1,292
Accumulated depreciation in changes	-7	0
Depreciation for the financial year	-190	-174
Accumulated depreciation at 31 December	-1,663	-1,466
Book value on 31 December	244	318
Other tangible assets		
Acquisition cost at 1 January	120	120
Book value on 31 December	120	120
Tangible assets total	364	438

## 13. Goodwill

€ ('000)	2012	2011
Acquisition cost at 1 January	13,169	13,371
Disposals	0	-202
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 2012.

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 12.50%. There is no significant country risk attached to these cash flows, as they relate to management fees received from international investors. The future carried interest potential from the existing fund is limited and therefore has not been considered.

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)	2012	2011
Acquisition cost at 1 January	4,828	4,734
Additions	237	125
Disposals	0	-31
Acquisition cost at 31 December	5,065	4,828
Accumulated depreciation at 1 January	-2,947	-2,310
Depreciation for the financial year	-632	-637
Translation difference	5	0
Accumulated depreciation at 31 December	-3,574	-2,947
Book value on 31 December	1,491	1,881

Other intangible assets include software €0.5 million and the management fee agreement of €0.9 million regarding the purchase of Norum.

## 15. Shares in associated companies

€ ('000)	2012	2011
Acquisition cost at 1 January	8,347	6,400
Share of the result	259	1,905
Additions / disposals	0	102
Fair value gains / losses on investments	348	-60
Acquisition cost at 31 December	8,954	8,347

The Group's share of the results of its principal associates and its aggregated assets, liabilities, turnover and result are as follows.

### 2012, € ('000)

Associated companies:	Assets	Liabilities	Turnover	Profit/loss	Ownership %
BIF Management Ltd, Jersey	53	0	144	-11	33.33%
Baltic SME Management B.V., The Netherlands	14	13	0	-17	33.33%
Maneq 2002 AB, Sweden	416	0	0	-8	35.00%
Maneq 2004 AB, Sweden	568	7	133	154	41.90%
Maneq 2005 AB, Sweden	5,165	1,748	169	384	33.60%
Maneq 2006 AB, Sweden	2,644	2	0	10	33.60%
Maneq 2007 AB, Sweden	8,205	5,862	0	127	37.40%
Maneq 2008 AB, Sweden	15,918	11,883	49	469	33.80%
Maneq 2009 AB, Sweden	2,789	2,470	0	-139	34.40%
Maneq 2010 AB, Sweden	3,421	1,972	0	-19	32.40%
Maneq 2011 AB, Sweden	2,176	1,533	0	40	36.40%

Yewtree Holding AB, Sweden	846	1	47	204	35.00%
Total	42,215	25,491	542	1,194	

2011, € ('000)

Associated companies:	Assets	Liabilities	Turnover	Profit/loss	Ownership %
BIF Management Ltd, Jersey	69	1	0	-7	33.33%
Baltic SME Management B.V., The Netherlands	24	6	0	-11	33.33%
Maneq 2002 AB, Sweden	415	0	22	-6	35.00%
Maneq 2004 AB, Sweden	829	19	140	155	41.90%
Maneq 2005 AB, Sweden	5,025	2,005	0	216	33.60%
Maneq 2006 AB, Sweden	2,674	2	2,115	2,199	33.60%
Maneq 2007 AB, Sweden	8,716	5,727	1,271	1,248	37.40%
Maneq 2008 AB, Sweden	14,573	11,507	1,203	1,273	33.80%
Maneq 2009 AB, Sweden	3,150	2,379	0	77	34.40%
Maneq 2010 AB, Sweden	3,120	1,720	443	459	32.40%
Maneq 2011 AB, Sweden	1,215	1,218	0	-14	36.40%
Yewtree Holding AB, Sweden	676	51	0	245	35.00%
Total	40,486	24,635	5,194	5,834	

Team members of CapMan investment teams and other personnel have the option to invest in portfolio companies alongside CapMan via Maneq funds. CapMan participates in these funds as one of the investors and as finance provider with market based terms.

## 16. Investments at fair value through profit and loss

€ ('000)	2012	2011
Investments in funds		
Investments in funds at 1 January	70,167	66,504
Additions	6,333	11,847
Disposals	-4,042	-19,530
Fair value gains/losses of investments	2,007	11,346
Investments in funds at 31 December	74,465	70,167

The cumulative fair value losses of investments in funds is €8.0 million (2011: €6.0 million).

Investments in funds at fair value through profit and loss at the end of period	2012	2011
Buyout	39,562	37,458
Mezzanine	3,647	3,835
Russia	4,202	2,836
Public Market	4,009	3,631
Real Estate	6,862	6,038
Muut	11,833	11,961
Access	4,350	4,408
Total	74,465	70,167
Other financial assets		
Other investments at 1 January	597	619
Additions/disposals	-498	-22
Other investments at 31 December	99	597

Investments at fair value through profit and loss include mainly CapMan's own investments in the funds. The valuation principles are presented in Note 1. Accounting principles.

## 17. Receivables - Non-current

€ ('000)	2012	2011
Loan receivables from associated companies 1)	18,721	18,682
Other loan receivables 2)	1,217	883
Other receivables 3)	19	36
Total	19,957	19,601

Receivables include mainly fixed-interest loan receivables from the funds. Loan receivables from associated companies are presented in Table 31. Related party disclosures. Other loan receivables include receivables from Norum Russia Co-Investment Ltd €1.1 million. Non-current receivables have a fair value equal to their book value.

1) Loan receivables from associated companies	2012	2011
Senior loans	8,792	8,997
Mezzanine loans	9,929	9,640
Other loans receivables	0	45
	18,721	18,682

2) Other loan receivables	2012	2011
Other loans receivables	1,217	883
	1,217	883

Senior loans, mezzanine loans and other loan receivables are interest-bearing.

3) Other long-term receivables are non-interest-bearing.

## 18. Deferred tax assets and liabilities

Changes in deferred taxes during 2012:

€ ('000)	31 Dec 2011	Charged to Income Statement	Charged in equity	31 Dec 2012
Deferred tax assets				
Accrued differences	1,723	-260	0	1,463
Fair value gains/losses of investments	572	-278	0	294
Employee benefits	100	323	0	423
Interest expense on hybrid bond	1,630	0	768	2,398
Total	4,025	-215	768	4,578
Deferred tax liabilities				
Accrued differences	2,569	-256	0	2,313
Total	2,569	-256	0	2,313

Changes in deferred taxes during 2011:

€ ('000)	31 Dec 2010	Charged to Income Statement	Charged in equity	31 Dec 2011
Deferred tax assets				
Accrued differences	1,787	-64	0	1,723
Fair value gains/losses of investments	1,379	-807	0	572
Employee benefits	127	-27	0	100
Interest expense on hybrid bond	1,630	-848	848	1,630
Total	4,923	-1,746	848	4,025
Deferred tax liabilities				
Accrued differences	3,078	-509	0	2,569
Total	3,078	-509	0	2,569

## 19. Trade and other receivables

€ ('000)	2012	2011
Trade receivables	470	71
Receivables from associated companies	691	890
Loan receivables	28	749
Accrued income	1,256	1,187
Other receivables	6,087	2,570
Total	8,532	5,467

The Group has had no bad debts. Accrued income includes mainly credit items. Other receivables include mainly the receivables from the funds, and tax receivables.

Trade and other receivables by currency at end of year

Trade and other receivables	Amount in foreign currency	Amount in euros	proportion
EUR		7,204	84%
NOK	580	78	1%
SEK	10,723	1,250	15%



## 20. Other financial assets at fair value

€ ('000)	2012	2011
Other financial assets at fair value	365	378
Total	365	378

Other financial assets at fair value includes shares in external investment fund companies €0.4 million.

## 21. Cash and bank

€ ('000)	2012	2011
Bank accounts	6,625	21,887
Total	6,625	21,887

Cash and bank includes bank accounts.

## 22. Non-current assets held for sale

€ ('000)	2012	2011
Non-current assets held for sale at fair value		
1% share of Access Capital Partners Group S.A.	848	3,501
Total	848	3,501

CapMan sold 4% of Access shares in 2012. There is the call/put option for the remaining 1% of the Access shares as of May 2013.

## 23. Share capital and shares

Movements in the number of shares:

('000)	Number of A shares	Number of B shares	Total
At 31 December 2010	6,000	78,255	84,255
Conversion	-250	250	0
At 31 December 2011	5,750	78,505	84,255
<b>At 31 December 2012</b>	<b>5,750</b>	<b>78,505</b>	<b>84,255</b>

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	Share premium account	Other reserves	Total
At 31 December 2010	772	38,968	38,679	78,419
At 31 December 2011	772	38,968	38,679	78,419
Options			135	135
<b>At 31 December 2012</b>	<b>772</b>	<b>38,968</b>	<b>38,814</b>	<b>78,554</b>

### Other reserves

Other reserves include granted stock option subscription rights. The stock option programs are presented in Table 30. Share-based payments. The hybrid bond, €29 million, is included in other reserves under equity in the balance sheet. The coupon rate for the bond is 11.25% p.a. The interest on the bond is payable semi-annually and has been deducted from equity.

The bond has no maturity but the company may call the bond on 18 December 2013.

### 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

A dividend of €0.07 per share, totalling €5.9 million in all, was paid for the year 2011. The dividend was paid to shareholder on 26 March 2012. (A dividend of €0.12 per share, totalling €10.1 million in all, was paid for 2010.) The Board of Directors will propose to the Annual General Meeting to be held on 20 March 2013 that no dividend be paid to shareholders for 2012.

### Redemption obligation clause

A shareholder whose share of the entire share capital or the voting rights of the Company reaches or exceeds 33.3 per cent or 50 per cent 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 2012 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 2012

Shareholding	Number of holdings	%	Number of shares	%	Number of votes	%
1 – 100	972	15.84%	45,983	0.06%	45,983	0.03%
101 – 1 000	2,713	44.21%	1,487,306	1.77%	1,487,306	1.09%
1 001 – 10 000	2,106	34.32%	7,255,584	8.61%	7,255,584	5.33%
10 001 – 100 000	293	4.77%	7,168,051	8.50%	8,293,051	6.10%
100 001 –	53	0.86%	68,306,133	81.04%	118,931,133	87.43%
Total	6,137	100.00%	84,263,057	99.98%	136,013,057	99.99%
Nominee registered	9		11,290,997		11,290,997	
On the book-entry register						
joint account			18,709	0.02%	18,709	0.01%
Total shares outstanding			84,281,766		136,031,766	

Sector	Number of holdings	%	Number of shares	%	Number of votes	%
Corporations	310	5.05%	28,817,688	34.19%	80,286,438	59.02%
Financial and insurance corporations	18	0.29%	14,568,098	17.28%	14,568,098	10.71%
Public sector institutions	5	0.08%	17,756,870	21.07%	17,756,870	13.05%
Households	5,746	93.63%	17,368,553	20.61%	17,368,553	12.77%
Non-profit organisations	33	0.54%	3,671,575	4.36%	3,671,575	2.70%
European Union	20	0.33%	1,058,103	1.26%	1,339,353	0.98%

Other countries and international organisations	5	0.08%	1,022,170	1.21%	1,022,170	0.75%
Total	6,137	100.00%	84,263,057	99.98%	136,013,057	100.00%
Nominee registered	9		11,290,997	13.40%	15,982,840	11.75%
On the book-entry register joint account			18,709	0.02%	18,709	0.01%
Total shares outstanding			84,281,766	100.00%	136,031,766	100.00%

Source: Finnish Central Securities Depository Ltd, as at 31 December 2012. Figures are based on the total number of shares 84,281,766 and total number of shareholders 6,142. 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 2012 table. CapMan Plc had 26,299 B shares as at 31 December 2012.

#### CapMan's largest shareholders as at 31 December 2012

	Number of A shares	Number of B shares	Total number of shares	Proportion of shares, %	Number of votes	Proportion of votes, %
<b>Ilmarinen Mutual Pension Insurance Company</b>		7,178,500	7,178,500	8.52%	7,178,500	5.28%
<b>OY Inventiainvest AB (Ari Tolppanen**)</b>	2,161,046	4,832,498	6,993,544	8.30%	26,442,958	19.44%
<b>Yksityismetsätalouden eläkekassa Verso</b>		4,403,047	4,403,047	5.22%	4,403,047	3.24%
<b>Winsome Oy + Tuomo Raasio*</b>	832,197	2,920,873	3,753,070	4.45%	11,242,843	8.26%
Winsome Oy	832,197	2,867,129	3,699,326	4.39%	11,189,099	8.23%
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	4.36%	3,675,215	2.70%
<b>Vesasco Oy</b>		3,375,158	3,375,158	4.00%	3,375,158	2.48%
<b>Stiftelsen för Åbo Akademi</b>		3,000,000	3,000,000	3.56%	3,000,000	2.21%
<b>Heiwes Oy + Heikki Westerlund*</b>	1,253,896	1,718,260	2,972,156	3.53%	14,257,220	10.48%
Heiwes Oy	1,253,896	1,440,584	2,694,480	3.20%	13,979,544	10.28%
Heikki Westerlund		277,676	277,676	0.33%	277,676	0.20%
<b>Joensuun Kauppa ja Kone Oy</b>		2,820,405	2,820,405	3.35%	2,820,405	2.07%

**Geldegal Oy + Mom****Invest Oy (Olli**

<b>Liitola**)</b>	1,144,984	1,422,103	2,567,087	3.05%	12,871,943	9.46%
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Geldegal Oy	1,144,984	808,359	1,953,343	2.32%	12,258,199	9.01%
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Mom Invest Oy		613,744	613,744	0.73%	613,744	0.45%
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**The State Pension**

<b>Fund</b>		2,500,000	2,500,000	2.97%	2,500,000	1.84%
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**Guarneri Oy + Petri**

<b>Saavalainen*</b>	201,627	809,302	1,010,929	1.20%	2,825,572	2.08%
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Guarneri Oy	201,627	494,414	696,041	0.83%	2,510,684	1.85%
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Petri Saavalainen		314,888	314,888	0.37%	314,888	0.23%
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**Icecapital**

<b>Pankkiiriliike Oy</b>		903,124	903,124	1.07%	903,124	0.66%
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**Norum Russia Carry****Limited (Hans****Christian Dall Nygård\*,****Knut J. Borch\*,****Alberto Morandi\*)****(Hans Christian Dall****Nygård\*\*, Knut J.****Borch\*\*, Alberto**

<b>Morandi**)</b>		888,568	888,568	1.05%	888,568	0.65%
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**Erikoissijoitusrahasto**

<b>Fourton Fokus Suomi</b>		800,000	800,000	0.95%	800,000	0.59%
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**Sijoitusrahasto****Taaleritehdas Arvo**

<b>Markka Osake</b>		800,000	800,000	0.95%	800,000	0.59%
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**Sijoitusrahasto Evli**

<b>Suomi Osake</b>		713,200	713,200	0.85%	713,200	0.52%
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**Nordea Life**

<b>Assurance Finland Lrd</b>		700,000	700,000	0.83%	700,000	0.51%
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<b>Jensen Leif</b>		699,469	699,469	0.83%	699,469	0.51%
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<b>Lapuan Osuuspankki</b>		600,000	600,000	0.71%	600,000	0.44%
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<b>Total</b>	5,593,750	44,759,722	50,353,472	59.75%	100,697,222	74.01%
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<b>Nominee registered</b>		15,547,726	15,547,726		15,980,840	11.75%
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**Shareholdings of****management and**

<b>employees***</b>	5,625,000	14,194,906	19,819,906	23.52%	70,444,906	51.79%
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Below is a list of flagging notifications that CapMan Plc has received in year 2012. An up-date information of all flagging notifications can be found at [www.capman.com](http://www.capman.com).

Two flagging notifications were issued during the year. In September a flagging notification was issued due to the following changes in ownership and/or voting rights: Oy Inventiainvest Ab's share of the total number of shares and voting rights in CapMan Plc exceeded 5% and 15%, respectively. Oy Inventiainvest Ab is under the direct control of Ari Tolppanen. Ari



Tolppanen's and Oy Aristo-Invest Ab's combined share of the total number of shares in CapMan Plc and their combined share of voting rights in CapMan Plc fell below 5%. In early January 2012, CapMan disclosed a flagging notification related to Legg Mason, Inc.'s shareholding decreasing below 5% on 28 December 2011. In addition, in January 2013, CapMan disclosed a flagging notification related to Eläkekassa Verso's shareholding exceeding 5% as a result of share transactions on 29 November 2012.

\* Employed by CapMan.

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

\*\*\* Shareholders among the 100 largest shareholders of the Company.

## 24. Interest-bearing loans and borrowings - Non-current

€ ('000)	2012	2011
Bank loans	22,678	28,125
Derivative instruments at fair value	0	628
Total	22,678	28,753

The loan is amortized twice a year with the final payment due in 6 June 2017. The interest is paid quarterly.

Derivative instruments at fair value

€ ('000)	2012	2012	2012
	Positive fair value (balance sheet value)	Negative fair value (balance sheet value)	Net value
Fair values			
Unhedged items	0	0	0

€ ('000)	2011	2011	2011
	Positive fair value (balance sheet value)	Negative fair value (balance sheet value)	Net value
Fair values			
Unhedged items	0	-628	-628

The interest rate level of the Group's interest-bearing debts is hedged by interest rate options. They are recognised in the balance sheet at fair value on the closing date. The Group does not use derivative instruments for hedging purposes. Currency receivables and payables, their net position or subsidiaries' equity are not hedged.

## 25. Other liabilities - Non-current

€ ('000)	2012	2011
Other liabilities	1,241	1,131
Total	1,241	1,131

Other liabilities include the liability of the sabbatical € 1,2 million.

## 26. Trade and other payables - Current

€ ('000)	2012	2011
Trade payables	860	432
Advance payments received	894	32
Accrued expenses	10,678	13,633
Other liabilities	787	1,172
Total	13,219	15,269

The maturity of trade payables is normal terms of trade and they don't include any debts due. Accrued expenses include accrued salaries and the social benefit expenses, and a clawback reserve of €6.4 million for the carried interest. The claw back reserve relates to the exit in 2007 from Real Estate I fund, when the total carried interest potential for the fund was estimated. The adequacy of the claw back reserve is quarterly reviewed by the management.

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

Trade and other liabilities	Amount in foreign currency	Amount in euros	Proportion
EUR		12,059	91%
NOK	3,261	444	3%
SEK	6,153	716	6%

## 27. Interest-bearing loans and borrowings - Current

€ ('000)	2012	2011
Bank loans	9,500	6,250
Derivative instruments at fair value	285	0
Total	9,785	6,250

As at 31 December 2012 the Group had a €15 million long term revolving credit facility from which €5 million was drawn of the year-end 2012.

## 28. Classification of financial assets and liabilities by valuation category

€ ('000)	Loans and other receivables	Fair value through P/L	Financial liabilities	Balance sheet value	Fair value
Valuation principles	Amortised cost	Fair value	Amortised cost		
<b>Non-current assets</b>					
Other investments					
Investments available-for-sale		74,465		74,465	74,465
Receivables					
Interest-bearing loan receivables from associated companies	18,721			18,721	18,721
Interest-bearing other loan receivables	1,217			1,217	1,217
Other receivables	19			19	19
<b>Current assets</b>					
Trade and other receivables	8,532			8,532	8,532
Other financial assets at fair value		365		365	365
Cash and bank	6,625			6,625	6,625
<b>Total</b>	<b>35,114</b>	<b>74,830</b>	<b>0</b>	<b>109,944</b>	<b>109,944</b>
<b>Non-current interest-bearing loans</b>					
Interest-bearing loans			22,678	22,678	22,678
Other liabilities			1,241	1,241	1,241
<b>Current liabilities</b>					
Trade and other liabilities			13,219	13,219	13,219
Interest-bearing loans and borrowings			9,785	9,785	9,785
<b>Total</b>	<b>0</b>	<b>0</b>	<b>46,923</b>	<b>46,923</b>	<b>46,923</b>

## Classification of financial assets and liabilities by valuation category 2011

€ ('000)	Loans and other receivables	Fair value through P/L	Financial liabilities	Balance sheet value	Fair value
Valuation principles	Amortised cost	Fair value	Amortised cost		
<b>Non-current assets</b>					
Other investments					
Investments available-for-sale		70,167		70,167	70,167
Receivables					
Interest-bearing loan receivables from associated companies	18,682			18,682	18,682
Interest-bearing other loan receivables	883			883	883
Other receivables	36			36	36
<b>Current assets</b>					
Trade and other receivables	5,467			5,467	5,467
Other financial assets at fair value		378		378	378
Cash and bank	21,887			21,887	21,887
<b>Total</b>	<b>46,955</b>	<b>70,545</b>	<b>0</b>	<b>117,500</b>	<b>117,500</b>
<b>Non-current interest- bearing loans</b>					
Interest-bearing loans			28,753	28,753	28,753
Other liabilities			1,131	1,131	1,131
<b>Current liabilities</b>					
Trade and other liabilities			15,269	15,269	15,269
Interest-bearing loans and borrowings			6,250	6,250	6,250
<b>Total</b>	<b>0</b>	<b>0</b>	<b>51,403</b>	<b>51,403</b>	<b>51,403</b>

## 29. Commitments and contingent liabilities

€ ('000)	2012	2011
Leasing agreements		
Operating lease commitments		
Within one year	138	247
After one but not more than five years	69	201
Total	207	448
Other hire purchase commitments		
Within one year	1,955	2,193
After one but not more than five years	4,405	4,396
Beyond five years	318	498
Total	6,678	7,087

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

### Securities and other contingent liabilities

€ ('000)	2012	2011
Contingencies for own commitment		
Mortgage bonds	60,000	60,000
Pledged deposit for own commitment	1	10
Loan commitments to Maneq funds	5,113	6,027
Other contingent liabilities	484	1,106
Remaining commitments to funds by investment area		
Buyout	10,786	10,008
Mezzanine	4,540	4,826
Russia	1,023	2,113
Public Market	1,059	299
Real Estate	813	942
Others	2,975	4,328
Access	1,260	1,909
Remaining commitments to funds	22,456	24,425

CapMan, like other investors in the funds, gives commitments to the funds when they are established. The main part of the commitments become due during the first five years of each fund's life time.



## 30. Share-based payments

CapMan Plc had one stock option program at the end of 2012. The Company has a weighty financial reason for the issue of stock options, since the stock options are intended to form part of the Group's incentive and commitment program for the Group key personnel. 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 2008	
	Stock option 2008A	Stock option 2008B
Stock options, number	2,135,000	2,135,000
Entitlement to subscribe for B shares	2,135,000	2,135,000
Share subscription period begins	1 May 2011	1 May 2012
Share subscription period ends	31 Dec 2012	31 Dec 2013
	Trade volume weighted average price of the B share on the Nasdaq OMX Helsinki 1.5.-30.6.2008 with an addition of ten (10) per cent less dividends i.e.	Trade volume weighted average price of the B share on the Nasdaq OMX Helsinki 1.5.-30.6.2009 with an addition of ten (10) per cent less dividends i.e.
Share subscription price	€2.46.	€0.89.
Number of shares subscribed with stock options	-	-

	Stock option program 2008	
	Stock option 2008A	Stock option 2008B
Information applied in the Black&Scholes model		
Expected volatility	20.00%	20.00%
Risk-free interest	2.75%	2.75%

## Shares and stock options

		Shares 31 Dec 2012		Stock options 31 Dec 2012			
				of shares, %	of votes, %	of shares, %	of votes, %
		Number	Distributed stock options 31 Dec 2012	of shares %	of votes %	if all distributed stock options will be exercised	if all stock options of option programs will be exercised
A shares	5,750,000			6.8 %	44.1 %		
B shares	78,531,766			93.2 %	57.7 %		
2008A options	2,135,000	1,926,250				2.3 %	1.4 %
2008B options	2,135,000	2,070,000				2.5 %	1.5 %

## 31. Related party disclosures

Subsidiaries	Group ownership of shares, %	Parent company ownership of shares, %
CapMan Capital Management Oy, Finland	100%	100%
CapMan Sweden AB, Sweden	100%	100%
CapMan Holding AB, Sweden	100%	100%
CapMan AB, Sweden	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 Germany GmbH, Germany	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 PSH GP Oy, Finland	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 Nordic Real Estate Investment Sarl, Luxembourg	100%	100%

Associated companies	Group ownership of shares, %	Parent company ownership of shares, %
BIF Management Ltd, Jersey	33.00%	33.00%
Baltic SME Management B.V., The Netherlands	33.00%	33.00%
Maneq 2002 AB, Sweden	35.00%	35.00%
Maneq 2004 AB, Sweden	42.00%	42.00%
Maneq 2005 AB, Sweden	34.00%	34.00%
Maneq 2006 AB, Sweden	34.00%	34.00%
Maneq 2007 AB, Sweden	37.00%	37.00%
Maneq 2008 AB, Sweden	34.00%	34.00%
Maneq 2009 AB, Sweden	34.00%	34.00%
Maneq 2010 AB, Sweden	32.00%	32.00%
Maneq 2011 AB, Sweden	36.00%	36.00%
Yewtree Holding AB, Sweden	35.00%	35.00%

Loan receivables from related parties, M€	Non-current loan receivable 2012	Non-current loan receivable 2011
Maneq 2005 AB	1.7	1.8
Maneq 2007 AB	5.7	5.6
Maneq 2008 AB	7.6	7.2
Maneq 2009 AB	1.9	1.7
Maneq 2010 AB	0.9	1.2
Maneq 2011 AB	0.9	1.2

#### Management remuneration

€ ('000)	2012	2011
Management Group excluding the CEO		
Salaries and other short-term employee benefits	2,376	2,586
CEO	438	451
Members of the Board		
Claes de Neergaard	52	38

Koen Dejonckheere *	0	0
Karri Kaitue	42	0
Nora Kerppola	54	38
Teuvo Salminen	61	56
Heikki Westerlund	55	54
Sari Baldauf, prior member of the Board	0	24
Conny Karlsson, prior member of the Board	14	100
Tapio Hintikka, prior member of the Board	0	24

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

The CEO has a 12 -month mutual notice period. No special severance fee has been agreed upon for the potential termination of the CEO's agreement with the company.

The CEO and Management Group members are covered by additional payment-based pension insurance. The retirement age is set at 60 years of age.

In 2012 the Management Group members were granted in total 400,000 stock options (2011; 1,025,000). The stock options granted to the Management Group are subject to the same terms as for stock options granted to employees.

## 32. 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 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 predictable cash flow from management fees received and highly 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.

CapMan has made commitments to the funds it manages. Most of the existing commitments are typically called in to the funds within the next four years. As at 31 December 2012 the undrawn commitments to the funds amount to €22.5 (€24.4 million) and the financing capacity available (cash and third party financing facilities) amount to €19.4 million (€31.9 million).

The Group has the following financing arrangements:

The Group had a €15 million long term revolving credit facility from which €5 million was drawn at the year-end. The long term loan in the balance sheet €30 million is fully drawn down, instalment half-yearly. Hybrid bond, no maturity date, call option in 2013 (€29 million drawn at 31 December 2012).

### Maturity analysis

31 December 2012, € ('000)	Due within 3 months	Due between 3 and 12 months	Due between 1 and 3 years	Due between 3 and 5 years
Non-current financial liabilities				
Interest-bearing loans and borrowings			20,000	2,678
Current financial liabilities				
Accounts payable	860			
Interest-bearing loans and borrowings	5,000	4,785		

Accrued interests	83
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## Maturity analysis

	Due within 3 months	Due between 3 and 12 months	Due between 1 and 3 years	Due between 3 and 5 years
31 December 2011, € ('000)				

## Non-current financial liabilities

Interest-bearing loans and borrowings			28,753	
---------------------------------------	--	--	--------	--

## Current financial liabilities

Accounts payable	432			
Interest-bearing loans and borrowings	3,125	3,125		
Accrued interests	21			

## 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 interest rate for the hybrid bond is fixed to 11.25%, payable semi-annually. The bond has no maturity but the company may call the bond on 18 December 2013 and then the interest will change, 3 months Euribor + 11.236%, at least 14.25%, payable quarterly.

Long-term loan receivables from Maneq funds are fixed to five-year interest rate periods.

## Loans according to interest rate

€('000)	2012	2011
Floating rate	7,678	13,125
Fixed rate	15,000	15,000
<b>Total</b>	<b>22,678</b>	<b>28,125</b>

## The effect on profit after tax

€('000)	1 %- change in interest rates	-1 %- change in interest rates	2%- change in interest rates
Floating rate	58	-58	116

Excluding the change in fair value of derivative instruments.

**c) Credit risk**

The Group's exposure to credit risk is limited mainly to loan receivables from Maneq funds. Maneq funds make investments in portfolio companies alongside CapMan funds. CapMan typically has a 35-40% stake in these companies and it finances them with senior and mezzanine loans.

The analysis of possible credit provisions and impairment of loan receivables takes into account that fund solvency observes the J-curve pattern, which is common for private equity funds. The fair value of funds typically falls below acquisition cost in the early investment phase until the first realisations are made. For this reason a more reliable assessment of credit risk may be performed approximately four years after the initial investment date, as repayment solvency is endangered only if the average exit multiple within the investment portfolio equals less than one. CapMan has a historical exit multiple of approximately 3x. In addition the assessment of credit risk incorporates the portfolio companies' expected realisation returns, which are often greater than fair value at that time.

Loan receivables from associated companies and others

**2012**

€ ('000)	CapMan's receivables total	Receivables total (incl. write-downs)	Capital account at fair value (excl. external debts)
Funds where fair value < receivables	12,385	12,385	10,089
Funds where fair value > receivables	10,765	10,765	12,760
	23,150	23,150	22,849
Other loan receivables	1,217	1,217	n/a
Total	24,367	24,367	

Loan receivables from associated companies and others

**2011**

€ ('000)	CapMan's receivables total	Receivables total (incl. write-downs)	Capital account at fair value (excl. external debts)
Funds where fair value < receivables	8,467	8,467	5,922
Funds where fair value > receivables	15,422	15,422	16,656
	23,889	23,889	22,578
Other loan receivables	883	883	n/a
Total	24,772	24,772	

The funds with fair value smaller than the loan receivables are primarily new funds. In these funds the value creation related to portfolio companies is still at earlier stage and therefore no write downs have been made to the loan receivables.



**d) Currency risk**

CapMan has subsidiaries outside of the Eurozone, and their equity is exposed to movements in foreign currency exchange rates (Sweden, Denmark and Norway). 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) 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.

Sensitivity analysis of fund investments (excluding funds of funds)

	2012		2011	
	Impact on result before taxes, M€		Impact on result before taxes, M€	
	Change -10%	Change +10%	Change -10%	Change +10%
Average profitability of portfolio companies	-4.84	5.07	-6.10	6.08
Average peer group multiples	-6.21	5.99	-6.90	6.85
EUR/SEK FX rate	1.75	-1.43	-0.33	0.27
EUR/NOK FX rate	-0.87	0.71	-0.44	0.35

**The group's assets measured at fair value at 31 December 2012.**

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		4,008	70,457	74,465

The fund investments in level 3 include mainly the investments in the unlisted companies, and those have no quoted market values.

The group's assets measured at fair value at 31 December 2011.

€('000)	Level 1	Level 2	Level 3	Total
Investments at fair value through profit and loss				
Investments in funds		3,631	66,536	70,167

The fund investments in level 3 include mainly the investments in the unlisted companies, and those have no quoted market values.

## 33. 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.-31.12.2012	1.1.-31.12.2011
<b>Turnover</b>	<a href="#">1</a>	2,925,160.94	3,594,190.64
Other operating income	<a href="#">2</a>	2,241,872.58	1,246,769.00
Employee benefit expenses	<a href="#">3</a>	-4,006,296.70	-5,589,652.27
Depreciation	<a href="#">4</a>	-567,400.81	-588,073.04
Other operating expenses	<a href="#">5</a>	-4,758,325.79	-3,601,398.13
<b>Operating loss</b>		-4,164,989.78	-4,938,163.80
Finance income and costs	<a href="#">6</a>	5,585,219.18	9,942,386.87
<b>Profit before extraordinary items</b>		1,420,229.40	5,004,223.07
Extraordinary items	<a href="#">7</a>	3,775,000.00	2,700,000.00
<b>Profit before taxes</b>		5,195,229.40	7,704,223.07
Income taxes	<a href="#">8</a>	-293,588.37	-1,265,168.41
<b>Profit for the financial year</b>		4,901,641.03	6,439,054.66

# Parent Company Balance Sheet (FAS)

€	Note	31 Dec 2012	31 Dec 2011
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	<a href="#">9</a>	620,048.04	853,631.71
Tangible assets	<a href="#">10</a>	187,429.96	303,979.97
Investments	<a href="#">11</a>		
Shares in subsidiaries		74,740,236.53	71,370,192.31
Investments in associated companies		5,867,097.50	5,675,117.41
Other investments		3,102,670.89	3,641,367.98
Investments total		83,710,004.92	80 686 677,70
<b>Total non-current assets</b>		84,517,482.92	81,844,289.38
<b>Current assets</b>			
Long-term receivables	<a href="#">12</a>	24,065,142.55	25,491,378.53
Short-term receivables	<a href="#">13</a>	11,982,734.77	10,884,951.17
Marketable securities		41,497.55	41 425,20
Cash and bank		546,173.27	4,530,809.17
<b>Total current assets</b>		36,635,548.14	40,948,564.07
<b>Total assets</b>		121,153,031.06	122,792,853.45
<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		6,999,740.67	6,999,744.89
Retained earnings		876,758.27	335 586,30
Profit/loss for the financial year		4,901,641.03	6,439,054.66
<b>Total equity</b>		52,517,913.19	53,514,159.07

<b>Liabilities</b>			
Non-current liabilities	<a href="#">15</a>	51,780,236.87	57 826 242,00
Current liabilities	<a href="#">16</a>	16,854,881.00	11,452,452.38
		68,635,117.87	69,278,694.38
<b>Total shareholders' equity and liabilities</b>		121,153,031.06	122,792,853.45

# Parent Company Cash Flow Statement

## (FAS)

€	1.1.-31.12.2012	1.1.-31.12.2011
<b>Cash flow from operations</b>		
Profit before extraordinary items	1,420,229	5,004,223
Finance income and costs	-5,585,219	-9,942,387
Adjustments to operating profit/loss	1,799,309	588,073
Change in net working capital		
Change in current non-interest-bearing receivables	-2,028,567	933,524
Change in current trade payables and other non-interest-bearing liabilities	-1,567,053	-5,551,986
Interest paid	-4,968,031	-4,790,962
Interest received	1,424,609	727,346
Dividends received	8,699,828	12,535,397
Taxes paid	-183,333	-1,480,765
<b>Cash flow from operations</b>	<b>-988,228</b>	<b>-1,977,537</b>
<b>Cash flow from investments</b>		
Investments in tangible and intangible assets	-237,092	-124,886
Proceed from sale of tangible assets	704,250	0
Investments in other placements	-1,333,884	-2,801,781
Long-term loan receivables granted	-1,591,876	-4,367,587
Repayment of long-term loans	1,549,149	8,681,441
Proceed from sale of other investments	2,054,535	0
<b>Cash flow from investments</b>	<b>1,145,082</b>	<b>1,387,187</b>
<b>Cash flow from financing activities</b>		
Long-term loan receivables granted	-600,000	0
Repayment of long-term loans	2,400,000	0
Short-term loan receivables granted	-5,805,000	-3,997,101
Repayment of short-term loans	4,183,000	1,015,000
Long-term loan receivables granted	40,000,000	0
Repayment of loans from financial institutions	-42,196,535	-6,250,000
Dividends paid	-5,897,883	-10,113,812

Other financial assets at fair value	-72	-415
Group contributions received	3,775,000	2,700,000
<b>Cash flow from financing activities</b>	<b>-4,141,490</b>	<b>-16,646,328</b>
<b>Change in cash and cash equivalents</b>	<b>-3,984,636</b>	<b>-17,236,678</b>
Cash and cash equivalents at start of year	4,530,809	21,767,487
<b>Cash and cash equivalents at end of year</b>	<b>546,173</b>	<b>4,530,809</b>



# *Notes to the Parent Company Financial Statements (FAS)*

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

CapMan Plc's financial statements for 2012 have been prepared in accordance with the Finnish Accounting Act.

## **Foreign currency translation**

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

## **Investments**

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

## **Receivables**

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

## **Non-current liabilities**

The financial risk management of CapMan Group is centralised with the parent company. The financial risk management principles are provided in the Notes to the Group financial statements under 32.

The hybrid bond is recorded as a non-current liability at nominal value. The loan has no maturity but the company has the right to call the loan on 18 December 2013 and every quarter thereafter.

## **Leases**

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

## **Provisions**

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

## **Pensions**

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

## **Revenue recognition**

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

## **Income taxes**

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

# *Notes to the Parent Company Financial Statements (FAS)*

## 1. Turnover by area

€	2012	2011
Finland	1,428,572	1,477,281
Foreign	1,496,589	2,116,910
Total	2,925,161	3,594,191

## 2. Other operating income

€	2012	2011
Gains from sale of tangible assets	187,338	0
Other	2,054,535	1,246,769
Total	2,241,873	1,246,769

## 3. Personnel

€	2012	2011
Salaries and wages	3,429,882	4,389,838
Pension expenses	485,776	766,673
Other personnel expenses	90,639	433,142
Total	4,006,297	5,589,653
Salaries and other remuneration of the CEO	437,690	450,749
Board members	278,400	334,717
Average number of employees	39	43

**4. Depreciation**

€	2012	2011
Depreciation by asset type:		
Intangible rights	132,739	108,848
Other long-term expenditure	337,937	361,742
Machinery and equipment	96,725	117,483
Total	567,401	588,073

**5. Other operating expenses**

€	2012	2011
Other personnel expenses	202,841	-5,697
Office expenses	777,056	655,040
Traveling and entertainment	418,137	443,185
External services	1,947,295	1,880,055
Other operating expenses	1,412,996	628,815
Total	4,758,325	3,601,398
<b>Audit fees</b>		
PricewaterhouseCoopers Oy Authorised Public Accountants		
Audit fees	40,339	78,012
Tax advices	16,433	4,930
Other fees and services	39,691	101,887
Total	96,463	184,829

**6. Finance income and costs**

€	2012	2011
Dividend income		
Group companies	8,489,179	12,340,397
Associated companies	183,420	195,000
Others	27,229	0
Total	8,699,828	12,535,397
Other interest and finance income		
Group companies	183,836	170,378

Others	1,671,374	1,824,249
Total	1,855,210	1,994,627
Interest and other finance costs		
Group companies	-239,773	0
Others	-4,730,046	-4,587,637
Total	-4,969,819	-4,587,637
Finance income and costs total	5,585,219	9,942,387

## 7. Extraordinary items

€	2012	2011
Extraordinary income		
Group contributions received	3,775,000	2,700,000

## 8. Income taxes

€	2012	2011
Income taxes	-110,256	-794,720
Deferred taxes	-183,332	-470,448
Total	-293,588	-1,265,168

## 9. Intangible assets

€	2012	2011
Intangible rights		
Acquisition cost at 1 January	643,188	623,188
Additions	185,000	20,000
Acquisition cost at 31 December	828,188	643,188
Accumulated depreciation at 1 January	-451,495	-342,647
Depreciation for financial year	-132,739	-108,848
Accumulated depreciation at 31 December	-584,234	-451,495
Book value on 31 December	243,954	191,693
Other long-term expenditure		

Acquisition cost at 1 January	2,155,606	2,061,204
Additions	52,092	94,402
Acquisition cost at 31 December	2,207,698	2,155,606
Accumulated depreciation at 1 January	-1,493,667	-1,131,925
Depreciation for financial year	-337,937	-361,742
Accumulated depreciation at 31 December	-1,831,604	-1,493,667
Book value on 31 December	376,094	661,939
Intangible rights total	620,048	853,632

**10. Tangible assets**

€	2012	2011
Machinery and equipment		
Acquisition cost at 1 January	908,455	897,971
Additions	0	10,484
Disposals	-19,825	0
Acquisition cost at 31 December	888,630	908,455
Accumulated depreciation at 1 January	-724,152	-606,669
Depreciation for financial year	-96,725	-117,483
Accumulated depreciation at 31 December	-820,877	-724,152
Book value on 31 December	67,753	184,303
Other tangible assets		
Acquisition cost at 1 January	119,677	119,677
Book value on 31 December	119,677	119,677
Tangible assets total	187,430	303,980

**11. Investments**

€	2012	2011
Shares in subsidiaries		
Acquisition cost at 1 January	71,370,192	61,584,456
Additions	4,391,054	9,842,515

Disposals	-1,021,009	-56,779
Acquisition cost at 31 December	74,740,237	71,370,192
Shares in associated companies		
Acquisition cost at 1 January	5,675,117	5,573,568
Additions	205,164	247,376
Disposals	-13,184	-145,827
Acquisition cost at 31 December	5,867,097	5,675,117
Shares, other		
Acquisition cost at 1 January	3,641,368	3,561,258
Additions	314,301	258,709
Disposals	-852,999	-178,599
Acquisition cost at 31 December	3,102,670	3,641,368
Investments total	83,710,004	80,686,677

The subsidiaries and the associated companies are presented in the Notes to the Consolidated Financial Statements, Table 31. Related party disclosures.

## 12. Long-term receivables

€	2012	2011
Receivables from Group companies		
Loan receivables	4,127,000	5,927,000
Receivables from associated companies		
Loan receivables	18,720,765	18,681,685
Other loan receivables	1,217,377	882,694
Long-term receivables total	24,065,142	25,491,379

## 13. Short-term receivables

€	2012	2011
Accounts receivable	97,980	125,517
Receivables from Group companies		
Accounts receivable	145,987	1,387,197

Loan receivables	2,220,228	3,508,005
Other receivables	4,721,240	3,572,013
Total	7,087,455	8,467,215
Receivables from associated companies		
Accounts receivable	29,132	0
Accrued income	661,639	830,724
Total	690,771	830,724
Loan receivables	18,677	736,261
Other receivables	3,443,152	16,148
Accrued income	644,700	709,086
Short-term receivables total	11,982,735	10,884,951

**14. Shareholders' equity**

€	2012	2011
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	6,999,745	6,999,745
Deduction	-4	0
Invested unrestricted shareholders' equity at 31 December	6,999,741	6,999,745
Retained earnings at 1 January	6,774,641	10,449,398
Dividend payment	-5,897,883	-10,113,812
Retained earnings at 31 December	876,758	335,586
Profit for the financial year	4,901,641	6,439,055
Shareholders' equity, total	52,517,913	53,514,159
<b>Calculation of distributable assets</b>		
Retained earnings	876,758	335,586
Profit for the financial year	4,901,641	6,439,055
Invested unrestricted shareholders' equity	6,999,741	6,999,745
Total	12,778,140	13,774,386

CapMan Plc's share capital is divided as follows:

	2012	2011
	Number of shares	Number of shares
Series A share (10 votes/share)	5,750,000	5,750,000
Series B share (1 vote/share)	78,531,766	78,531,766

#### 15. Non-current liabilities

€	2012	2011
Hybrid bond	29,000,000	29,000,000
Bank loans	22,678,465	28,752,822
Other liabilities	101,772	73,420
Non-current liabilities total	51,780,237	57,826,242

#### 16. Current liabilities

€	2012	2011
Accounts payable	481,844	251,897
Liabilities to Group companies		
Accounts payable	990	275,036
Other liabilities	4,955,909	1,955,000
Accrued expenses	239,773	0
Total	5,196,672	2,230,036
Bank loans	9,785,207	6,250,000
Other liabilities	87,567	263,835
Accrued expenses	1,303,591	2,456,684
Current liabilities total	16,854,881	11,452,452



**17. Contingent liabilities**

€	2012	2011
<b>Leasing agreements - CapMan Group as lessee</b>		
Operating lease commitments		
Within one year	137,891	221,592
After one but not more than five years	68,747	201,130
Total	206,638	422,722
Other hire purchase commitments		
Within one year	1,154,817	1,311,126
After one but not more than five years	2,297,321	3,452,138
Total	3,452,138	4,763,264
<b>Securities and other contingent liabilities</b>		
Contingencies for own commitment		
Mortgage bonds	60,000,000	60,000,000
Loan commitments to Maneq funds	5,113,321	6,026,566
Other contingent liabilities	484,349	1,106,490
Remaining commitments to funds		
Equity funds	1,055,368	1,275,716
Fund of funds	447,178	346,514
Remaining commitments to funds	1,502,546	1,622,230

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

Helsinki, 7 February 2013

Heikki Westerlund  
Chairman

Koen Dejonckheere

Karri Kaitue

Nora Kerppola

Claes de Neergaard

Teuvo Salminen  
Deputy Chairman

Lennart Simonsen  
CEO

# 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 2012. 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, 7 February 2013

PricewaterhouseCoopers Oy

Authorised Public Accountants

Mikko Nieminen

Authorised Public Accountant

# *Shares and shareholders*

**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 6,142 shareholders at the end of 2012.**

## **CapMan shares**

CapMan has two series of shares, A and B. The company's A shares, which total 5,750,000 in number, account for 42.3% of votes; while B shares, which total 78,531,766, account for 57.7% of votes. 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 2012 was €771,586.98.

## **Option programmes**

CapMan had one option programme to engage and commit personnel to the company in force as of the end of 2012. Details on the 2008 programme can be found in the Report of the Board of Directors and the Notes to the Financial Statements.

## **CapMan's shareholders**

CapMan had 6,142 shareholders as of the end of 2012. Two flagging notifications were issued during the year. In September a flagging notification was issued due to the following changes in ownership and/or voting rights: Oy Inventiainvest Ab's share of the total number of shares and voting rights in CapMan Plc exceeded 5% and 15%, respectively. Oy Inventiainvest Ab is under the direct control of Ari Tolppanen. Ari Tolppanen's and Oy Aristo-Invest Ab's combined share of the total number of shares in CapMan Plc and their combined share of voting rights in CapMan Plc fell below 5%. In early January 2012, CapMan disclosed a flagging notification related to Legg Mason, Inc.'s shareholding decreasing below 5% on 28 December 2011. In addition, in January 2013, CapMan disclosed a flagging notification related to Eläkekassa Verso's shareholding exceeding 5% as a result of share transactions on 29 November 2012.

Due to the changes in shareholdings and voting rights mentioned above, Oy Inventiainvest Ab became the second

largest shareholder of CapMan Plc. According to the flagging notification published in December 2010 Gimv NV owns 10.005% of all CapMan shares and is therefore the largest shareholder of CapMan Plc. CapMan Plc's largest shareholders are detailed in the Notes to the Financial Statements. CapMan Plc owned 26,299 of the company's B shares as of 31 December 2012.

## **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 16% of CapMan's shares as of the end of 2012. A breakdown by sector and size of holding are presented in the Notes to the Financial Statements.

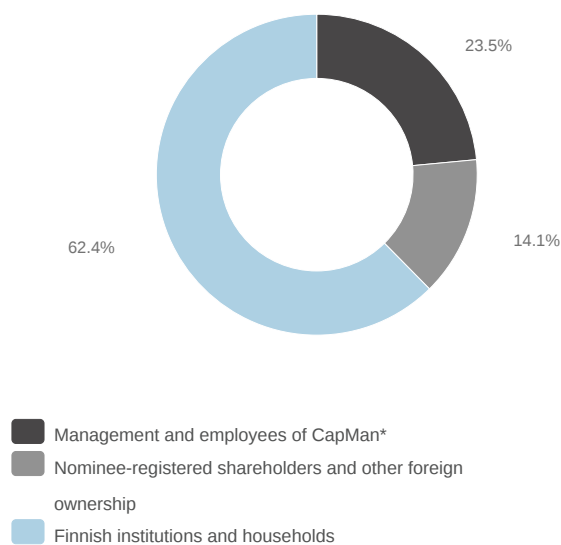
## **Dividend policy and dividend payable for 2012**

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 no to be paid to shareholders.

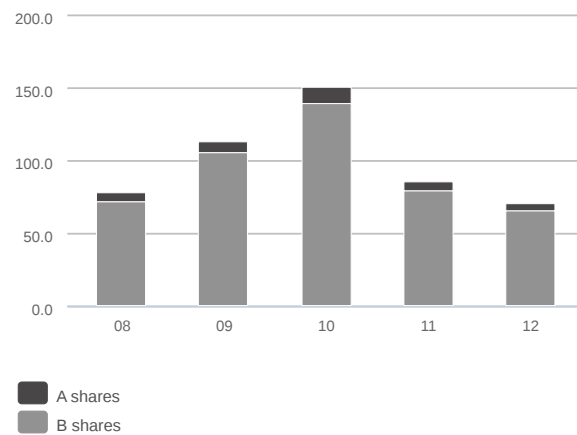
## **IR contacts**

CapMan's IR contacts are the joint responsibility of the CEO, the head of the Sales, Marketing, Investor Relations and Communications 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.

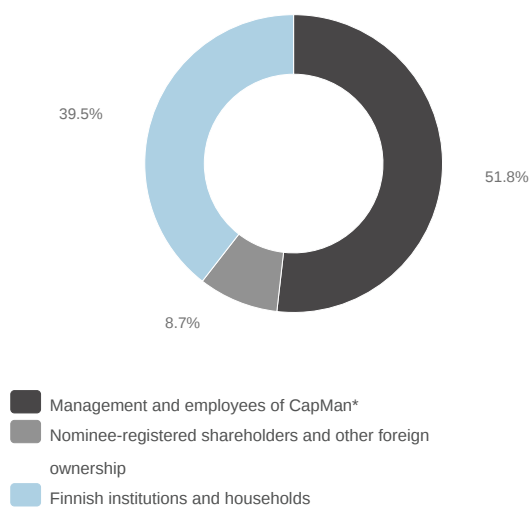
## Holdings by shareholder class 31 Dec 2012, %



## Market capitalisation, M€



## Voting rights by shareholder class 31 Dec 2012, %



\* Shareholding among the 100 largest shareholders.

**Share price development and trading of B shares**

	2012	2011
<b>Share price, €</b>		
highest	1.19	1.83
lowest	0.80	0.90
volume-weighted average	0.93	1.39
closing price, 31.12	0.84	1.01
<b>Trading turnover</b>		
million shares	20.4	24.1
million euros	19.1	32.0

**Basic information on shares and options****CapMan B share**

Market	Helsinki
Currency	€
Listed	04/02/01
ISIN	FI0009009377
Trading code	CPMBV
Reuters code	CPMBV.HE
Bloomberg code	CPMBV
List	Nordic Small Caps
Industry	Finance
Number of shares	78 531 766
Votes/share	1/share

**CapMan A share**

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

**Stock option programme 2008****CapMan 2008 A-option**

Stock options, number	2 135 000
Share subscription price	2.46 EUR
Exercise period	1.5.2011 - 31.12.2012

**CapMan 2008 B-option**

Stock options, number	2 135 000
Share subscription price	0.89 EUR
Exercise period	1.5.2012 - 31.12.2013

The A and B options of the 2008 option program each entitle holders to subscribe to 2,135,000 shares.



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# *Information for shareholders*

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## **Annual General Meeting 2013**

CapMan Plc's Annual General Meeting 2013 will be held on Wednesday, 20 March 2013 at 9:00 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 8 March 2013 are entitled to attend.

Shareholders wishing to attend the AGM should inform the company by 10:00 am EET on 15 March 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 Varjo, +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 no dividend be paid for 2012.

## **CapMan Plc's financial reporting in 2013**

CapMan Plc will publish three interim reports during 2013:  
1 January – 31 March 2013: Friday, 3 May 2013  
1 January – 30 June 2013: Thursday, 8 August 2013  
1 January – 30 September 2013: Thursday, 7 November 2013.

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, the Head of Sales, Marketing, Investor Relations and Communications 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.

## **Analysts following CapMan Plc**

### **Carnegie**

Timo Heinonen, tel. +358 (0)9 6187 1234

### **Pohjola Bank**

Niclas Catani, tel. +358 (0)10 252 8780