Annual Report 2017

CapMan

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CapMan today

CapMan is a leading Nordic private asset expert with an active approach to value-creation in its target companies and assets. We offer a wide selection of investment products and services. As one of the Nordic private equity pioneers we have developed hundreds of companies and real estate and created substantial value in these businesses and assets over the last 28 years. CapMan has today 118 private equity professionals and manages approximately €2.8 billion in assets under management. We mainly manage the assets of our customers, the investors, but also make investments from our own balance sheet.

Our objective is to provide attractive returns and innovative solutions to investors. Our current investment strategies cover Real Estate, Buyout, Russia, Credit, Growth Equity and Infrastructure. We also have a growing service business that currently includes procurement services (CaPS), fundraising advisory (Scala Fund Advisory), and fund management services.

Founded in **1989**

Capital under management **€2.8 bn**

120 LP's as customers

Over **100** current portfolio companies and real estate assets

6 core investment areas

3 services business

A year of renewal in 2017

CapMan achieved excellent financial performance in 2017. We successfully increased our comparable operating profit to €24 million and our comparable earnings per share by 16 per cent to 13.0 cents. Our share price increased by approximately 40 per cent during the year and, taking dividends into account, our shareholders' total return exceeded 49 per cent. By these metrics, we were among the best-performing companies on the Helsinki stock exchange.

First and foremost, 2017 was a year of renewal for CapMan.

Successful completion of the Norvestia acquisition and integration

During the year, we completed the strategically significant Norvestia acquisition and the related integration processes. The Norvestia acquisition significantly increased and strengthened CapMan's balance sheet and complemented our business portfolio by bringing in the Growth Equity investment area. The acquisition also saw us move to the Mid Cap segment on the Helsinki stock exchange. The number of CapMan shareholders exceeded 16,000, up 37% from the previous year. The liquidity of our share also improved, with turnover increasing by approximately 50% compared to last year.

Strong investments in growth – new investment areas, funds and investment product launches

In addition to being a year of renewal, 2017 was also a year of growth investments for CapMan. We successfully launched new investment areas, funds and investment products. One of the new investment areas was CapMan Growth Equity, which established an €86 million growth equity fund focused on minority investments in unlisted companies pursuing rapid growth. Our other new investment area, CapMan Infra, has several ongoing projects in which both international and local investors have shown interest. We also aim to establish a CapMan Infra fund in 2018.

Our CapMan Real Estate business developed very favourably during the year. We established our second Nordic €425 million real estate fund, CapMan Nordic Real Estate II. The fund was met with strong international demand and was quickly oversubscribed. We also secured an increase of our mandate from the Germany-based pension scheme group BVK, to €500 million. Our real estate business also introduced an entirely new product to the market in the form of Nordic Property Income, an open fund whose investors include smaller domestic institutions, among others.

Significant efforts to create added value, investments in and exits from portfolio companies and properties

We successfully invested in, and sold, several portfolio companies and properties during the year. Our exit from Idean Enterprise Oy, a CapMan Growth Equity investment, had a significant impact on our result for the year and provided further evidence of the excellent value creation work of our Growth Equity team. In addition, CapMan Buyout made a successful exit from the private dentistry chain Oral Hammaslääkärit and invested in KotiSun Group. CapMan Real Estate made several investments in Nordic office, retail and residential properties during the year as well as successful exits from previously held properties. Our Credit business made several investments during the year and, in spite of the challenging market environment in Russia, we were successful in developing our portfolio companies in 2017.

"We successfully launched new investment areas, funds and investment products during the year."

"Our goal is to grow CapMan a leading private asset manager with active approach tovalue-creation in its target companies"

"The first steps to achieve our goal have been taken, and we expect these investments in growth to be concretized in 2018."

Continued strong growth in the service business

Our service business continued to develop favourably and made a strong contribution to our result for 2017. The contract volumes of our procurement network CaPS grew by 24 per cent to €149 million in 2017. The number of new agreements increased by 31 per cent from the previous year.

In the latter part of the year, we incorporated Scala Fund Advisory. The arrangement makes it possible for Scala to focus on its core business and clarifies the market position of this service business. Order book for Scala is strong and there are several projects ongoing.

CapMan's renewed Board of Directors and Management Group

The composition of CapMan's Board of Directors and Management Group changed in 2017. Andreas Tallberg joined the Board of Directors as its new Chairman, and Mammu Kaario came on board as a new member. New members of the Management Group included Juha Mikkola, Managing Partner of the Growth Equity team, Pia Kåll, Managing Partner of the Buyout team and Mari Simula, Head of Fund Investor Relations. In addition, I became CapMan's Interim CEO in May and was appointed CEO in September 2017.

Clearer vision and new strategy

Our goal is to grow CapMan a leading private asset manager with active approach to value-creation in its target companies and with increasingly flexible and diverse investment products and services to an expanding investor base.

We pursue growth in our existing investment and service areas as well as new segments. To boost our growth, we will launch new investment products in the coming years, which will improve the profitability of our Management Company and Services business. The first steps to achieve our goal were taken already in 2017, and we expect these investments in growth to be concretized in 2018.

Entrepreneurial and solid CapMan

CapMan's operations are based on having an entrepreneurial company culture. Our values—active ownership, dedication and high ethics—describe our operating principles, and in our internal operations we also have a strong emphasis on teamwork and shared success. While our investment teams operate entrepreneurially as independent teams, it is important for us to also operate as a solid entity, as one CapMan.

I would like to take this opportunity to extend my warmest thanks to our shareholders, fund investors and all CapMan employees for a successful year 2017. During the year, we saw CapMan evolve into a modern and development-oriented private equity company, and we are now in a good position to continue to grow and develop CapMan further.

Joakim Frimodig
CEO

CapMan's business portfolio

CapMan

Management Company and Services business

Investment areas

REAL ESTATE
CapMan Real Estate invests primarily in office, retail, hotel and residential properties in the Nordics.

CREDIT
CapMan Credit funds make debt investments in small and mid-sized companies in the Nordics.

BUYOUT
CapMan Buyout invests in mid-sized unlisted companies in the Nordics.

GROWTH EQUITY New 2017
CapMan Growth Equity makes minority investments in companies pursuing strong growth, mainly in Finland.

RUSSIA
CapMan Russia invests in small and mid-sized growth companies in Russia.

INFRA New 2017
CapMan Infra invests in infrastructure assets in the energy, transport and telecommunications sectors in the Nordics.

Services

CaPS

CaPS
CapMan provides procurement services via CapMan Procurement Services (CaPS) for companies in Finland and Sweden.

SCALA

SCALA FUND ADVISORY
Through Scala Fund Advisory, CapMan offers fundraising and advisory services to private equity fund managers and investors.

MANAGEMENT SERVICES FOR ALTERNATIVE FUND MANAGERS
CapMan provides comprehensive fund management, risk management and compliance-related services to fund managers.

Investments from our own balance sheet

CapMan invests in the private equity asset class from its own balance sheet, primarily in our own funds and, on a diversified basis, in listed markets.

Vivid year of events 2017

New business areas

CapMan established two new business areas during the year: CapMan Growth Equity, which specialises in growth investments, and CapMan Infra, which focuses on infrastructure assets. In addition, CapMan Growth Equity established an €86 million growth investment fund in 2017.

Own investment capacity
€226 m (2016) ▸
€194 m

Changes in management and the Board of Directors

Joakim Frimodig was appointed as CapMan's new CEO. Three new members were added to CapMan's Management Group: Juha Mikkola, Managing Partner of Growth Equity; Pia Kåll, Managing Partner of CapMan Buyout; and Mari Simula, Head of Fund Investor Relations.

The composition of CapMan's Board of Directors changed in March. The members of the Board were confirmed as Karri Kaitue, Nora Kerppola, Ari Tolppanen, Mammu Kaario and Andreas Tallberg. Andreas Tallberg was elected as the new Chairman of the Board.

Investment areas
4 (2016) ▸ **6**

Growth in the service business

CapMan's services business CaPS and Scala Fund Advisory saw a strong growth in 2017. The contractual procurement volumes of CapMan Procurement Services CaPS grew by 24 per cent to EUR 149 million in 2017. Furthermore, 31 per cent more contracts have been signed compared to previous year. The service has also seen rapid growth in Sweden.

Scala Fund Advisory completed several mandates during the review period. Furthermore, the demand for Scala's fund raising and advisory services has remained strong both in North America and in Europe. The Scala business was incorporated in December with the aim of expediting the growth of the service business and clarifying its market position.

Net gearing
15% (2016) ▸ **19%**

Employees
108 (2016) ▸ **118**

New funds and products in the Real Estate business

The CapMan Real Estate business launched new funds and products during the year. In September, CapMan Real Estate established CapMan Nordic Real Estate II, a €425 million investment fund that invests in office, retail and residential properties located in Nordic growth centres. Bayerische Versorgungskammer (BVK), the largest pension scheme group in Germany, increased CapMan's residential real estate investment mandate to €500 million in October.

CapMan Real Estate also expanded its fund offering by establishing CMNPI, an open-ended real estate fund aimed at generating stable rental income. Fund is expected to accumulate over EUR 200 million of equity during the first two years of its operations.

Succesful transactions in the Buyout business

CapMan Buyout carried out successful transactions during the year. The investment made in late 2016 in Forenom, a Nordic provider of temporary housing solutions, developed favorably in 2017. CapMan Buyout sold its stake in the private dentistry chain Oral Hammaslääkärit in October. The investment saw positive development over the course of four years: Oral's turnover grew by 15 per cent annually while EBITDA increased by a compound annual growth rate of 19 per cent. In December, Buyout invested in KotiSun Group, a nationwide company specialising in high-quality renovations of service water, heating and drainage systems, with the aim of growing the company in Finland and expanding its concept internationally.

Return on Equity (ROE)

9.5% (2016)

14.5%

Market cap

€179 m (2016)

€258 m

CapMan raised €210,000 for Tukikummit

CapMan's procurement service CaPS organised a charity event in collaboration with the Tukikummit foundation in October. Together with its networks, CapMan raised €210,000 to help young people at risk of social exclusion. The funds were channelled to those in need via the Church Diaconal Fund without deductions.

Shareholders

11,900 (2016)

16,200

Successful exit from Idean Enterprises Oy

In February, Norvestia agreed to sell its stake in Idean Enterprises, a global design firm that has seen rapid-growth, to the global IT services group Capgemini. Norvestia invested in Idean in 2014 and owned 24.8 per cent of the company. The exit contributed €0.05 to CapMan's earnings per share in 2017. The transaction also had a significant positive effect on cash flow.

Successful Norvestia acquisition and completed integration process

CapMan acquired ownership of Norvestia's entire share capital in 2017. As a result, CapMan's market capitalisation rose from the previous year. As part of the acquisition, the Growth Equity business was added to CapMan's investment areas and the company moved to the Mid Cap segment on the Helsinki stock exchange. The number of CapMan shareholders exceeded 16,000 and the liquidity of our share also improved by approximately 50% compared to last year. The integration of Norvestia was completed during the year. The total synergies from the integration, estimated at €3 million, will be achieved in 2018.

Nordic real estate investments using diverse investment strategies

CapMan Real Estate is a Nordic real estate fund manager that promises to deliver its customers the best risk-adjusted returns regardless of the market and the economic cycle. The Nordic team invests primarily in office, retail, hotel and residential properties in Finland, Sweden, Denmark and Norway.

Choosing the best properties

Since its inception in 2005, CapMan Real Estate has become known not only for actively creating value in its properties, but also for its disciplined approach to choosing which assets to invest in. CapMan Real Estate is a Nordic real estate manager that has clearly defined criteria for its investments.

“In selecting assets, it is essential that a number of basic criteria are met. The assets must be in liquid markets, they must have a good micro-location with respect to visibility and accessibility, and they need to have sufficient tenant demand. From a technical standpoint, the properties must be in good condition with flexible layouts, or at least these qualities must be achievable at reasonable cost. Infrastructure development projects around the properties increase their attractiveness,” says **Mika Matikainen**, Managing Partner of CapMan Real Estate.

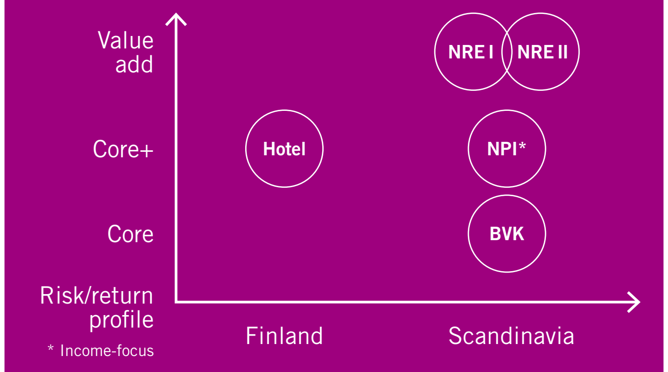
For its funds focused on active value creation, CapMan Real Estate primarily chooses properties that can be improved further. Once their deficiencies have been addressed, the aim is to sell the properties to long-term investors.

“We often have to reject good potential investments simply because they do not match our investment profile. However, our focus areas vary depending on the investment strategy,” Mika Matikainen explains.

A year of new fund launches

CapMan Real Estate had an eventful year in 2017. The most significant event of the year was the successful fundraising for the CapMan Nordic Real Estate II fund (CMNRE II), which was significantly oversubscribed and reached its hard cap of EUR 425 million in a single closing.

"The strong interest in CMNRE II is evidence of the good work we have done with our first Nordic fund. For our second Nordic fund, we only held one closing after the summer, as the fund reached its hard cap in record time. In addition to the re-upping investors from the first fund there were a number of new investors including well-known international pension funds. With two thirds of the equity commitments coming from outside the Nordic region, there was a strong international interest in the fund, " Mika adds.



Three current property investment strategies

CapMan Real Estate's three investment strategies are value add, income and core. The value add strategy has been part of CapMan Real Estate's portfolio since its inception. The CapMan Nordic Real Estate II fund is a good example of this strategy. The income strategy is aimed at achieving strong cash flow over a long-term holding period via a well diversified property portfolio to be built in the Nordic Property Income Fund. CapMan Hotels Real Estate fund, which was launched already in 2008, also falls under the income strategy. The BVK mandate represents the core strategy, which focuses on properties with stable cash flow in prime locations of the Nordic capital cities.

The second major event of the year was the launch of the Nordic Property Income Fund, a move that saw CapMan Real Estate expand its investment focus to include properties with an emphasis on stable cash flow.

"Our new fund is targeted at a slightly different investor base, such as smaller domestic institutions. The aim is to bring us closer to investors whose needs we have not previously addressed as much. Traditionally, our investor base has mainly consisted of large domestic and international institutions," Mika explains.

Another key event during the year was increasing the investment mandate of Bayerische Versorgungskammer (BVK), the largest pension scheme group in Germany, to €500 million. Under the mandate, CapMan seeks residential real estate investments in Nordic capital cities and other major cities, developing and maintaining the selected properties on BVK's behalf.

Genuine interest in international real estate investment

The CapMan Real Estate team operates locally in four Nordic countries. While the real estate market in each country features different opportunities and sectors of interest on a cyclical basis, there are no permanent trends apparent in the countries.

"For example, the rental housing market in Denmark has been very attractive over the past few years, while in Helsinki, the office property market is very interesting right now. With our local presence, we are able to keep a close eye on the development of the real estate market in each country," Mika says.

The team consists of 35 professionals.

"We approach our work with genuine interest and ambition. This enables us to deliver the best possible services and results for our customers. The key attributes of our team members are not their individual backgrounds or academic degrees, but rather their continued desire to outperform and learn and develop themselves as real estate investment professionals, "explains Mika.

Success in future real estate markets calls for discipline

The capital in the market is seeking stable returns, which is why the real estate sector has attracted a wide variety of players. Competition in the field is becoming increasingly intense, property prices are rising and regulatory changes place new demands on operators. CapMan Real Estate aims to respond to the sector's challenges through staying disciplined to its investment approach:

"We understand what value creation in real estate is all about. It is important for us to be consistent in following our chosen investment strategies. As tighter regulations are introduced, the CapMan organisation supports us with its high-level expertise. This allows our team to focus on our core competencies related to sourcing and executing property transactions as well as creating value through active asset management, which is what our investors expect from us," Mika concludes.

CapMan Real Estate

- Established in 2005
- A Nordic fund manager that creates added value for its customers
- Real Estate Managing Partner and team head Mika Matikainen
- A team of 35 professionals
- Operates in Finland, Sweden, Denmark and Norway

A period of renewal for a Nordic pioneer in majority investment

The strategy of CapMan Buyout funds is to invest in mid-sized unlisted companies in the Nordic countries. In 2017, CapMan Buyout's expert team of specialists in majority investment focused on renewal and refining its value creation model. The year ended favourably with a successful exit from the private dentistry chain Oral Hammaslääkärit and an investment in KotiSun Group.

Development focus on unique growth companies

CapMan Buyout's investment strategy is to identify mid-sized companies operating in the Nordic countries, regardless of the industry. The key criteria in the selection of portfolio companies include having a unique operating model, robust growth, a strong company culture and market leadership. For the selected portfolio companies, Buyout offers an insightful majority owner that sets objectives and implements business growth plans in close cooperation with the company's management.

"We focus on Finnish and Swedish companies that have their eyes on growth and internationalisation. For many companies, the first step is the Nordic market. Our experience and local presence makes us well equipped to support this aim," says **Pia Kåll**, Managing Partner of CapMan Buyout.

Having recently undergone a change of generation, the CapMan Buyout team is now full of strong and diverse expertise.

"Half of our team is in Finland and the other half is in Sweden. The team has expertise in making deals, finance, private equity and industrial sector. Diversity has clearly brought new enthusiasm into our operations," Kåll adds.

Refined value creation model

During its 28-year journey, CapMan Buyout has developed not only its portfolio companies but also its own operations. The need for renewal is a natural response to the prevailing market conditions: rapid economic growth back in the heady days of the 1990s allowed companies to increase their turnover and profitability more easily than in today's markets, where the ingredients for growth must be sought through deeper analysis of the business environment and investing more heavily in the company's strategy and operational efficiency. CapMan Buyout not only invests in companies but also develops them systematically throughout the investment period.

"Companies must create a competitive market position either by creating their own market or by having a unique operating model that allows them to grow much faster than the market. This makes it possible for the investment to also create value for investors," Pia Kåll explains.

CapMan Buyout has refined its value creation model to match the new realities of the market and the needs of today's companies. When a company is seeking a growth partner, the current Buyout team can rely on its extensive experience of how a company's existing strategy and operations can be improved to achieve the desired rate of growth.

Prime examples of value creation in 2017

CapMan Buyout's investment strategy reflects a renewed vision of what kinds of companies to include in the portfolio: one good example is the private dentistry chain Oral Hammaslääkärit. Oral was part of the Buyout X fund's portfolio since 2014. During this time, the team responsible for the target company has assisted and systematically developed the company to make it Finland's leading chain of dental clinics. Oral combines CapMan Buyout's key criteria of robust growth, a unique operating model, a strong company culture and market leadership. For example, Oral is Europe's most advanced dental care service provider in terms of the digital transformation of its operations. In October 2017, Buyout divested its stake in Oral to Colosseum Dental Group, a Switzerland-based dentistry group.

"In the relatively short period of just over three years, we achieved a solid return and enabled the positive development of Oral's business," Pia Kåll says.

In December, the Buyout X fund invested in KotiSun Group, the Finnish market leader in the renovation of service water, heating and drainage systems. KotiSun Group impressed the Buyout team by its strong company culture, visionary story and robust growth in recent years.

"The company is known for its customer-oriented approach and principles of continuous development. We are very excited about this investment, which will give us the opportunity to grow a leading player in Finland and Sweden. We will also support the company in its internationalisation," Pia Kåll explains.

Further successful exits to come in the future

With successful investments that reflect the new strategy, realised returns and a spirited new team, the Buyout business is moving ahead with great conviction.

"Our portfolio has developed in the right direction in recent years. Our goal now is to realise the benefits of this positive development by making further successful exits from our portfolio companies," Pia Kåll says.

According to Pia Kåll, the portfolio companies will be in safe hands in the years to come:

"Whether the issue at hand relates to financing arrangements or the challenges of strategic growth, we have the insight and experience it takes. No other player is as familiar with the Finnish and Swedish market as we are," says Buyout's Managing Partner with pride.

CapMan Buyout

- Established in 1989
- Managing Partner and team lead Pia Kåll
- Renewed 12-person team in Finland and Sweden
- Operates in Finland and Sweden

Examples of current and exited portfolio companies:

DESIGNTALO Oma koti muuttovalmis · Esperi · FORENOM · HARVIA · kotisun · LÄMPÖLUX Kerralla parempiin puitteisiin. · NOA THE NORTH ALLIANCE · ORAL · YA Yrkes Akademin

An alternative form of investment for growth companies

Growth Equity, one of CapMan's newest investment areas, invests in rapidly growing unlisted Nordic companies that are looking for resources to support the growth of their business. Growth Equity helps category-leading growth companies gain access to the necessary tools to expedite their socially significant efforts.

Putting the spotlight on exciting growth stories

The Growth Equity function started from the desire to identify category-leading growth companies that have a genuine ambition to achieve strong business growth. Under the minority investment model, control remains with the entrepreneur and the cooperation with the investor provides the company with competitive resources for business development. This approach is a viable alternative for companies struggling with growth pains that are looking to simultaneously develop their operations and accelerate their growth.

"CapMan is widely known for acquiring majority stakes in companies, but Growth Equity investments give us access to an alternative model. We want to be the entrepreneur's friend and an alternative to selling a majority stake in the company," says the Growth Equity team's Managing Partner **Juha Mikkola**.

The investment targets selected by Growth Equity include, for example, growth companies that have recently undergone a change of generation or are dealing with working capital investments, mergers, acquisitions or other changes. The common denominator of the investment targets is their strong desire to grow their business. The six companies currently in the portfolio represent six different industries, but they all share a strong aspiration to grow.

“The majority of the investment targets we study are profitable to begin with, and they have already passed the start-up stage. Another thing they have in common is their built-in aspiration to become the best company in their category,” says **Antti Kummu**, Partner in the Growth Equity team.

A year of success stories in 2017

The key events of the Growth Equity investment unit in 2017 were the successful integration of Norvestia into CapMan and the establishment of a new, oversubscribed €86 million growth investment fund in December. The team has been particularly pleased to see the long-term continued growth and positive development of the portfolio companies: for example, the six portfolio companies have created more than 4,000 new jobs during the past five years.

“The new fund enables us to continue with this same proven investment strategy in the coming years. We believe that the future impact of our Growth Equity function will be significant to society while also creating value for CapMan’s shareholders,” Antti Kummu says.

Teamwork at its finest

The Growth Equity team’s partners exude an attitude of working towards the same goal: they are quick to point out that a strong team spirit is essential for successful investment activity and choosing the right investment targets.

The team works closely together and is effective at sharing tacit knowledge. Juha Mikkola and Antti Kummu both believe that this operating method enables agile responses to market changes. The fund’s investors see the team as a cohesive and reliable unit committed to guiding socially significant business activity towards success.

Unwavering confidence in the current operating model

So, what is the Growth Equity team’s value promise to the owners of growth companies? The target company gains access to not only financial capital, but also a team that has been able to systematically increase the value of its investments and develop the companies as category leading players in their chosen markets. Growth Equity is a reliable partner for its portfolio companies, one they can share their victories and worries with, at any time of day. CapMan Growth Equity’s extensive network, ability to predict future trends and capacity to act as a versatile sparring partner to support business development are all important attributes for a good investor.

“With our help, the company we invest in has the courage to take a larger leap of growth than they would have on their own. We normally do not use leverage. Instead, we invest capital directly into the target company,” says Antti Kummu. “Actually, we are mainly sparring partners for the company, but we also have the financial resources necessary to support the company,” Juha Mikkola adds.

CapMan Growth Equity’s vision for the coming years includes increasing awareness among potential growth companies of this new form of investment, which allows the entrepreneurs to maintain control while providing the resources needed for rapid growth and the development of Finnish entrepreneurship.

“It is very important to support Finnish ownership. We are in the business of making that possible,” conclude Juha and Antti on behalf of Growth Equity.

Idean Enterprises Oy – the pearl of Growth Equity team’s value-creation work

Idean Enterprises Oy is an example of a Growth Equity investment. The investment in Idean, a company specialising in digital service design, was made in 2014. Part of the investment was implemented by acquiring shares from the previous owners. The investment helped the company expand its operations to the United States, where Idean became one of the few Finnish service companies to break through and expand by opening five new digital offices in different parts of the country. “Idean’s strong desire to grow, confidence in its capabilities and significant customer accounts led to widespread interest in the company among the larger players in the industry. The company was sold to Capgemini in spring 2017, and the transaction had a significant positive effect on CapMan,” Juha Mikkola explains.

CapMan Growth Equity

- Investment activity launched in 2011 under Norvestia
- Owned by CapMan since CapMan’s acquisition of Norvestia in December 2016
- Managing Partner Juha Mikkola, Partner Antti Kummu
- A teamwork-oriented unit of four people
- Operates in Finland

CapMan Infra

A local pioneer in infra-structure investments

Launched in April 2017, the CapMan Infra investment area focuses on infrastructure investments in the Nordics. Familiarity with the local markets and target companies creates a clear competitive advantage for CapMan Infra. With stable cash flow and a market position secured by real property, infrastructure assets are low-risk investments.

Infrastructure investments have attracted a growing number of investors in the wake of the financial crisis. The reasons for their appeal include the prevailing low interest rates as well as the operating environment, which is driven by global megatrends such as urbanisation and the need for cleaner energy.

The growing interest in infrastructure investments was evident to **Ville Poukka**, one of the people involved in founding CapMan Infra in April 2017. He observed a deficiency in the Nordic market: while there were investment managers investing in Nordic infrastructure based in London and Paris, the market lacked a local player that has a physical presence and familiarity with the local languages and practices. Another reason for establishing the new investment area was that CapMan, a recognized pioneer in private equity, was looking to add new growth areas to its portfolio.

"The public sector is under constant pressure in Finland and the rest of the Nordic region. Even investments in critical infrastructure are affected by the need to achieve cost savings. Nordic pension funds are seeking low-risk assets with stable returns in a market environment where low interest rates mean lower returns from bonds. At the same time, the local infrastructure is ageing due to lack of new investments even though infrastructure investments have strong long-term yield characteristics and stable returns. The time was ripe for a private operator to enter the market," says the CapMan Infra team's Partner Ville Poukka, describing the starting point for the new investment area.

Returns in the form of stable cash flow

With a particular focus on energy, transport and telecommunications infrastructure, the operations of CapMan Infra differ from many other areas of private equity investment in the sense that returns are not as sensitive to economic fluctuations as they are in the case of investments in companies operating in the service industries or consumer markets, for example. These infrastructure sectors have a large number of investment targets that can yield stable low-risk returns for investors.

"Infrastructure assets are large and their investment periods are as long as 40–50 years. Their business models will remain largely unchanged compared to, for example, a service business, which may look very different a few decades from now," Poukka explains.

CapMan Infra's operating principle is to acquire majority or minority stakes in companies that own and operate infrastructure and to improve the quality of infrastructure assets and related services, such as the production and distribution of district heating, by investing in production machinery, e.g. heating plants and district heating networks. Poukka highlights the electricity networks built in connection with urbanisation as clear investment targets. Maintaining high-quality electricity distribution services requires significant investments. Private sector investors are also needed in rural municipalities where the public sector may have a limited capacity to support the local energy companies and the regional economic structure may be undergoing major changes.

"Where a municipality lacks the resources to support an energy company struggling with a heavy investment burden, or if the municipality wishes to reduce its balance sheet exposure to energy assets in order to invest in other services, we can acquire a minority stake in the local energy company from the municipality and work together with the company's management and the municipality to invest in improving the company's infrastructure. We don't necessarily need to have control position in the company as long as there is a shared view of the direction the company," Ville Poukka says.

"We get a certain reasonable level of return e.g. based on network regulation and that's enough for our investors in this asset class given the low risk of the assets. This is an interesting difference between infrastructure investments and traditional private equity investments," Poukka explains, highlighting the idea of earning stable and moderate returns with low-risk investments.

Advanced investment concept to be turned into a fund next year

Having started its operations in April, CapMan Infra developed into a two-person team in 2017. The team is now surveying the market in the Nordics and Baltics for potential target companies and the aim is to also grow the team further in 2018.

Besides establishing the team, Ville Poukka highlights being part of a global investor consortium taking part in a major auction process as one of the key achievements of the year. This process required hundreds of millions in binding investment decisions obtained from CapMan Infra's investors. While CapMan Infra's consortium was not the highest bidder in the competed process in the end, the process itself was of critical importance in establishing investor relations. According to Poukka, this proves that the projects are of sufficient interest to investors.

"We now have a clear vision and we have tested our concept. Next, we will focus on seeding our first deals and finalizing the investment product in order to create a fund in 2018," Poukka adds.

Ville Poukka feels confident about the coming year and the future of CapMan Infra:

"The market is hot. The positive challenge we face is finding the right investment targets and steering clear of excessively competitive processes in which we would not have enough of a competitive advantage," Poukka concludes.

CapMan Infra

- Established in April 2017
- Partner Ville Poukka in Finland, Investment Director Harri Halonen in Sweden
- Investment focus: infrastructure investments in the Nordic and Baltic countries

Savings for member companies through unique services

Part of CapMan's services business, CaPS (CapMan Procurement Service) is a unique service concept that helps member companies achieve significant savings in non-core procurement activities. CaPS is growing rapidly and has a significant share of CapMan's services business turnover.

Member companies enjoy the benefits of consolidation

CapMan's service business CaPS was created as a result of key insights and timely encounters. **Maximilian Marschan**, the current Business Director of CaPS, joined CapMan in 2009 from Lumene, which was one of CapMan's portfolio companies at the time. He was asked to implement his idea based on consolidating the procurement volumes of CapMan's portfolio companies to achieve shared benefits.

CaPS helps its member companies in three ways. It consolidates the member companies' non-core procurement volumes and, together with the member companies, selects suppliers to serve the entire pool of approximately 70 companies in Finland and about 50 in Sweden. The CaPS procurement service currently includes 90 suppliers in Finland and 50 suppliers in Sweden. The second benefit of CaPS is a reporting tool that the member companies can use to monitor their volumes and savings related to the agreements signed with CaPS. The third benefit is an employee benefit scheme that delivers exclusive centralised benefits to the member companies' employees: the scheme is customised and designed to match the member company's style, which makes it unique.

"From the first day of a new member company joining our network, we help the company by delivering significant cost savings, service level improvements, changes in payment terms as well as the additional benefits

of a reporting tool and employee benefit scheme. These benefits are not available to the member company from anywhere else," Maximilian says.

A year of growth

The CaPS business had a rewarding year in 2017. It recorded strong growth thanks to hard work, and it also achieved renewal through re-cruitment. The number of suppliers has increased at a good rate in both Finland and Sweden.

CaPS contract volumes increased by 24 per cent during the year to reach EUR 149 million. The number of new agreements increased by 31 per cent from the previous year.

"Our systematic pursuit of growth setshigh demands on the entire team, but we are lucky to have very talented people and a strong team spirit," Maximilian explains.

A competitive team of top performers

The six-person CaPS team consists of talented professionals who all share a background in competitive sports. They also share a genuine desire to help the member companies to the greatest extent possible. While the team are ambitious former competitive athletes, there is no oneupmanship in the team.

"I don't know if we look for a certain kind of person to join the team, or they just find us on their own," Maximilian says with a smile.

The CaPS approach to operations is characterised by speed and service orientation.

"We carry out a lot of tenders, keep a close eye on our existing agreements and their development, and we support our suppliers. Most of the time, this is high-speed work, as it is important for us to react quickly to the special wishes of our member companies and suppliers," Maximilian adds.

The strength of networks – Tukikummit in 2017

Strong networks are at the heart of the CaPS business. According to Maximilian, the most significant indication of the strength of the CaPS networks is the traditional charity event organised in partnership with the Tukikummit foundation. In 2017, the warm-hearted event was held on 17 October.

"This is a concrete example of how much you can accomplish through networks. With three international speakers, 137 participants in the lunch seminar and 635 attendees at the evening event, this occasion was proof of how much good we can do when we work together," Max-imilian says. "The event was unique not only for raising the significant sum of €210,000 to support young people at risk of social exclusion, but also in the sense that it exemplified the way we work: in cooperation, with positive attitude and with entrepreneurial spirit," Maximilian adds.

The procurement network continues to grow

The CaPS business saw strong growth in 2017 and is set to continue on the path of growth in 2018. The team is considering entirely new additions to its range of procurement services. At the same time, CaPS will continue to develop digital tools for CapMan's member companies and partners.

"Our focus is on developing products and services that satisfy our customers. Our service promise is *Exceptional benefits*, which means that our networks deliver not only the advantages of tendering, but also other benefits, such as finding the person with the right skill set to join one of our member companies," Maximilian concludes.

CaPS, CapMan Procurement Service

- Established in 2009
- Closed procurement network
- CaPS Business Director and team lead Maximilian Marschan
- A passionate and service-oriented team of six peo-ple based in Helsinki and Stockholm
- Operates in Finland and Sweden

CapMan's investment operations in figures in 2017

Capital under management

€2.8 billion
under management

€1.2 billion
in funds making investments in portfolio companies

€1.6 billion
in funds making investments in real estate

€500 million
investment mandate to invest in residential real estate in the Nordics

€170 million
fair value of investments made from CapMan's own balance sheet

Investment activities

14 exits from portfolio companies and real estates

€255 million
returned to investors

€100 million
capital calls from investors

12 new portfolio company and real estate investments

€60 million
in investments in portfolio companies

€100 million
in investments in real estate

Value creation in fund investments

2.6 x
average portfolio company exit multiple (compared to acquisition value)

5.9 years
average holding period of portfolio companies

1.6 x
average real estate exit multiple (compared to acquisition value)

3.7 years
average holding period of real estate properties

Footprint

46
portfolio companies

30,000
combined headcount of portfolio companies

€2,7 billion
combined turnover of portfolio companies

65
real estate investments

686,000 m^2
combined lettable area

580
tenants

95%
average occupancy

More information about CapMan's funds can be found in the Funds section of CapMan's website at https://www.capman.com/investors/funds/managed-funds/.

Corporate Governance Statement 2017

1 Applicable rules and regulations

CapMan Plc ("CapMan") complies, in accordance with comply or explain principle, with the Finnish Corporate Governance Code 2015 (the "Code") for listed companies issued by the Securities Market Association and entered into force on 1 January 2016. Furthermore, CapMan's corporate governance is in compliance with the laws of Finland, its articles of association and the rules and directions of Nasdaq Helsinki Ltd. This Corporate Governance Statement (the "Statement") has been prepared in compliance with the Code's Corporate Governance reporting guidelines. The Code is publicly available on the website of the Securities Market Association at 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 http://www.capman.com/investors/corporate-governance/capman-plc-governance/.

2 Board of Directors

2.1 Composition and diversity of the Board of Directors

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 Board's Nomination Committee makes the proposals on the Board composition and remuneration to the Annual General Meeting. The Nomination Committee's proposals are typically published in the notice to convene the AGM.

The AGM held on 15 March 2017 elected five members to the Board. Mr Karri Kaitue, Ms Nora Kerppola and Mr Ari Tolppanen were re-elected to the Board. Mr. Andreas Tallberg and Ms. Mammu Kaario were elected to the Board of Directors as new members. The Board elected from among its members Andreas Tallberg as the Chairman of the Board and Karri Kaitue as the Vice Chairman of the Board.

The company values that its Board Members' have diverse backgrounds taking into account the competences that are relevant for CapMan's business, such as know-how of the financial sector. The aim is that the Board consists of representatives of both genders and different age groups, that the Board members' have versatile educational and professional backgrounds and that the Board of Directors as a whole has sufficient experience on international operating environment. Based on the Boards evaluation its composition is aligned with the objectives set for the diversity of the Board composition.

The biographical details of the directors are presented in the table on page 22.

2.2 Independence of the Board members

The Board has in its organizing meeting on 15 March 2017 assessed its members' independence of the company and of its significant shareholders. Andreas Tallberg, Karri Kaitue, Nora Kerppola and Mammu Kaario were independent of both the company and its significant shareholders. Ari Tolppanen was non-independent of both the company and its significant shareholders.

Shares and share-based rights of each director and corporations over which he/she exercises control in the company and its group companies are presented in the table on page 22.

2.3 Duties and responsibilities

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

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

- to appoint and dismiss the CEO
- to supervise management
- to approve strategic goals
- to decide on establishment of new CapMan funds and the level of CapMan's own commitments therein
- to decide on the fund investments to other than CapMan funds and direct investments exceeding EUR 5 million
- to decide on the major changes in the business portfolio
- to ensure that the company has a proper organisation
- to ensure the proper operation of the management system
- to approve annual financial statements and interim reports
- to ensure that the supervision of the accounting and financial management is properly organised
- to ensure that the business complies with relevant rules and regulations
- to approve the principles of corporate governance, internal control, risk management and other essential policies and practices
- to decide on the CEO's remuneration and on the remuneration policy to be followed for other executives and CapMan's key employees
- to confirm the central duties and operating principles of Board committees

Board of Directors in 2017

Name	Personal information	Shares and share-based rights as of 31 Dec 2017	Attendance at the Board meetings	Attendance at the Committee meetings
Andreas Tallberg*	Chairman of the Board since 15 March 2017. Member of the Board since 2017 Born 1963, M.Sc. (Econ.). Main occupation: CEO of Oy G.W. Sohlberg Ab Chairman of the Nomination Committee and the Remuneration Committee. Independent of the company and significant shareholders.	804,530	10/10	Remuneration Committee: 4/4
Mammu Kaario*	Member of the Board since 2017 Born 1963, LL.M., MBA Main occupation: Board professional Member of the Audit Committee. Independent of the company and significant shareholders.	38,071	10/10	Audit Committee: 4/4
Karri Kaitue	Chairman of the Board during 7 August 2013 - 15 March 2017. Vice Chairman of the Board during 20 March - 7 August 2013 and since 15 March 2017 Member of the Board since 2012. Born 1964, LL. Lic. Main occupation: Board professional. Member of the Nomination Committee, Remuneration Committee, and Audit Committee. Independent of the company and significant shareholders.	9,224	13/14	Audit Committee: 4/5 Nomination Committee: 2/2 Remuneration Committee: 4/5
Nora Kerppola	Vice Chairman of the Board during 7 August 2013 - 15 March 2017. Member of the Board since 2011. Born 1964, MBA. Main occupation: CEO of Nordic Investment Group Oy. Chairman of the Audit Committee. Independent of the company and significant shareholders.	18,071	14/14	Audit Committee: 5/5
Claes de Neergaard**	Member of the Board during 2011 - 2017. Born 1949, M.Sc. (Econ.). Main occupation: Board professional. Member of the Audit Committee and the Remuneration Committee. Independent of the company and significant shareholders.	0	4/4	Audit Committee: 1/1 Remuneration Committee: 1/1
Ari Tolppanen	Member of the Board since 2013. Born 1953, M.Sc. (Tech.). Main occupation: Board professional. Member of the Nomination Committee and Remuneration Committee. Non-independent Board member.	7,032,865	14/14	Nomination Committee: 2/2 Remuneration Committee: 4/4
Dirk Beeusaert**	Member of the Board during 2016 - 2017. Born 1964, Master of Laws (LL.M.) and Master's degree in Tax Law and Accounting. Main occupation: Private equity consultant. Member of the Nomination Committee and the Remuneration Committee. Independent of the company and significant shareholders.	0	4/4	Nomination Committee: 2/2 Remuneration Committee: 1/1

*) Was elected as a new member at the AGM held on 15 March 2017 **) A member of the Board of Directors until the AGM held on 15 March 2017

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

2.4 Work of the Board in 2017

In 2017, the Board of Directors met fourteen times. The Board had ten meetings for the Board elected by the 2017 AGM and four meetings for the Board elected by the 2016 AGM. The table on page 22 presents Board members' attendance at the meetings in 2017.

3 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. 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 15 March 2017, CapMan's Board of Directors established Audit, Nomination and Remuneration Committees.

3.1 Audit Committee

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

The duties of the Audit Committee include:

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

The Board has in its organizing meeting on 15 March 2017 re-elected Nora Kerppola (Chairman) and Karri Kaitue as members of the Audit Committee. Mammu Kaario was elected to the Audit Committee as a new member. In 2017, the Committee met four times in this new composition and once in the composition elected by the Board of Directors in 2016. The table on page 22 presents the Committee members' attendance at the meetings.

3.2 Nomination Committee

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

The Board has in its organizing meeting on 15 March 2017 re-elected Karri Kaitue and Ari Tolppanen as members of the Nomination Committee. Andreas Tallberg (Chairman) was elected to the Nomination Committee as a new member. In 2017, the Committee did not meet in this new composition but met two times in the composition elected by the Board of Directors in 2016. The table on page 22 presents the Committee members' attendance at the meetings.

3.3 Remuneration Committee

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

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

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

The Committee shall further contribute to:

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

The Board has in its organizing meeting on 15 March 2017 re-elected Karri Kaitue as a member of the Remuneration Committee. Andreas Tallberg (Chairman) and Ari Tolppanen were elected to the Remuneration Committee as new members. In 2017, the Committee met four times in this new composition and once in the composition elected by the Board of Directors in 2016. The table on page 22 presents the Committee members' attendance at the meetings.

4 Chief Executive Officer (CEO)

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

In 2017, CapMan's CEO was Heikki Westerlund (born 1966, M.Sc. (Econ.)) until 3 May 2017. Joakim Frimodig (born 1978, BA (Oxon)) was CapMan's interim CEO from 4 May 2017 to 31 August 2017 and CEO since 1 September 2017. Westerlund's and Frimodig's shares and share-based rights and those of the corporations over which they exercise control are presented in the table on page 24.

Management Group in 2017

Name	Responsibilities	Personal information	Shares and share-based rights on 31 Dec 2017
Joakim Frimodig	CEO (since 4 May 2017) Director, Strategic Growth Initiatives (until 4 May 2017)	Born: 1978 Education: BA (Oxon)	Shares: 301,249 2013B-options: 41,451 2013C-options: 120,000 2016A-options: 100,000
Niko Haavisto	CFO	Born: 1972 Education: M. Sc. (Business)	Shares: 63,437 2013B-options: 182,191 2013C-options: 200,000 2016A-options: 100,000
Pia Kåll (since 5 June 2017)	Head of CapMan Buyout	Born: 1980 Education: M.Sc. (Tech.)	0
Mika Matikainen	Head of CapMan Real Estate	Born: 1975 Education: M. Sc. (Econ), M.Soc. Sc	Shares: 45,000
Juha Mikkola (since 2 February 2017)	Head of CapMan Growth Equity	Born: 1961 Education: M.Sc. (Econ.)	Shares: 3,930 2016A-options: 100,000
Mari Simula (since 5 December 2017)	Head of Fund Investor Relations	Born: 1982 Education: M.Sc. (Tech.)	2013A-options: 100,000 2013B-options: 100,000 2013C-options: 100,000 2016A-options: 12,500
Heikki Westerlund (until 3 May 2017)	CEO	Born: 1966 Education: M.Sc. (Econ.)	Shares: 2,372,156 2013A-options: 400,000 2013B-options: 400,000 2013C-options: 400,000
Jerome Bouix (until 5 December 2017)	Head of Scala Fund Advisory	Born: 1971 Education: M.Sc. (Econ.)	Shares: 84,495 2013B-options: 200,000 2013C-options: 200,000 2016A-options: 100,000
Hans Christian Dall Nygård (until 5 June 2017)	Head of CapMan Russia	Born: 1968 Education: M. Sc. (Econ), MBA, CEFA	0
Markus Sjöholm (until 5 June 2017)	Head of CapMan Buyout	Born: 1971 Education: M. Sc. (Econ), LL.M.	Shares: 74,807

5 Management Group

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

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, Denmark 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 bookkeeping function is mainly outsourced.

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 reporting and consolidation system was renewed in 2017 which decreased the manual work leading to quicker and more efficient reporting process. In line with the new process the monthly accounting entries of the most significant subsidiaries are transferred to the Group's reporting system on an entry-by-entry level. The other subsidiaries submit their figures either monthly or quarterly to the group accounting to be inserted to the group reporting system for consolidation. The reported figures are reviewed in subsidiaries as well as in group accounting. The group accounting also monitors the balance sheet and income statement items by analytically reviewing the figures. The consolidated accounts of CapMan are prepared in compliance with International Financial Reporting Standards (IFRS) as adopted by the EU.

6.2 Financial reporting process control and risk management

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

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

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

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

6.4 Information and communication pertaining to the financial reporting

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

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

6.5 The organisation of internal controls and monitoring

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

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

The monitoring team is responsible for the quarterly valuation process of the funds, monitoring and forecasting fair value movements and preparing the models for and calculating carried interest income.

CapMan's subsidiary CapMan Real Estate Ltd obtained in March 2017 a license to act as alternative investment fund manager from Finnish Financial Supervisory Authority. CapMan has arranged a separate risk management function within this company as required by regulations.

The compliance function oversees that the operations of CapMan group comply with regulation and that the group companies will adopt the relevant new regulations promptly.

7 Other information

7.1 Insider administration

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

CapMan maintains project-specific insider lists for the projects which may have a significant effect on the prices of the financial instruments issued by CapMan. These project-specific insider lists will be drafted and maintained in accordance with the Market Abuse Regulation and the internal policies and are established following a decision to delay disclosure of inside information.

CapMan has defined the Board and Management Group members (including the CEO) as 'persons discharging managerial responsibilities' pursuant to the Market Abuse Regulation and publishes the transactions by managers and their closely associated persons with the financial instruments issued by CapMan in case the total value of all transactions exceeds EUR 5000 within a calendar year. The total owning of CapMan's shares and share-based rights of each manager will be published as a part of the Annual Report as required in the the Code. CapMan maintains a non-public listing of the managers and their closely associated persons. CapMan's managers have been requested to inform their closely associated persons on the duty to disclose transactions.

CapMan's managers and the employees of CapMan Group are not permitted to trade CapMan's shares, option rights or other financial instruments issued by CapMan without a pre-approval of the person responsible for insider management (compliance officer). Also other persons in possession of inside information on CapMan are not permitted to trade in CapMan's financial instruments.

Trading by the aforementioned managers and personnel is completely forbidden in the 30-day period prior to publication of the company's financial results (closed period). These publication dates are disclosed annually in advance by a stock exchange release. CapMan's managers and personnel have been requested to inform their closely associated persons on the closed periods and refrain from trading in CapMan's financial instruments.

The Group's compliance officer monitors adherence to insider guidelines in line with Guidelines for Insiders by Nasdaq Helsinki and reminds employees of trading restrictions, maintains insider lists and arranges internal training for employees regarding insider issues and disclosure responsibilities of listed companies.

7.2 Principles regarding Related Party Transactions

The company does not customarily enter into transactions with its related parties which would be significant for the company and deiating from the ordinary course of business or would be conducted in deviation from customary market terms. No such transaction were made in 2017. Possible significant and out of ordinary transaction deviating from market terms would be discussed in the Board meeting. The company maintains a list of its related parties.

7.3 Audit fees

In 2017, the audit fees paid to the auditor amounted to 257 000 euros (261 000 euros in 2016) and the fees related to other non-audit related services amounted to 165 000 euros (299 000 euros in 2016).

7.4 Internal audit

Taking into account the nature and extent of the company's business CapMan has not considered it necessary to organise internal audit as a separate function. The internal audit of the licensed operation has been outsourced to an external service provider. CapMan has in recent years increased the number of personnel in compliance and risk management functions in order to ensure that the operations comply with laws and regulations and that the risks are identified, monitored and managed appropriately.

Board of Directors

Andreas Tallberg

Chairman of the Board
Independent Member of the Board
Born 1963
Education M.Sc. (Econ.)
Board of directors since: 2017

Board committees: Remuneration Committee (Chairman), Nomination Committee (Chairman)
Main occupation: Managing Director of Oy G.W.Sohlberg Ab
Key Board memberships: CapMan Oyj (Chairman), Detection Technology Oyj (Chairman), Glaston Oyj (Chairman), Oy Nissala Ab (Chairman), Rothschild Nordic Ab, Wulff Oyj, Rothschild Global Advisory, Senior Advisor
Key employment history: Andreas Tallberg worked as Senior Partner of private equity company EQT during 1997-2006. Before EQT, he has worked in various positions among others at MacAndrews & Forbes Incorporated, Nokia and Amer Group in United States, Switzerland and Netherlands.

Karri Kaitue

Deputy Chairman of the Board
Independent Member of the Board
Born 1964
Education LL. Lic.
Board of directors since: 2012

Board committees: Remuneration Committee (Member), Nomination Committee (Member), Audit Committee (Member)
Main occupation: Board professional
Key Board memberships: CapMan Plc (Deputy Chairman), Feon Oy (Chairman), Finnish University for Arts (Chairman)
Key employment history: Karri Kaitue worked as CEO of Ekokem Corporation during 2015–2016. He was Deputy Chief Executive Officer of Outokumpu Group during 2005–2011. He was a member of the Outokumpu Group Executive Committee during 2002–2011, of which the last six years he was Vice Chairman. His responsibilities at Outokumpu included among others Tornio Works, Group strategy, business development and M&A. He joined Outokumpu Group in 1990.

Mammu Kaario

Member of the Board
Independent Member of the Board
Born 1963
Education MBA
Board of directors since: 2017

Board committees: Audit Committee (Member)
Main occupation: Board professional
Key Board memberships: Aspo Oyj, CapMan Plc, Kastelli Group Oy, Ponsse Plc (Vice-chairman), Suomen Hoivatilat Oyj, Robit Plc, Suomen PerusTerveys Oy (Chairman).
Key employment history: Mammu Kaario has more than 15 years of experience in investment banking and 10 years of experience in private equity investments. She was the managing director in Partnera in 2016-17, investment director in Korona Invest Oy in 2011-16 and partner in Unicus 2005-10. As an investment banker she was in Conventum Plc in 1998-2004 and Prospectus Ltd in 1994-98.

Nora Kerppola

Member
Independent Member of the Board
Born 1964
Education MBA
Board of directors since: 2011

Board committees: Audit Committee (Chairman)
Main occupation: Managing Director of Nordic Investment Group Oy
Key Board memberships: CapMan Plc, Creditinfo Group hf, Creditinfo Lanstraust hf, Krediidiinfo AS
Key employment history: Nora Kerppola has over 20 years of experience in private equity industry in Europe and North America. She has been a partner at GMT Communications in London and a partner at Robeco Weiss, Peck & Greer Private Equity in New York. Previously, Kerppola worked at Investor International (U.S), a subsidiary of Investor AB and affiliated with the Wallenberg family of Sweden. Kerppola started her career in the corporate finance department of Credit Suisse First Boston in New York.

Ari Tolppanen

Member of the Board
Non-independent of the company
Born 1953
Education M.Sc. (Eng.)
Board of directors since: 2013

Board committees: Nomination Committee (Member), Compensation Committee (Member)
Main occupation: Senior Advisor of CapMan Buyout, with CapMan since 1989.
Key Board memberships: CapMan Plc (Member), Kämp Collection Hotels Oy (Chairman), Forenom Oy (Member)
Key employment history: Ari Tolppanen has 28 years of experience in private equity. Tolppanen is one of the founders of CapMan and was the company's CEO from 1989 to 2005. He was also the Chairman of Invest Europe (previously EVCA) in 2000–2001. During 2005–2010, Tolppanen was the Chairman of CapMan Plc's Board of Directors. Before CapMan, Tolppanen was the CEO of Huurre Oy and Nordfilm Oy.

Management Group

Joakim Frimodig

CEO
BA, Oxon
In Management Group since: 2016

Career history: Joakim has been the CEO of CapMan since September 2017 and a management group Member since 2016. Joakim joined CapMan from Summa Capital, where he worked for the past 12 years, most recently as Deputy Managing Partner. Prior to that, he served as an advisor for Alfred Berg and ABN Amro Corporate Finance. He has advised numerous Finnish and international companies in M&A and financing transactions over the course of his career.

Niko Haavisto

CFO
M.Sc. (Business)
In Management Group since: 2010

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

Pia Kåll

Managing Partner, CapMan Buyout
M.Sc. (Eng.)
In Management Group since: 2017

Career history: Pia became the head of CapMan Buyout and a management group member of CapMan Plc in 2017. Pia has been a partner at CapMan Buyout since 2016. Before joining CapMan Pia was part of the Executive Board of Outotec, a global leading metals and minerals technology company, where she was Senior Vice President Strategy, Marketing and Operational Excellence. During the years 2006-2013 Pia worked as a management consultant at McKinsey&Company.

Mika Matikainen

Managing Partner, CapMan Real Estate
M.Sc. (Econ.), M.Soc.Sc.
In Management Group since: 2010

Career history: Mika became the head of CapMan Real Estate and a management group member of CapMan Plc in 2010. Since taking over the leadership of CapMan's real estate operations, Mika has been responsible for the expansion of CapMan Real Estate from a local Finnish fund manager into a Pan-Nordic operator. Mika joined CapMan in 2006 from UBS Investment Bank in London.

Juha Mikkola

Managing Partner, CapMan Growth Equity
B.Sci, MBA
In Management Group since: 2017

Career history: Juha became a member of CapMan Plc management group in spring 2017, as a result of Norvestia Plc's acquisition. Previously, Juha was the head of Norvestia's growth equity investments over six years. Juha has almost 25 years of experience as a private equity investor. He has raised numerous funds and has invested and exited dozens of companies. Juha acts as a managing partner for the newly established CapMan growth equity fund.

Mari Simula

Head of Fund Investor Relations
M.Sc. (Eng.) in Industrial Engineering and Management
In Management Group since: 2017

Career history: Mari became the Head of Fund Investor Relations and a member of the Management Group in December 2017. She has worked in several roles at CapMan since 2007 and before her current position, she worked as a Partner at Scala Fund Advisory. Mari has long experience from private equity fundraising, as well as business development and strategy projects. In her current role, Mari is responsible for group-level fundraising and fund investor relations. Prior to joining CapMan, she did research on the private equity industry at the Research Institute of the Finnish Economy, Etla.

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Report of the Board of Directors 2017

Business operations

CapMan is a leading Nordic private asset expert with an active approach to value-creation in its target companies. CapMan has two operating segments: Management Company and Services business and an Investment business.

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

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

Acquisition of Norvestia

CapMan acquired Norvestia Group on December 19, 2016 in a voluntary public exchange offer. Thereafter, CapMan submitted an application to the Redemption Committee of the Finnish Central Chamber of Commerce to commence arbitration proceedings of all Norvestia Oyj's shares held by minority shareholders. CapMan offered EUR 7.14 per share in cash to Norvestia's shareholders in the compulsory redemption proceeding. The Arbitral Tribunal rendered its decision on October 9, 2017, according to which the redemption price of a Norvestia share shall be EUR 7.31 per share. In accordance with the decision by the Arbitral Tribunal, CapMan paid the redemption price on January 12, 2018, to all Norvestia's minority shareholders and recognised a loss of EUR 0.1 million in the consolidated income statement in 2017 as a change in fair value of a financial liability.

Group turnover and result in 2017

The Group's turnover totalled MEUR 34.8 (Jan-December 2016: MEUR 26.7). Operating expenses were MEUR 33.0 (MEUR 30.7). The Group's operating profit was MEUR 19.5 (MEUR 18.7). The comparable operating profit was MEUR 23.9 (MEUR 14.5) and has been adjusted with items related to the integration of Norvestia, reassessment of potential repayment risk to the funds, reorganization costs and impairment of CapMan Russia goodwill. Financial income and expenses amounted to MEUR -3.2 (MEUR -3.1). Profit before taxes was MEUR 16.2 (MEUR 15.6) and profit after taxes was MEUR 15.5 (MEUR 15.3). Comparable adjusted result after taxes was MEUR 19.5 (MEUR 10.9).

Comparable key figures presenting earnings per share increased from the comparison period: reported and comparable adjusted earnings per share was 10.4 (16.2) cents and 13.1 (11.2) cents, respectively. Correspondingly, diluted earnings per share and comparable adjusted diluted earnings per share was 10.2 (16.1) cents and 13.0 cents (11.2 cents), respectively.

Net of tax interest on the hybrid bond for the period as well as penalties related to the early redemption has been deducted when calculating earnings per share. Adjustments to results and earnings per share are described in Table 1 and in the Notes to the Financial Statements in section 2 items affecting comparability and alternative performance measures

Table 1: Items affecting comparability and alternative performance measures

EUR 1,000	1–12/17	1-12/16
Turnover	34,843	26,677
Items affecting comparability		
Reassessment of potential repayment risk to the funds	117	2,278
Items affecting comparability, total	117	2,278
Adjusted turnover	**34,960**	**28,955**
Operating profit	19,482	18,672
Items affecting comparability		
Items related to the acquisition of Norvestia, of which:	1,849	-7,109
Transaction costs	645	2,819
Integration related costs	1,204	
Gain from a bargain purchase		-13,885
Loss from the remeasurement of previous ownership at fair value		3,957
Reassessment of potential repayment risk to the funds	117	2,278
Reorganization costs	956	
Impairment of goodwill	1,500	
Write-down of a value-added tax receivable		975
Insurance compensations		-294
Items affecting comparability, total	4,422	-4,150
Adjusted operating profit	**23,903**	**14,522**
Profit for the period	15,468	15,286

EUR 1,000	1–12/17	1-12/16
Items affecting comparability		
Items related to the acquisition of Norvestia	1,678	-7,247
Reassessment of potential repayment risk to the funds	94	1,822
Reorganization costs	759	
Impairment of goodwill	1,500	
Write-down of a value-added tax receivable		1,255
Insurance compensations		-236
Items affecting comparability, total	4,031	-4,406
Adjusted profit for the period	**19,498**	**10,879**
Earnings per share, cents	10.4	16.2
Items affecting comparability, cents	2.8	-5.0
Adjusted earnings per share, cents	**13.1**	**11.2**
Earnings per share, diluted, cents	10.2	16.1
Items affecting comparability, cents	2.7	-4.9
Adjusted earnings per share, diluted, cents	**13.0**	**11.2**

A quarterly breakdown of turnover and profit, together with turnover, operating profit/loss, and profit/loss by segment for the financial year are available in the Notes to the Financial Statements in Note 3 Segment information.

Management Company and Services business

Turnover generated by the Management Company and Services business for the financial year totalled MEUR 31.1 (MEUR 26.7).

Fees totalled MEUR 26.7 (MEUR 26.6). In addition to management fees, fees recorded also included fees generated by CapMan's Procurement Services (CaPS), fund advisory services (Scala Fund Advisory) and other services. Only a small amount of fees for fund advisory services are paid as retainers and total fees may therefore vary significantly from one period to the next.

Carried interest income for the review period totalled MEUR 4.4 (MEUR 0.0) and was mainly received from the funds managed by Access Capital Partners and CapMan Equity VII fund. The clawback provision related to CapMan Real Estate I fund was increased by MEUR 0.1 during the financial year. Turnover of Management Company and Services business adjusted by the change of clawback provision was MEUR 31.2 for the financial year (MEUR 29.0).

The operating income of the Management Company and Services business was MEUR 1.5 (MEUR -1.5). The profit for the review period was MEUR 0.9 (MEUR -1.6).

The annual goodwill impairment test resulted in an impairment loss of EUR 1.5 million for the goodwill allocated to the Russian management company business. This was mainly attributable to a revised cash flow estimate, due to continued political risks and uncertainty in the fundraising market, which is expected to slow down the fundraising process of the new fund and decrease its size.

Investment business

Turnover of the Investment business was MEUR 3.7 in 2017 (2016: MEUR 0.0) due to dividend and interest income from financial assets held for trading. Beforementioned assets were transferred to CapMan in conjunction with the Norvestia acquisition in the end of 2016.

Operating profit for the Investment business was MEUR 18.0 (MEUR 20.2). Comparable adjusted operating profit was MEUR 19.9 (MEUR 12.8) adjusting for expenses related to the integration of Norvestia. Profit for the Investment business was MEUR 14.6 (MEUR 16.9). Comparable adjusted profit was MEUR 16.3 (MEUR 9.5). Items affecting comparability are presented in the Notes to the Financial Statements in Note 3 Segment information.

Total fair value changes of investments for the review period were MEUR 17.6 (2016: MEUR 22.6). CapMan's investments at fair value are presented in Table 2.

Table 2: CapMan's investments booked at fair value as of 31 December 2017

	Fair value 31 December 2017 (MEUR)
Fund investments	58.3
Growth Equity investments	28.8
Investments in joint ventures	4.9
Other financial assets	0.1
Current financial assets (incl.trading portfolio)	77.1
Total	**169.2**

Fair value of **fund investments** was MEUR 58.3 in 31 December 2017 (MEUR 51.4). Fair value changes of fund investments were MEUR 4.0 (MEUR 6.7) representing a 6.6% increase in value (2016: +12.5%). The positive change in the fair value of fund investments during the review period was mainly due to positive development of portfolio companies that are significant for CapMan's own investments. Fund investments also include investments in funds not managed by CapMan.

CapMan invested a total of MEUR 10.5 (MEUR 7.5) in funds during the review period. CapMan received distributions from funds totalling MEUR 7.2 (MEUR 14.4).

The amount of remaining commitments that have not yet been called totalled MEUR 67.1 as of 31 December 2017, including commitments to funds from Norvestia (31 December 2016: MEUR 36.5).

Fair value of **Growth Equity investments** was MEUR 28.8 in 31 December 2017 (MEUR 37.9 in 31 December 2016). The fair value change of growth investments was MEUR 11.7 in January – December 2017, which corresponds to a 29.6% increase. The significant change was mainly due to the exit from Idean Enterprises Oy in the first quarter.

In conjunction with the establishment of the Growth Equity fund CapMan sold its shares in six growth companies to the fund for MEUR 26.6 in beginning of year 2018 and made a corresponding equity commitment into the fund. The sales price was based on the fair values of the investments and did not have a profit impact.

The trading portfolio, which invests in market instruments, was MEUR 76.8 in 31 December 2017.

Investments in portfolio companies are valued at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines (IPEVG), where fair value is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Real estate assets are valued in accordance with the value appraisals of external experts, as detailed in Appendix 1. Fair value assessment of financial assets is based on quoted prices of identical assets or information derived from prices.

The status of the funds managed by CapMan is presented in more detail in the 2017 Financial Statements Bulletin on the company's website at https://www.capman.com/newsroom/financial-reports/.

Balance sheet and financial position as of 31 December 2017

CapMan's balance sheet totalled MEUR 211.3 as of 31 December 2017 (31 December 2016: MEUR 252.7). Non-current assets amounted to MEUR 102.1 (MEUR 111.6), of which goodwill totalled MEUR 4.5 (MEUR 6.2).

As of 31 December 2017, fund investments booked at fair value totalled MEUR 58.3 (MEUR 51.4 as of 31 December 2016). Fair value of Growth Equity investments was MEUR 28.8 (MEUR 37.9).

Other financial assets booked at fair value were MEUR 0.1 (MEUR 0.2). The fair value of investments in joint ventures was MEUR 4.9 (MEUR 5.4). Long-term receivables amounted to MEUR 3.1 (MEUR 5.2).

Current assets amounted to MEUR 109.2 (MEUR 141.1). Financial assets booked at fair value, i.e. current investments, were MEUR 77.1 (MEUR 86.2) and included the trading portfolio acquired with Norvestia. Cash in hand and at banks amounted to MEUR 23.3 (MEUR 45.0).

CapMan's interest-bearing net debt amounted to MEUR 24.6 as of 31 December 2017 (MEUR 20.8). CapMan's total interest-bearing debt as of 31 December 2017 is outlined in Table 3.

Table 3: CapMan's interest bearing debt

	Debt amount 31 Dec 2017	Matures latest	Annual interest	Debt amount 31 Dec 2016
Bank financing	MEUR 8,5	Q2 2019		MEUR 11,5
Senior bond (issued in 2013)	-	paid Q4 2017	5.50%	MEUR 15
Multi-issuer bond (issued in 2014)	MEUR 10	Q2 2019	1.85%	MEUR 10
Senior bond (issued in 2015)	MEUR 30	Q4 2019	4.20%	MEUR 30
Long-term credit facility (available)	(MEUR 10)			(MEUR 10)
(Hybrid bond [1)])	-	paid Q1 2017	-	(MEUR 15)

[1)] Under IFRS, the hybrid bond was classified to equity. Interest on the hybrid bond was deducted from equity as paid, which was annually. The hybrid bond was issued on 11 December 2013 and redeemed on 17 March 2017.

CapMan Plc's bank loans include financing covenants, which are conditional on the company's equity ratio and the ratio of interest-bearing bank loans to fund investments on the balance sheet. CapMan honoured all covenants as of 31 December 2017.

Trade and other payables totalled MEUR 26.8 (MEUR 33.3).

The Group's cash flow from operations totalled MEUR -3.6 for the review period (MEUR -3.1). The change was mainly due to the supplementary taxes for the fiscal year 2016. 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 33.7 (MEUR 37.3) and includes, inter alia, investments and repaid capital received by the Group.

Cash flow before financing totalled MEUR 30.1 (MEUR 34.2) and reflects the development in the Management Company and Services business and Investment business. Cash flow from financing was MEUR -51.8 (MEUR -10.8).

Key figures 31 December 2017

CapMan's return on equity was 11.5 per cent (31 December 2016: 14.7 per cent) and return on investment 10.1 per cent (10.9 per cent). Corresponding comparable key figures for return on equity was 14.5 per cent (9.5 per cent) and for return on investment 12.4 per cent (8.4 per cent). Net gearing was 19.4 per cent (14.5 per cent) as of 31 December 2017. The target levels for the company's return on equity and net gearing are on average over 20 per cent and a maximum of 40 per cent, respectively.

Board's proposal for distribution of profit

CapMan Plc's policy is to distribute at least 75 per cent of earnings per share as dividends. CapMan Plc's Board of Directors will propose to the Annual General Meeting to be held on 14 March 2018 that a dividend of EUR 0,11 per share will be paid to shareholders, equivalent to a total of approx. EUR 16 million. A dividend of EUR 0.09 per share, totalling EUR 13.0 million, for the financial year 2016.

Table 4: CapMan's key figures

			Comparable key figures	
	31 Dec 2017	31 Dec 2016	31 Dec 2017	31 Dec 2016
Earnings per share, cents [1)]	10.4	16.2	13.1	11.2
Diluted, cents [1)]	10.2	16.1	13.0	11.2
Shareholders' equity / share, cents [2)]	87.3	98.6		
Share issue adjusted number of shares	145,179,460	88,382,868		
Number of shares at the end of period	145,625,985	143,313,255		
Number of shares outstanding	145,599,686	143,286,956		
Company's possession of its own shares, end of period	26,299	26,299		
Return on equity, %	11.5	14.7	14.5	9.5
Return on investment,%	10.1	10.9	12.4	8.4
Equity ratio,%	60.0	56.6		
Net gearing,%	19.4	14.5		
Net interest-bearing liabilities, EUR million	24.6	20.8		

[1)] Hybrid bond of MEUR 15 (MEUR 15 as at 31 December 2016) is recognised as equity until its repayment date 17 March 2017. Interest on the hybrid bond (net of tax) for the financial year has been deducted when calculating earnings per share. The share issue adjusted number of shares includes the shares issued as consideration transferred in the acquisition of Norvestia as of December 19, 2016, when calculating earnings per share under IAS 33.

[2)] Included a hybrid bond of MEUR 15 (MEUR 15 as of 31 December 2016) until 17 March 2017. Calculation of shareholders' equity per share includes all shares issued as consideration in the acquisition of Norvestia.

Capital under management as of 31 December 2017, fundraising status and service business for the financial year

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

Capital under management was EUR 2,808.1 million as of 31 December 2017 (31 December 2016: EUR 2,692 million). New funds established during the financial year had a positive impact on capital under management compared to previous year. CapMan Nordic Real Estate II fund established in September, increase of BVK's mandate in October, CapMan Nordic Property Income Fund established in December and Growth Equity fund established in December had a positive impact on capital under management compared to previous year. Of the total capital under management, EUR 1,624.0 million (EUR 1,408.0 million) was held in real estate funds and EUR 1,178.0 million (EUR 1,285.0 million) was held in funds making investments in portfolio companies.

CapMan's service business has continued to grow and especially CaPS contributes to CapMan's fee income alongside management fees. CaPS develops its member companies' purchasing activities and fees obtained from the services are significant. Fees generated by CaPS have grown through geographic expansion as well as due to new members and purchasing categories.

CapMan services business continued to develop favourably during the financial year.

The contractual procurement volumes of CapMan Procurement Services CaPS grew by 24 per cent to EUR 149 million during the financial year. Furthermore, 31 per cent more contracts have been signed compared to previous year.

Scala Fund Advisory operates as part of CapMan Group as its subsidiary and offers private equity fundraising and advisory services for private equity fund managers and institutional investors. The majority of fees paid for advisory services are success fees, which are paid as a one-off compensation following a successful fundraise.

Scala Fund Advisory was incorporated in December 2017, and the share of CapMan in the new subsidiary is 60 per cent. The arrangment enables Scala to accelerate the growth of the business and helps the company to clarify its position in the markets. Order book for Scala is strong and there are several projects ongoing.

CapMan offers services related to fund management also for external parties outside the company. There are possibilities in the market for established companies like CapMan with know-how and resources to offer services related to among others alternative investment fund establishment, regulation and fund management.

CapMan's various service offerings have significant growth potential and are expected to increase CapMan's fee income in the long term.

CapMan Plc's Board of Directors and Management Group

The members of CapMan Plc's Board of Directors as of the end of 2017 were Andreas Tallberg (Chairman), Karri Kaitue (Deputy Chairman), Mammu Kaario, Nora Kerppola and Ari Tolppanen.

The members of CapMan Plc's Management Group as of the end of 2017 were Joakim Frimodig (CEO), Niko Haavisto (CFO), Pia Kåll (Managing Partner, CapMan Buyout), Mika Matikainen (Managing Partner, Real Estate), Juha Mikkola (Managing Partner, CapMan Growth Equity) and Mari Simula (Director, Fund Investor Relations).

Authorisations given to the Board by the AGM

The AGM authorised the Board of Directors to decide on the repurchase and/or on the acceptance as pledges of the company's shares. The number of shares concerned shall not exceed 14,000,000, which corresponds to approx. 9.66 per cent of all shares in the company. The authorisation shall remain in force until the end of the following AGM and 30 June 2018 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 21,000,000 shares, which corresponds to approx. 14.48 per cent of all shares in the company. The authorisation shall remain in force until the end of the following AGM and 30 June 2018 at the latest.

Further details on these authorisations can be found in the stock exchange release on the decisions taken by the AGM issued on 15 March 2017.

Personnel

CapMan employed a total of 118 people as of 31 December 2017 (31 December 2016: 108), of whom 74 (69) worked in Finland and the remainder in the other Nordic countries, Russia, Luxembourg and the United Kingdom. A breakdown of personnel by country is presented in the Notes to the Financial Statements in Section 6.

Shares and share capital

There were no changes in CapMan Plc's share capital during the financial year. Share capital totalled EUR 771,586.98 as of 31 December 2017. CapMan had 145,625,985 shares outstanding as of 31 December 2017.

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

Shareholders

The number of CapMan Plc shareholders increased by 37% from the previous year and totalled 16,237 as of 31 December 2017 (31 December 2016: 11,861). The increase in the number of shareholders was mainly due to the Norvestia transaction in November 2016.

Company shares

As of 31 December 2017, CapMan Plc held a total of 26,299 CapMan shares, representing 0.02% of shares and voting rights. The market value of own shares held by CapMan was EUR 46,549 as of 31 December 2017 (31 December 2016: EUR 32,874). No changes occurred in the number of own shares held by CapMan Plc during the financial year.

Trading and market capitalisation

CapMan Plc's shares closed at EUR 1.77 on 31 December 2017 (31 December 2016: EUR 1.25). The trade-weighted average price for the review period was EUR 1.58 (EUR 1.10). The highest price paid was EUR 1.80 (EUR 1.30) and the lowest EUR 1.24 (EUR 0.91). The number of CapMan Plc shares traded totalled 49.7 million (33.5 million), valued at MEUR 78.1 (MEUR 37.0).

The market capitalisation of CapMan Plc shares as of 31 December 2017 was MEUR 257.8 (31 December 2016: MEUR 179.1, including unlisted A shares valued at the closing price of listed B shares).

Compensation schemes

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

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

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

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

The maximum number of stock options issued under Option Programme 2013 will be 4,230,000, which will carry an entitlement to subscribe to a maximum of 4,230,000 new shares. The programme is divided into A, B, and C series, each of which covers a maximum of 1,410,000 option entitlements. The share subscription price of the 2013A options is EUR 0.66 (the trade volume-weighted average quotation of the share during 1 April–31 May 2013 with an addition of 10%), that of the 2013B options is EUR 0.94 (the trade volume-weighted average quotation of the share during 1 April–31 May 2014 with an addition of 10%), and that of the 2013C options is EUR 0.96 (the trade volume-weighted average quotation of the share during 1 April–31 May 2015 with an addition of 10%). The subscription period for 2013A and 2013B options began on 1 May 2016 and 1 May 2017, respectively, and that for 2013C options will begin on 1 May 2018. Receivables from shares subscribed to under these options will be entered in the company's unrestricted shareholders' equity. A total of 1,325,000 stock option entitlements under the Option Programme 2013A, a total of 1,268,333 stock option entitlements under the Option Programme 2013B and a total of 1,227,291 stock option entitlements under the Option Programme 2013C had been allocated by 31 December 2017. A total of 10,196 new shares had been subscribed to with 2013A options and a total of 5,054 new shares to with 2016B options as of 31 December 2017.

The maximum number of stock options issued under Option Programme 2016 will be 4,230,000, which will carry an entitlement to subscribe to a maximum of 4,230,000 new shares. The programme is divided into A, B, and C series, each of which covers a maximum of 1,410,000 option entitlements. The share subscription price of the 2016A options is EUR 0.95 (the trade volume-weighted average quotation of the share during 1 April–31 May 2016 with an addition of 10%), that of the 2016B options is 1,76 (the trade volume-weighted average quotation of the share during 1 April–31 May 2017 with an addition of 10%, and that of the 2016C options is the trade volume-weighted average quotation of the share during 1 April–31 May 2018 with an addition of 10%). The subscription period for 2016A options will begin on 1 May 2019, that for 2016B options on 1 May 2020 and that for 2016C options on 1 May 2021. Receivables from shares subscribed to under these options will be entered in the company's unrestricted shareholders' equity. In December 2017, a total of 873,958 stock options 2016A were allocated to CapMan's management and key personnel in line with the Option Programme 2016.

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

Decisions taken by the Annual General Meeting for 2017 and organising meeting held by the Board of Directors

The decisions have been described in detail in two stock exchange releases published on 15 March 2017.

Publication of the Financial Statements and the Report of the Board of Directors, and the Annual General Meeting for 2018

CapMan Group's Financial Statements and the Report of the Board of Directors for 2017 will be published as part of the company's Annual Report for 2017 in February 2018 during week 8. CapMan Plc's 2017 Annual General Meeting will be held on Wednesday 14 March 2018 at 10:00 a.m. in Helsinki. The Notice to the Annual General Meeting and other proposals of the Board of Directors to the Annual General Meeting are published by 21 February 2018 the latest. Complete financial statements, as required under the terms of the Finnish Companies Act, will be available on CapMan's website www.capman.com by 21 February 2018 at the latest.

Corporate Governance Statement

CapMan Plc's Corporate Governance Statement will be published separately from the Report of the Board of Directors as part of the company's Annual Report for 2017 during week 8 and will be available on the company's website www.capman.com by 21 February 2018 at the latest.

Other significant events during the financial year

CapMan established a MEUR 86 growth investment fund in December that focuses on minority investments in unlisted companies with strong growth potential. In conjunction with the establishment of the fund CapMan sold its shares in six growth companies to the fund in the beginning of 2018.

Mari Simula was appointed Head of Fund Investor Relations at CapMan and a member of CapMan Plc's Management Group. Scala Fund Advisory was incorporated in December. The changes come into force starting from 5 December 2017.

The Arbitral Tribunal appointed by the Redemption Committee of the Finland Chamber of Commerce rendered its decision on 9 October 2017 in the redemption proceedings concerning the shares held by minority shareholders in Norvestia Oyj ("Norvestia"). The Arbitral Tribunal rendered a decision according to which the redemption price of a Norvestia share was EUR 7.31 per share. The decision had no significant impact on CapMan's result.

CapMan established first ("CMNPI") open-ended real estate fund CapMan Nordic Property Income Fund with a non-UCITS structure in December.

Bayerische Versorgungskammer (BVK), Germany's largest pension scheme group, increased the investment volume of the fund advised by CapMan Real Estate to EUR 500 million in October.

CapMan Nordic Real Estate II fund closed in its first and final closing at hard cap with EUR 425 million of equity commitments in September.

Pia Kåll was appointed Managing Partner of CapMan Buyout and a member of Management Group in June.

CapMan exited from Idean Enterprises Ltd in February. The transaction contributed five cents to CapMan's EPS.

CapMan's CEO Heikki Westerlund announced that he is resigning from his position as CEO in March. Joakim Frimodig was appointed as Interim CEO of CapMan Plc as of 4 May 2017 and CEO of CapMan as of 1 September 2017.

CapMan announced early redemption of its EUR 15 million hybrid bond issued in 2013 on February.

Juha Mikkola, responsible for Growth Equity, was appointed a member of CapMan Group's Management Group in February.

Events after the end of the financial year

In conjunction with the establishment of the CapMan Growth Equity fund CapMan sold its shares in six growth companies to the fund for MEUR 26.6 in the beginning of 2018 and made a corresponding equity commitment into the fund. The sales price was based on the fair values of the investments and did not have a profit impact.

Significant risks and short-term uncertainties

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

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

The business operations of the CapMan Group have a material risk of failure regarding the establishment of new private equity funds and their fundraising. Successful funding is important to management fees and creates opportunity for receiving carried interest income in the future. For example, poor performance of investments made by funds managed by CapMan, increasing competition or other reasons that are independent of CapMan may make it more difficult to raise funds from new or current investors in the future.

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

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

Group companies managing a fund may in certain circumstances, pursuant to the terms of the fund agreement, have to return carried interest income they have received (so-called clawback). The obligation to return carried interest income applies typically when, according to the final distribution of funds, the carried interest income received by the fund management company exceeds the carried interest it is entitled to when the fund expires. CapMan recognises revenue from carried interest, to the extent carried interest is based on realised cash flows and repayment risk is estimated to be very low, CapMan is entitled to carried interest, a confirmation on the amount has been received and CapMan is relatively close to receiving it in cash. Returned carried interest income based on clawback conditions would in turn have a negative impact on CapMan's result as a potential clawback provision may not be sufficient. CapMan has recorded a EUR 7.6 million clawback provision for the CapMan Real Estate I KY fund. The sufficiency of the provision is reviewed quarterly by the management but its actual amount will only be known after all target investments of the fund have been liquidated. The realisation of the clawback liability would have a negative cash flow impact and it is possible that the provision made is not sufficient.

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

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

General Business environment

Economic growth in the Nordic countries is expected to slow down in 2018. Sweden's growth is expected to weaken compared to previous year by the declining housing prices and private demand. The outlook for Finland's economic growth is expected to slow down as well; future growth is dependent on structural policies and labour participation rate.[1)]

Institutional investors' appetite for alternative investments have remained strong due to global low interest rate environment. According to an investor survey by Preqin, 39 per cent of respondents plan to increase allocations in private equity, 36 per cent in real estate, 50 per cent in infrastructure and 62 per cent in private debt. [2)]

Private Equity

Private equity investments have played an increasingly important role in investor portfolios in recent years given the fact that private equity investment annual returns have been higher compared to public market performance. Especially buyout market, which represents 57% of the global private equity industry, looks set to be the destination of significant investor allocations in the coming years. According to Preqin survey buyout funds have had the best and most stable performance globally compared to other alternative asset classes. [3)]

The 10-year median net return of European buyout funds was 11 per cent p.a., which was 7 percentage points higher compared to a comparable stock market index. [4)] Private equity investments by Finnish pension insurance companies have returned on average 10 per cent p.a. during the past 10 years. [5)]

The greatest investor appetite increase during the last 12 months is from family offices and sovereign wealth funds according to Preqin's survey for fund managers globally. Geographically the strongest investor appetite is from Asia. [6)]

High activity in the fundraising market continues and reflects the increasing interest for private equity investments. Year 2017 reached a record-breaking level in terms of global fundraising market. Similar activity was previously seen in H1 2008. On the other hand, the number of established funds decreased compared to the previous year and to six earlier years. [7)]

The competition for private equity and attractive transactions among fund managers is tightened: new investment strategies are being explored from geographical or industrial perspective among fund managers. Along with traditional fund launches the alternative structures, such as co-investments, are becoming more popular in fund managers offerings for investors. [8)]

Global buyout market activity slowed down in 2017 compared to previous year in terms of number of deals completed while the value of deals increased slightly compared to previous year. [9)]

Fundraising for private debt funds reached record-levels in 2017. Debt funds were established faster and the target sizes of the funds were exceeded clearly. Direct lending funds were most numerous during the financial year. [10)]

Real Estate

Based on the preliminary market data, transaction volume in the Nordic real estate market amounted to approximately EUR 43 billion in 2017, which represents a 5 per cent increase year over year. [11)] The acquisition of Sponda completed by Blackstone has increased the real estate transaction volume in 2017. The value of the transaction was approximately 3.8 billion euros.

The steady increase in transaction volumes across the Nordic region have compressed the yields further. Yield compression has especially impacted secondary assets and the yield gap to prime has decreased. In Sweden, prime offices traded at 3.3 per cent while cap rates for retail properties stood at 4.3 per cent as of Q4 2017. [12)] In Denmark, prime office and retail yields stood around 4.0 per cent and 3.0 per cent, respectively, at the end of the quarter. [13)] Also, the Finnish property investment market has remained strong during the review period with prime yields ranging between 3.5 per cent (office) and 3.8 per cent (retail).

The Nordic occupancy markets have benefitted from the macro-economic growth and positive momentum has continued leading to deceasing vacancies and rent hikes. During 2017, occupancy activity has notably increased in the Helsinki and Copenhagen Metropolitan Area which has previously suffered from high market vacancy. [14)]

1) Danske Bank Nordic Outlook December 2017
2) Preqin Investor Outlook Alternative Assets H2 2017
3) Prequin Private Equity and Venture Capital Spotlight September 2017
4) Bain & Company Global Private Equity report 2017
5) Tela 2016
6) Preqin Special Report: Private Equity Fund Manager Outlook H2 2017
7) Preqin Q4 2017 Fundraising update
8) Preqin Special Report: Private Equity Fund Manager Outlook H2 2017
9) 2017 Prequin Buyout Deals and Exits
10) Preqin Q4 2017 Fundraising update
11) Pangea Property Partners, CapMan Real Estate
12) CapMan Real Estate
13) Sadolin&Albaek Newsletter Q3 2017, CapMan Real Estate
14) KTI, CapMan Real Estate

Financial objectives and outlook estimate for 2018

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

CapMan expects to achieve these financial objectives gradually and key figures are expected to show fluctuation on annual basis considering the nature of the business. CapMan expects fees from services to continue to grow and have an impact on results from the Management Company and Services business in 2018. Our objective is to improve the profitability of Management Company and Services business before carried interest income and any possible items affecting comparability.

The return on CapMan's investments have a substantial impact on CapMan's overall result. The development of industries and local economies, inflation development, valuation multiples of peer companies, exchange rates and various other factors outside of CapMan's control influence fair value development of CapMan's overall investments in addition to company and real estate specific development. CapMan's objective is to improve results longer term, taking into account annual fluctuations affecting the business. For these and other above-mentioned reasons, CapMan does not provide numeric estimates for 2018.

CapMan Plc
Board of Directors

Key Figures

Key Performance Indicators for CapMan Group

M€	2012	2013	2014	2015	2016	2017
Turnover	27.3	29.8	39.5	31.8	26.6	34.8
Fees	25.5	26.9	28.7	27.4	26.6	26.8
Carried interest	1.8	2.9	10.8	4.4	0.0	4.4
Dividend and interest income from financial assets held for trading						3.6
Other operating income	0.2	0.0	0.2	0.3	0.1	0.0
Operating expenses	-30.3	-27.9	-30.2	-28.0	-30.7	-33.0
Fair value gains/losses of investments	5.3	1.2	-3.2	5.2	22.6	17.6
Operating profit	2.6	3.3	6.3	9.3	18.6	19.5
Financial income and expenses	0.1	-0.7	-1.4	-2.9	-3.1	-3.2
Share of the income of investments accounted for using the equity method	0.6	-0.6	0.0	0.1	0.0	-0.1
Profit before taxes	3.3	2.0	4.9	6.5	15.6	16.2
Profit for the financial year	2.7	1.5	4.0	6.1	15.3	15.5
Return on equity (ROE), %	3.2	2.0	6.1	9.3	14.7	11.5
Return on investment (ROI), %	4.3	3.5	7.0	8.0	10.9	10.1
Equity ratio, %	61.9	58.9	57.8	43.7	56.6	60.0
Net gearing, %	32.2	22.3	5.0	72.9	14.5	19.4
Dividend paid [1)]	0.0	3.4	5.2	6.0	13.0	16.0
Personnel (at year-end)	109	103	106	101	108	118

[1)] Proposal of the Board of Directors to the Annual General Meeting for year 2017.

Key Ratios Per Share

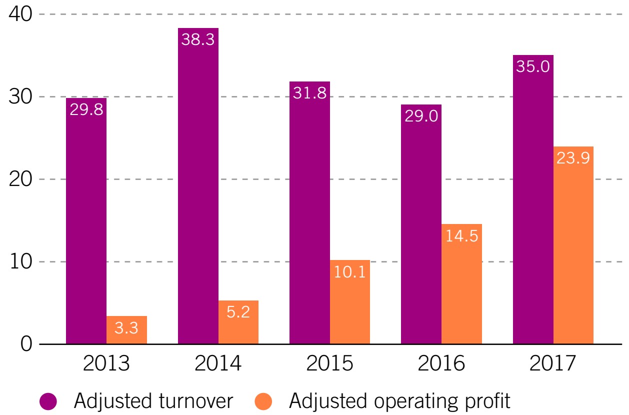
	2012	2013	2014	2015	2016	2017
Earnings/share, cents	0.3	-1.2	3.4	5.9	16.2	10.4
Diluted, cents	0.3	-1.2	3.4	5.8	16.1	10.2
Shareholders' equity/share, cents	93.9	77.0	76.1	75.5	98.6	87.3
Dividend/share, cents [1]	0.0	4.0	6.0	7.0	9.0	11.0
Dividend/earnings, % [1]	0.0	0.0	176.5	118.6	80.4	105.8
Average share issue adjusted number of shares						
during the financial year, EUR 1,000	84,255	84,269	86,164	86,291	88,383	145,179
Share issue adjusted number of shares						
at year-end, EUR 1,000	84,282	85,267	86,317	86,317	143,313	145,626
Number of shares outstanding, EUR 1,000	84,255	85,240	86,291	86,291	143,287	145,600
Own shares, EUR 1,000	26	26	26	26	26	26

[1] Proposal of the Board of Directors to the Annual General Meeting for year 2017.

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

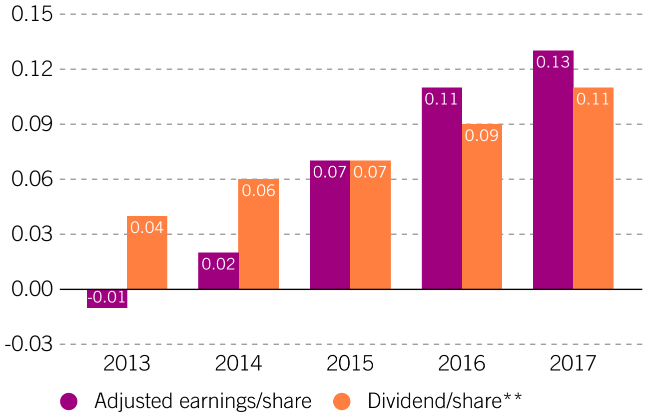
Key Figures – Group

Adjusted turnover and operating profit, M€*



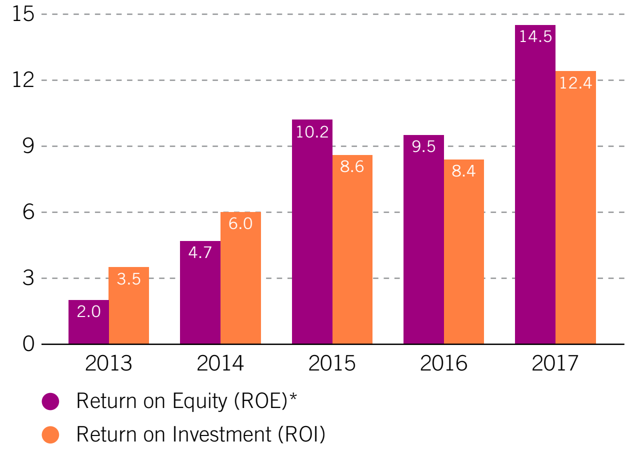
Adjustments to 2016 and 2017 turnover. operating profit and earnings per share as well as items affecting comparability are described in Note 2: items affecting comparability and alternative performance measures.

Earnings/share and dividend/share, €*



*Turnover, operating profit and earnings per share for 2014 have been adjusted for MEUR 1,2 reduction in reserves held for the potential repayment risk of carried interests to funds. The dividend for 2017 is the Board of Directors' proposition to the AGM. **CapMan's objective is to pay at least 75 per cent of earnings per share as dividend. CapMan Board of Directors proposes to the General Meeting that a dividend of EUR 0.11 per share be paid, corresponding 85% of adjusted earnings per share for 2017.*

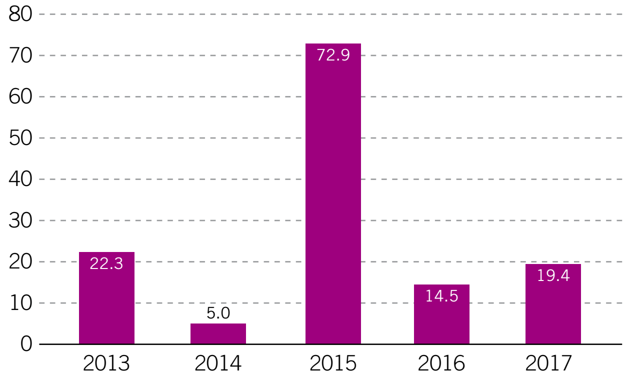
Comparable ROI and ROE, %*



The objective for return on equity is more than 20 per cent p.a. on average.

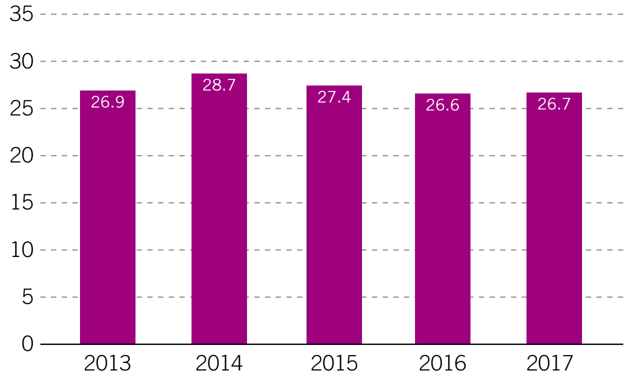
Management Company and Services Business

Net gearing, %*



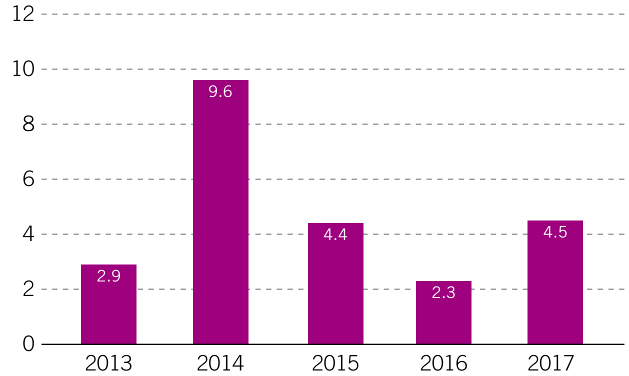
The objective for net gearing, that is ratio of net interest bearing debt to equity, is a maximum of 40 per cent on average.

Fees, M€*



In addition to management fees, fees recorded also include fees generated by CapMan's Procurement Services (CaPS), fund advisory services (Scala Fund Advisory) and other services (e.g fees from property management).

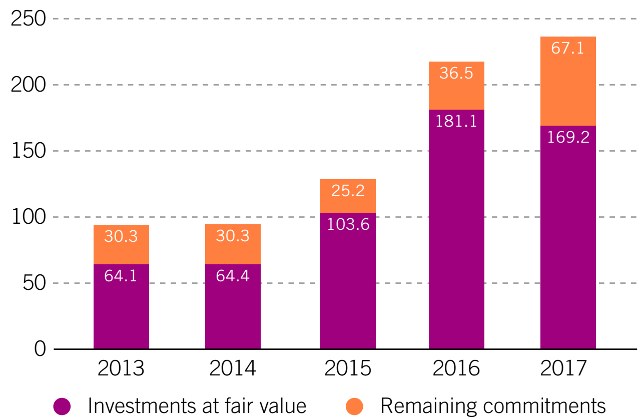
Adjusted carried interest income, M€*



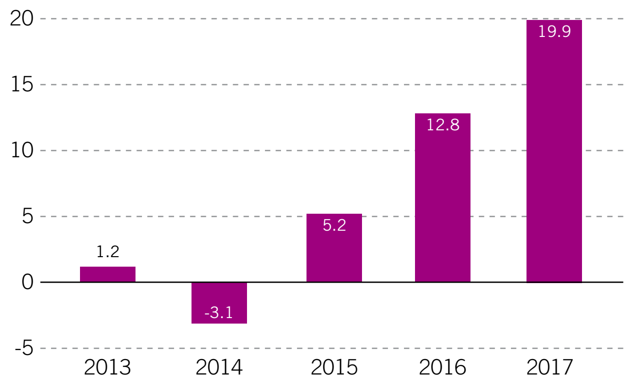
Adjustments to carried interest income as well as items affecting comparability for 2016 and 2017 are described in the Table Result for the Management Company and Services Business and items affecting comparability as well as Note 2: items affecting comparability and alternative performance measures. Carried interest income for 2014 have been adjusted for MEUR 1,2 reduction in reserves held for the potential repayment risk of carried interests to fund.

Investment Business

Investments and commitments, M€

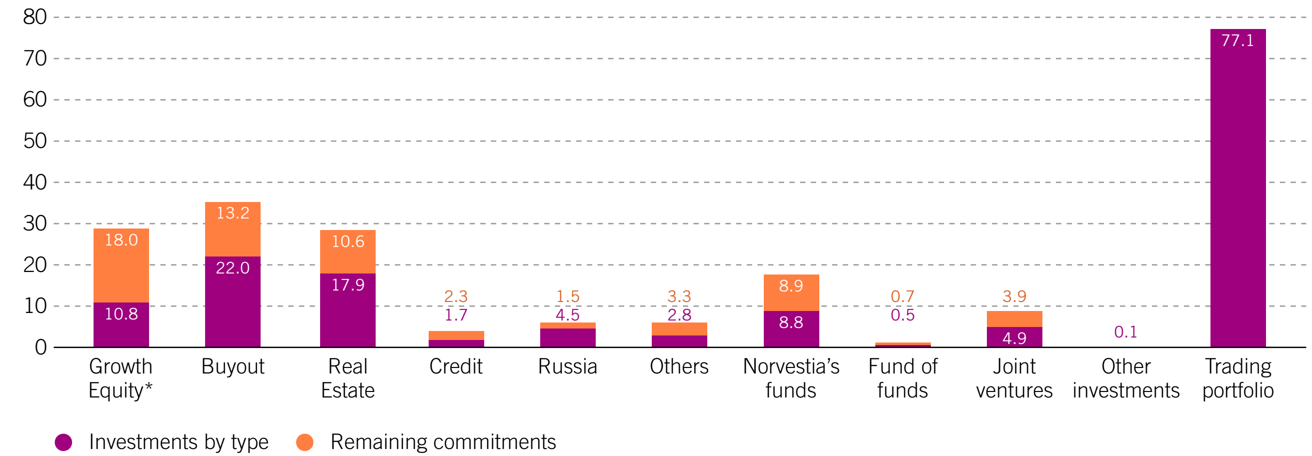


Adjusted result impact from own investments, M€*



Result impact for 2016 has been adjusted with Norvestia acquisition related items impacting comparability.

Investments and commitments by type, M€



After the sale to the Fund in the beginning of 2018

Calculation of Key Ratios

$$\text{Return on equity (ROE), \%} = \frac{\text{Profit / loss}}{\text{Shareholders' equity (average)}} \times 100$$

$$\text{Return on investment (ROI), \%} = \frac{\text{Profit / loss + income taxes + interest expenses and other financial expenses}}{\text{Balance sheet total - non-interest bearing debts (average)}} \times 100$$

$$\text{Equity ratio, \%} = \frac{\text{Total shareholders' equity}}{\text{Balance sheet total - advances received}} \times 100$$

$$\text{Net gearing, \%} = \frac{\text{Net interest-bearing liabilities}}{\text{Shareholders' equity}} \times 100$$

$$\text{Earnings per share (EPS)} = \frac{\text{Profit/loss for the financial year - hybrid loan interest}}{\text{Share issue adjusted number of shares (average)}}$$

$$\text{Shareholders' equity per share} = \frac{\text{Shareholders' equity}}{\text{Share issue adjusted number of shares at the end of the financial year}}$$

$$\text{Dividend per share} = \frac{\text{Dividend paid in the financial year}}{\text{Share issue adjusted number of shares at the end of the financial year}}$$

$$\text{Dividend per earnings, \%} = \frac{\text{Dividend/share}}{\text{Earnings/share}} \times 100$$

Group Statement of Comprehensive Income (IFRS)

EUR 1,000	Note	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Fee income		26,690	26,632
Carried interest		4,418	45
Dividend and interest income from financial assets held for trading		3,735	0
Turnover	3	**34,843**	**26,677**
Other operating income	5	15	126
Employee benefit expenses	6	-21,366	-18,291
Depreciation, amortisation and impairments	7	-1,716	-257
Other operating expenses	8	-9,876	-12,190
Fair value gains/losses of investments	10	17,582	22,607
Operating profit		**19,482**	**18,672**
Finance income	11	289	667
Finance costs	11	-3,460	-3,806
Share of the income of investments accounted for using the equity method	12	-87	-8
Profit before taxes		**16,224**	**15,525**
Income taxes	13	-757	-239
Profit for the financial year		**15,467**	**15,286**
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Translation difference		-256	-195
Total comprehensive income		**15,211**	**15,091**
Profit attributable to:			
Equity holders of the Company		15,472	15,286
Non-controlling interest		-5	
Total comprehensive income attributable to:			
Equity holders of the Company		15,216	15,091
Non-controlling interest		-5	
Earnings per share for profit attributable			
to the equity holders of the Company:			
Earnings per share (basic), cents	14	10.4	16.2
Earnings per share (diluted), cents	14	10.2	16.1

The Notes are an integral part of the Financial Statements.

Group Balance Sheet (IFRS)

EUR 1,000	Note	31 Dec 2017	31 Dec 2016
ASSETS			
Non-current assets			
Tangible assets	15	287	169
Goodwill	16	4,547	6,204
Other intangible assets	17	208	277
Investments accounted for using the equity method	18	0	87
Investments at fair value through profit and loss	19		
Investments in funds		58,264	51,394
Growth equity investments		28,840	37,856
Other financial assets		142	179
Investments in joint ventures		4,917	5,376
Receivables	20	3,143	5,202
Deferred tax assets	21	1,752	4,887
		102,100	111,631
Current assets			
Trade and other receivables	22	8,725	9,849
Financial assets at fair value through profit and loss	23	77,144	86,213
Cash and bank	24	23,291	45,001
		109,160	141,063
Total assets		**211,259**	**252,694**

EUR 1,000	Note	31 Dec 2017	31 Dec 2016
EQUITY AND LIABILITIES			
Capital attributable to the Company's equity holders	25		
Share capital		772	772
Share premium account		38,968	38,968
Other reserves		82,550	97,111
Translation difference		-357	-101
Retained earnings		4,766	6,229
Total capital attributable to the Company's equity holders		**126,699**	**142,979**
Non-controlling interests		-5	0
Total equity		**126,694**	**142,979**
Non-current liabilities			
Deferred tax liabilities	21	8,573	9,868
Interest-bearing loans and borrowings	26	45,215	48,065
Other non-current liabilities		124	124
		53,912	58,057
Current liabilities			
Trade and other payables	27	26,837	33,341
Interest-bearing loans and borrowings	28	3,000	18,000
Current income tax liabilities		816	317
		30,653	51,658
Total liabilities		**84,565**	**109,715**
Total equity and liabilities		**211,259**	**252,694**

The Notes are an integral part of the Financial Statements.

Group Statement of Changes in Equity (IFRS)

EUR 1,000	Note	Share capital	Share premium account	Other reserves	Translation difference	Retained earnings	Total	Non-controlling interests
		Attributable to the equity holders of the Company						
Equity on 31 December 2016	**25**	**772**	**38,968**	**27,397**	**96**	**-2,048**	**65,185**	
Profit for the year						15,286	15,286	
Other comprehensive income for the year								
Translation differences					-197		-197	
Total comprehensive income					**-197**	**15,286**	**15,089**	
Share subscriptions with options				22			22	
Options				64		151	215	
Dividends						-6,040	-6,040	
Share issue				69,628			69,628	
Hybrid bond, interest (net of tax)						-1,120	-1,120	
Total contributions by and distributions to owners of the parent, recognised directly in equity				69,714		-7,009	62,705	
Equity on 31 December 2017	**25**	**772**	**38,968**	**97,111**	**-101**	**6,229**	**142,979**	
Profit for the year						15,473	15,473	-5
Other comprehensive income for the year							0	
Translation differences					-256		-256	
Total comprehensive income		**0**	**0**	**0**	**-256**	**15,473**	**15,217**	**-5**
Share subscriptions with options				421			421	
Options				96		61	157	
Dividends						-13,047	-13,047	
Share issue				-78			-78	
Repayment of hybrid bond				-15,000		-3,950	-18,950	
Equity on 31 December 2017	**25**	**772**	**38,968**	**82,550**	**-357**	**4,766**	**126,699**	**-5**

The Notes are an integral part of the Financial Statements.

Group Cash Flow Statement (IFRS)

EUR 1,000	Note	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Cash flow from operations			
Profit for the financial year		15,468	15,286
Adjustments on cash flow statement	9	-11,810	-18,520
Change in working capital:			
Change in current non-interest-bearing receivables [1]		-1,812	1,681
Change in current trade payables and other non-interest-bearing liabilities		19	2,949
Interest paid		-3,864	-4,213
Taxes paid		-1,624	-310
Cash flow from operations		**-3,623**	**-3,126**
Cash flow from investing activities			
Acquisition of subsidiaries		-1,173	6,241
Investments in tangible and intangible assets		-260	-23
Investments at fair value through profit and loss		32,560	10,838
Long-term loan receivables granted		-236	-2,295
Receivables from long-term receivables		2,304	3,055
Dividends received		210	18,841
Interest received		286	662
Cash flow from investing activities		**33,690**	**37,319**
Cash flow from financing activities			
Share issue		421	
Proceeds from borrowings		9,000	
Repayment of borrowings	26	-42,000	-4,729
Paid withheld tax on dividends		-6,151	
Dividends paid		-13,047	-6,040
Cash flow from financing activities		**-51,777**	**-10,769**
Change in cash and cash equivalents		**-21,710**	**23,425**
Cash and cash equivalents at start of year		45,001	21,576
Cash and cash equivalents at end of year	24	**23,291**	**45,001**

[1] Includes carried interest recognised in the income statement during the period and received after the end of the reporting period.

The Notes are an integral part of the Financial Statements.

Notes to the Consolidated Financial Statements

Group information

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

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

The Consolidated Financial Statements may be viewed online at www.capman.com, or a hard copy is available from the office of the parent company.

The Consolidated Financial Statements for 2017 have been approved for publication by CapMan Plc's Board of Directors on February 1, 2018. Pursuant to the Finnish Companies Act, shareholders may adopt or reject the financial statements and make decisions on amendments to them at the Annual General Meeting.

1. Accounting policies

Basis of preparation

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

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

The Consolidated Financial Statements have been prepared under the historical cost convention, except for financial assets and liabilities valued at fair value through profit or loss. The information in the Consolidated Financial Statements is presented in thousands of euros. Figures in the accounts have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

New and amended standards applied in financial year ended

As from January 1, 2017, the Group has applied the following new or amended standards that have come into effect:

- Amendments to IAS 7: Disclosure initiative – Going forward, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (eg drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences. The group has prepared a new disclosure about the net debt reconciliation.
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses – The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. This amendment had no material impact on the consolidated financial statements.

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

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

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

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

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

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

The Group expects the standard to cause changes primarily to accounting principles related to financial assets measured at amortised cost, such as trade and loan receivables. The objective of the Group trade receivables is the possession of financial assets to collect cash flows based on agreements. The Group has evaluated the possible IFRS 9 based expected credit loss for management company and service business' trade receivables by using a provision matrix. In addition, the group has evaluated the valuation of materially overdue receivables on client basis. The provision matrix is based on the history data of recorded credit losses in the Group and estimations on the future economic development. However, the Group does not expect significant changes to reported figures, because credit losses have been historically low and are not expected to increase in the future.

In addition, the Group has non-current loan receivables relating to management company and service business. The cash flows of these receivables consist of instalments and accumulated interest. These receivables will be measured at amortized cost in the financial statement.

The group has used the IFRS 9 based general approach for evaluating the expected credit losses for the receivables. The group will evaluate the credit risk of the debtors by estimating the delay of the repayments and estimations of the debtor's future economic development. Depending on the estimated credit risk the group will record the expected credit losses from the following 12 months or the validity period of the receivable. Based on the evaluations made the group does not expect significant changes to reported figures.

The Group does not expect changes to the classification of financial assets, as the majority of group's financial assets are already classified under category fair value through profit and loss. Changes to the hedge accounting rules do not have an impact, because the Group does not apply hedge accounting.

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

IFRS 15 is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The company has assessed the effects of applying the new standard and does not expect it to have a material impact on the Group's financial statements. The impact on 2017 turnover, costs and operating profit are expected to be minimal.

CapMan's main revenue streams comprise management fees and carried interest. Other fees incurred are generated by the CapMan Procurement Services (CaPS), Scala Fund Advisory and Real Estate business lines consisting mainly of commissions, retainer and success fees and property management service fees.

The following sets forth the results of the impact analysis by revenue stream:

Management fee income

As a fund manager, CapMan receives management fees during a fund's period of operations. The management fee is a variable consideration and is during the investment period typically based on the fund's original size and thereafter on the acquisition cost of the fund's remaining portfolio. Fund management was identified being the only performance obligation in the contract, and management fee income is allocated to the provided fund management service over time. Management concluded that adoption of IFRS 15 does not result in a difference in revenue recognition of management fee income compared to IAS 18.

Carried interest income

CapMan recognises revenue from carried interest when a fund has transferred to carry and to the extent carried interest is based on realised cash flows and management has estimated it being highly probable that there is no risk of repayment of carried interest back to the fund. Carried interest is recognised when CapMan is entitled to carried interest by the reporting date, a confirmation on the amount has been received and CapMan is relatively close to receiving it in cash.

Carried interest is earned based on the same performance obligation as the management fee, i.e. fund management, and is a variable consideration, which is subject to the highly probable constraint under IFRS 15. Potential repayment (clawback) risk is measured by using the expected value method, i.e. by estimating a weighted average of all possible outcomes. The fair value of the remaining portfolio companies is determined, which CapMan uses as a basis to assess the repayment risk in case CapMan has a contractual obligation to return part of the received carried interest back to the fund. Management concluded that the adoption of the IFRS 15 does not result in a difference in revenue recognition of carried interest income compared to the current standard.

Fundraising fee of Scala Fund Advisory

Scala Fund Advisory earns fundraising fee from its services provided to private equity fund managers and professional investors globally. Fundraising fee typically includes two components: a success fee and a retainer. Success fee is earned when the targeted amount of funds has been raised. Retainer is earned over time, during the fundraising process, and is typically a fixed amount per month. Under the current practice, retainer is recognised monthly as earned and success fee only after the investors have been committed to invest by signing the fund agreement. According to the analysis, a fundraising contract is one single contract including both success fee and retainer, and includes only one performance obligation, which is to raise the targeted amount of capital. Transaction price comprises the success fee, being a variable consideration, and retainer, being a fixed consideration. As the retainer is a fixed amount, earned monthly and irrevocable after being received, the current practice of recognising it over time is compliant with IFRS 15. With regards to success fee, current approach is also considered to be in line with the IFRS 15, because management has assessed that the constraint highly probable is not reached before the investors have signed and committed to providing the capital reaching the fundraising target, thus entitling CapMan to a success fee as agreed. As long as the fundraising target has not been reached, collecting the remaining minimum amount of commitments is seen strongly dependent on factors outside CapMan's influence and thus constraining CapMan from recognising the revenue in an earlier point in time.

Secondary services of Scala Fund Advisory

Scala Fund Advisory earns also fees from so called secondary market services for investors and fund managers of non-listed funds and investments. Typically, Scala is entitled to a fixed percentage of the actual transaction price. Arrangement fee is invoiced and received after the transaction has taken place. According to the analysis, with regards to secondary services, there is only one contract and one performance obligation with the customer. Transaction price comprises an arrangement fee, which is a variable consideration. Under the current practice, CapMan recognises the arrangement fee, when the underlying transaction, entitling CapMan to the fee, has taken place. CapMan sees that the realisation of the transaction is outside CapMan's control and is therefore constraining the revenue recognition until realised.

Revenue streams of CapMan Procurement Services

CapMan Procurement Services (CaPS) combines service providers (suppliers) of non-strategic services and companies that buy or outsource these services. CapMan negotiates favourable prices with the service providers and earns a monthly commission of the supplier's sales to CaPS member companies. This means CapMan receives the commission fee income as an agent, as the supplier is responsible for providing the service or product and CapMan is not exposed to any credit risk regarding the services provided by the suppliers. Under the current practice, the commission fee income is recognised based on the supplier's reported sales subject to commission. This is seen an appropriate method also under IFRS 15.

CapMan Procurement Services also earns a yearly fixed fee from certain CaPS member companies. In these contracts, there is one performance obligation, which is providing the customer a membership in CaPS and maintaining CaPS. The transaction price is the fixed yearly fee received for a fixed period, and it is not subject to reimbursement. Under the current practice, revenue is recognised evenly over time, which is seen also compliant with IFRS 15.

CapMan Procurement Services also maintain an Employee Benefit Program (EBP), where a company can, by participating in the program, buy services for its employees, at negotiated prices. The membership is based on a yearly fixed fee, which is not subject to reimbursement. The EBP service is run by a third-party service provider that in most cases also collects the yearly fees and pays them forward to CapMan as such. As the third-party service provider does not control the service, it is considered an agent to CapMan, and therefore CapMan – controlling the service – has an agreement with the customer using the service. CapMan's only performance obligation is to provide membership in and maintain the EBP service. The transaction price is the fixed yearly fee, which is recognised evenly over time. Current practice is thus seen also compliant with IFRS 15.

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

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

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

Consolidation principles

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

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

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

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

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

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

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

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

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

Subsidiaries

Subsidiaries are consolidated using the acquisition method. All intercompany transactions are eliminated in the Consolidated Financial Statements. Profit and loss, together with all other comprehensive income-related items, are booked to the owners of the parent company or owners not holding a controlling interest in the companies concerned. Non-controlling interests are presented in the Consolidated Balance Sheet under equity separately from equity attributable to the owners of the parent company.

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

Associates

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

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

Other associated companies have been consolidated in accordance with the equity method. Under this, the investment in an associated company is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of the company's net assets, less any impairment value. If the Group's share of the loss incurred by an associated company exceeds the book value of its investment, the investment is booked at zero in the balance sheet, and losses exceeding book value are not combined unless the Group is committed to meeting the obligations of the company concerned. The Group's share of the profit recorded by an associated company during the financial year in accordance with its holding in the company is presented as a separate item in the income statement after operating profit.

Joint ventures

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

Segment reporting

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

Translation differences

The result and financial position of each of the Group's business units are measured in the currency of the primary economic environment for that unit ('functional currency'). The Consolidated Financial Statements are presented in euros, which is the functional and presentation currency of the Group's parent company.

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

In the consolidated financial statements, the income statements of subsidiaries that use a functional currency other than the euro are translated into euros using the average rates for the accounting period. Their balance sheets are translated using the closing rate on the balance sheet date. All resulting exchange differences are recognised in other comprehensive income.

Translation differences caused by changes in exchange rates for the cumulative shareholders' equity of foreign subsidiaries have been recognised in other comprehensive income.

Tangible non-current assets

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

The estimated useful lives are as follows:

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

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

Intangible assets

Goodwill

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

Other intangible assets

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

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

The estimated useful lives are:

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

Impairment of assets

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

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

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

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

Financial instruments

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

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

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

Financial assets at fair value through profit and loss

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

Fair value information of the non-current fund investments is provided quarterly to Company's management and to other investors in the investment funds management by CapMan. The valuation of CapMan's funds' investment is based on International Private Equity and Venture Capital Valuation Guidelines (IPEVG) and IFRS 13.

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

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

Financial assets held for trading

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

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

Loans and other receivables

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

Cash and cash equivalents

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

Financial liabilities

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

Equity

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

Dividend payment

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

Leases

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

Provisions

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

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

Employee benefits

Pension obligations

The defined contribution pension plan is a pension plan in accordance with the local regulations and practices of its business domiciles. Payments made to these plans are charged to the income statement in the financial period to which they relate. Pension cover has been arranged through insurance policies provided by external pension institutions.

Share-based payments

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

Revenue recognition

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

1. Management fees paid by the funds are accounted for on a straight-line basis over the agreement terms on an ongoing basis.
2. Revenue from carried interest is recognised when a fund has transferred to carry and to the extent carried interest is based on realised cash flows and management has estimated it being highly probable that there is no risk of repayment of carried interest back to the fund. Carried interest is recognised when CapMan is entitled to carried interest by the reporting date, a confirmation on the amount has been received and CapMan is relatively close to receiving it in cash.
3. Potential repayment risk to the funds (clawback) is considered when assessing whether revenue recognition criteria have been fulfilled. Clawback risk relates to a situation when, in conjunction with the liquidation of a fund, it is recognised that the General Partner has received more carried interest than agreed in the fund agreement. These situations can occur, for example, if there are recallable distributions or if representations and warranties have been given by the vendor in the sale and purchase agreement when the fund is towards the end of its lifecycle.

Fees

As a fund manager, CapMan receives management fees during a fund's entire period of operations. This fee is typically based on the fund's original size during its investment period, which is usually five years. Thereafter the fee is typically based on the acquisition cost of the fund's remaining portfolio.

Annual management fees are usually 0.5-2.0% of a fund's total commitments, depending whether the fund is a real estate fund, a mezzanine fund, or an equity fund. In the case of real estate funds, management fees are also paid on committed debt capital. The average management fee percentage paid by CapMan-managed funds is approx. 1%.

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

Carried interest income

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

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

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

To transfer to carry, a fund must return its paid-in capital to investors and pay a preferential annual return on this. The preferential annual return is known as a hurdle rate, which is typically set between 7-10% 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 the management at each reporting date. The management estimate includes significant estimates relating to investment exit timing, exit probability and realisable fair value. The clawback risk is measured by using the expected value method, i.e. by calculating a probability weighted average of estimated alternative investment exit outcomes. The clawback is an adjustment to the related revenue recognised and is presented in short-term accruals in the consolidated balance sheet.

Income taxes

Tax expenses in the consolidated income statement comprise taxes on taxable income and changes in deferred taxes for the financial period. Taxes are booked in the income statement unless they relate to other areas of comprehensive income or directly to items booked as equity.

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

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

Items affecting comparability and alternative performance measures

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

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

Use of estimates

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

Valuation of fund investments

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

Valuation of growth equity investments

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

Fair value measurement of other investments

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

Fair value measurement of the investment in the joint venture

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

Valuation of goodwill

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

2. Items affecting comparability and alternative performance measures

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

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

EUR 1,000	2017	2016
Turnover	**34,843**	**26,677**
Items affecting comparability		
Reassessment of potential repayment risk to the funds	117	2,278
Items affecting comparability, total	117	2,278
Adjusted turnover	**34,960**	**28,955**
Operating profit	**19,482**	**18,672**
Items affecting comparability		
Items related to the acquisition of Norvestia, of which:	1,849	-7,109
transaction costs	645	2,819
integration related costs	1,204	
gain from a bargain purchase		-13,885
loss from the remeasurement of previous ownership at fair value		3,957
Reassessment of potential repayment risk to the funds	117	2,278
Reorganization costs	956	
Impairment of goodwill	1,500	
Write-down of a value-added tax receivable		975
Insurance compensations		-294
Items affecting comparability, total	4,422	-4,150
Adjusted operating profit	**23,903**	**14,522**
Profit for the period	**15,468**	**15,286**
Items affecting comparability		
Items related to the acquisition of Norvestia	1,678	-7,247
Reassessment of potential repayment risk to the funds	94	1,822
Reorganization costs	759	
Impairment of goodwill	1,500	
Write-down of a value-added tax receivable		1255
Insurance compensations		-236
Items affecting comparability, total	4,031	-4,406
Adjusted profit for the period	**19,498**	**10,879**
Earnings per share, cents	10.4	16.2
Items affecting comparability, cents	2.8	-5.0
Adjusted earnings per share, cents	**13.1**	**11.2**
Earnings per share, diluted, cents	10.2	16.1
Items affecting comparability, cents	2.7	-4.9
Adjusted earnings per share, diluted, cents	**13.0**	**11.2**

3. Segment information

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

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

Income from the Management company and service business is derived from fees and carried interest received from funds. The fees include management fees related to CapMan's position as a fund management company and fees from CapMan's service business comprising procurement services (CaPS), fundraiding advisory services and other services related to fund management.

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

2017	Management company and Services business				
EUR 1,000	**CapMan Private Equity**	**CapMan Real Estate**	**Total**	**Investment business**	**Total**
Turnover	**23,091**	**8,018**	**31,109**	**3,735**	**34,843**
Items affecting comparability					
Reassessment of potential repayment risk to the funds		117	117		117
Items affecting comparability, total		117	117		117
Adjusted turnover	**23,091**	**8,135**	**31,226**	**3,735**	**34,960**
Operating profit	**2,129**	**-650**	**1,480**	**18,002**	**19,482**
Items affecting comparability					
Reassessment of potential repayment risk to the funds		117	117		117
Transaction costs related to the acquisition of Norvestia				645	645
Norvestia integration related costs				1,204	1,204
Reorganization costs	772	184	956		956
Impairment of goodwill	1,500		1,500		1,500
Items affecting comparability, total	2,272	301	2,573	1,849	4,422
Adjusted operating profit	**4,401**	**-349**	**4,052**	**19,851**	**23,903**

2017	Management company and Services business				
EUR 1,000	**CapMan Private Equity**	**CapMan Real Estate**	**Total**	**Investment business**	**Total**
Profit for the period	**1,403**	**-520**	**884**	**14,584**	**15,468**
Items affecting comparability					
Reassessment of potential repayment risk to the funds		94	94		94
Transaction costs related to the acquisition of Norvestia				653	653
Norvestia integration related costs				1,025	1,025
Reorganization costs	611	147	759		759
Impairment of goodwill	1,500	0	1,500		1,500
Items affecting comparability, total	2,111	241	2,352	1,678	4,031
Adjusted profit for the period	**3,515**	**-279**	**3,236**	**16,263**	**19,498**
Earnings per share, cents					**10.4**
Items affecting comparability, cents					2.8
Adjusted earnings per share, cents					**13.1**
Earnings per share, diluted, cents					**10.2**
Items affecting comparability, cents					2.7
Adjusted earnings per share, diluted, cents					**13.0**
Non-current assets	4,563	613	5,177	96,920	102,099
Total assets include:					
Investments accounted for using the equity method				0	0
Investments in joint ventures				4,917	4,917

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

2016	Management company and Services business				
EUR 1,000	**CapMan Private Equity**	**CapMan Real Estate**	**Total**	**Investment business**	**Total**
Profit for the period	**-103**	**-1,524**	**-1,627**	**16,913**	**15,286**
Items affecting comparability					
Items related to the acquisition of Norvestia	**172**		172	-7,419	**-7,247**
Reassessment of potential repayment risk to the funds		1,822	1,822		**1,822**
Write-down of a value-added tax receivable	1,255		1,255		**1,255**
Insurance compensations	-236		-236		**-236**
Items affecting comparability, total	1,191	1,822	3,013	-7,419	**-4,406**
Adjusted profit for the period	**1,088**	**298**	**1,386**	**9,494**	**10,880**
Earnings per share, cents					**16.2**
Items affecting comparability, cents					-5.0
Adjusted earnings per share, cents					**11.2**
Earnings per share, diluted, cents					**16.1**
Items affecting comparability, cents					-4.9
Adjusted earnings per share, diluted, cents					**11.2**
Non-current assets	6,219	591	6,810	104,821	**111,631**
Total assets include:					
Investments accounted for using the equity method				87	**87**
Investments in joint ventures				5,376	**5,376**

4. Acquisitions

1-12/2017

There were no acquisitions in 2017.

1-12/2016

Acquisition of Norvestia

CapMan acquired Norvestia Group on December 19, 2016 in a voluntary public exchange offer. Thereafter, CapMan submitted an application to the Redemption Committee of the Finnish Central Chamber of Commerce to commence arbitration proceedings of all Norvestia Oyj's shares held by minority shareholders. CapMan offered EUR 7.14 per share in cash to Norvestia's shareholders in the compulsory redemption proceeding. The Arbitral Tribunal rendered its decision on October 9, 2017, according to which the redemption price of a Norvestia share shall be EUR 7.31 per share. In accordance with the decision by the Arbitral Tribunal, CapMan paid the redemption price on January 12, 2018, to all Norvestia's minority shareholders and recognised a loss of EUR 0.1 million in the consolidated income statement in 2017 as a change in fair value of a financial liability.

The purchase price allocation is completed and the changes made are solely related to the redemption liability. The following table summarizes the consideration, the fair value of identifiable assets acquired and liabilities assumed at the acquisition date, and the bargain purchase gain:

EUR 1,000	
Consideration	Fair value
Share consideration (58,644,414 x EUR 1.20)	70,373
Fair value of previous holding at the time of acquisition	31,637
Redemption liability (1,130,925 x EUR 7,31)	8,267
Total consideration	110,277
ASSETS	
Non-current assets	
Tangible assets	15
Intangible assets	5
Investments at fair value through profit and loss	
Growth equity investments	37,939
Investments in funds	6,393
	44,352
Current assets	
Trade and other receivables	1,691
Financial assets at fair value through profit and loss	115,390
Cash and bank	24,716
	141,797
Total assets	**186,149**
Non-current liabilities	
Deferred tax liabilities	7,805
	7,805

EUR 1,000	
Current liabilities	
Trade and other payables	1,723
Liability for dividend distribution	51,310
Interest-bearing loans and borrowings	1,217
	54,250
Total liabilities	62,055
Net assets	124,094
Consideration	110,277
Revaluation of the redemption liability	-67
A gain from a bargain purchase	**13,884**

5. Other operating income

EUR 1,000	2017	2016
Other items	15	126
Total	**15**	**126**

6. Employee benefit expenses

EUR 1,000	2017	2016
Salaries and wages	18,969	15,761
Pension expenses - defined contribution plans	1,786	1,968
Share-based compensation expenses	156	215
Other personnel expenses	455	347
Total	**21,366**	**18,291**

Remuneration of the management is presented in Table 32. Related party disclosures.

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

The terms of the stock option programs are presented in Table 31. Share-based payments.

Personnel

EUR 1,000	2017	2016
By country		
Finland	74	69
Sweden	22	22
Denmark	4	2
Russia	12	11
Luxembourg	1	1
United Kingdom	5	3
In total	**118**	**108**
By team		
CapMan Private Equity	50	31
CapMan Real Estate	37	31
CapMan Platform	26	39
Norvestia	5	7
In total	**118**	**108**
Average number of people employed	**113**	**103**

7. Depreciation, amortisation and impairments

EUR 1,000	2017	2016
Depreciation by asset type		
Intangible assets		
Other intangible assets	187	215
Total	**187**	**215**
Tangible assets		
Machinery and equipment	29	42
Total	**29**	**42**
Total depreciation	**216**	**257**
Impairment by asset type		
Goodwill	1,500	0
Total impairments	**1,500**	**0**

8. Other operating expenses

EUR 1,000	2017	2016
Included in other operating expenses:		
Other personnel expenses	884	775
Office expenses	1,478	2,234
Travelling and entertainment	1,171	1,006
External services	4,461	6,577
Other operating expenses [1)]	1,882	1,598
Total	**9,876**	**12,190**

[1)] Based on a tax audit in Finland during 2010-11, CapMan Plc received a tax reassessment decision according to which some of the operations of the Group's parent company, CapMan Plc, include financial services exempt from VAT, and thus the VAT included in the purchases made by the parent company is only partly deductible for VAT purposes. The Supreme Administrative Court did not grant CapMan an appeal to a decision by the Tax Authorities and CapMan has therefore wrote off the value-added tax receivable of EUR 1.0 million in 2016, being an item affecting comparability. The decision by the Supreme Administraton Court does not incur any additional payments and has no effect on the cash flow of CapMan Group.

Audit fees

EUR 1,000	2017	2016
PricewaterhouseCoopers chain of companies		
Audit fees	257	261
Tax advices	135	15
Other fees and services	18	279
Fees under Auditing Act chapter 1, section 1, paragraph 2	11	5
Total	**421**	**560**

The other fees and services performed by PricewaterhouseCoopers Oy in 2017 was 150 thousand euros in total. The services consisted of tax advisory services (130 thousand euros), auditors reports (2 thousand euros) and other services (18 thousand euros).

9. Adjustments to cash flow statement

EUR 1,000	2017	2016
Personnel expenses	156	215
Depreciation, amortisation and impairment	1,716	257
Unrealized fair value gains/losses of investments	-17,582	-22,607
Finance income and costs	3,171	3,139
Share of the income of investments accounted for using the equity method	87	8
Taxes	757	239
Write-down of a value-added tax receivable		975
Expenses arising from the share issue recognized in the invested unrestricted equity fund		-745
Other adjustments	-114	
Total	**-11,809**	**-18,520**

10. Fair value gains/losses of investments

EUR 1,000	2017	2016
Investments at fair value through profit and loss		
Investments in funds (excl. Norvestia)	4,013	6,683
Growth equity investments	11,749	
Portfolio (Shares)	2,302	
Norvestia [1)]	-	15,715
Investments in joint ventures	-358	209
Other investments	-124	
Total	**17,582**	**22,607**

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

11. Finance income and costs

EUR 1,000	2017	2016
Finance income		
Interest income, loan receivables	214	628
Other interest income	5	12
Exchange gains	70	27
Total	**289**	**667**
Finance costs		
Interest expenses/loans	-2,726	-2,762
Other interest and finance expenses	-560	-992
Exchange losses	-174	-52
Total	**-3,460**	**-3,806**

12. Share of the income of investments accounted for using the equity method

EUR 1,000	2017	2016
Associates	-87	-8
Total	**-87**	**-8**

13. Income taxes

EUR 1,000	2017	2016
Current income tax	960	425
Taxes for previous years	1,274	-44
Deferred taxes		
Temporary differences	-1,477	-142
Total	**757**	**239**
Income tax reconciliation		
Profit before taxes	16,224	15,525
Tax calculated at the domestic corporation tax rate of 20%	3,245	3,105
Effect of different tax rates outside Finland	-60	-128
Tax exempt income	-1,118	-4,282
Non-deductible expenses	44	110
Deferred income tax asset of tax losses	0	1,390
The use of previous years' tax losses	-1,706	0
Taxes for previous years	1,267	44
Change of deferred tax expense liability concerning taxes for previous years	-1,224	0
Impairment of goodwill	300	0
Other direct taxes	10	0
Income taxes in the Group Income Statement	757	239

14. Earnings per share

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

EUR 1,000	2017	2016
Attributable to the equity holders of the Company (EUR 1,000)	15,473	15,286
Interest expense on hybrid bond (net of tax)	-435	-960
Profit/loss used determine diluted earnings per share	15,038	14,326
Weighted average number of shares (1,000)	145,179	88,409
Own shares, 1,000	-26	-26
Weighted average number of shares (1,000)	145,153	88,383
Effect of options (1,000)	1,845	2,543
Weighted average number of shares adjusted for the effect of dilution (1,000)	146,998	90,926
Earnings per share (basic), cents	10.4	16.2
Earnings per share (diluted), cents	10.2	16.1

15. Tangible assets

EUR 1,000	2017	2016
Machinery and equipment		
Acquisition cost at 1 January	1,989	1,966
Additions	159	8
Acquisitions	0	15
Acquisition cost at 31 December	2,148	1,989
Accumulated depreciation at 1 January	-1,940	-1,897
Accumulated depreciation in changes	0	-1
Depreciation for the financial year	-40	-42
Accumulated depreciation at 31 December	-1,980	-1,940
Book value on 31 December	168	49
Other tangible assets		
Acquisition cost at 1 January	120	120
Book value on 31 December	120	120
Tangible assets total	**288**	**169**

16. Goodwill

EUR 1,000	2017	2016
Acquisition cost at 1 January	13,169	13,169
Acquisition cost at 31 December	13,169	13,169
Accumulated impairment at 1 January	-6,965	-6,965
Impairment	-1,500	0
Translation difference	-157	0
Accumulated impairment at 31 December	-8,622	-6,965
Book value on 31 December	4,547	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 EUR 4.1 million (EUR 5.7 million) as at 31 December 2017.

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 rate used is 14.6% (2016: 15.4%), except for carried interest, whose discount rate is 18.0% (2016: 18.0%). There is no significant country risk attached to these cash flows, as they relate to management fees received from international investors.

The annual goodwill impairment test resulted in an impairment loss of EUR 1.5 million for the goodwill allocated to the Russian management company business. This was mainly attributable to re-evaluated cash flows, due to continuing political risks and uncertainty in the fundraising market, which is expected to slow down the fundraising process of the new fund and decrease its size.

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

17. Other intangible assets

EUR 1,000	2017	2016
Acquisition cost at 1 January	5,223	5,218
Acquisitions	0	5
Additions	107	0
Acquisition cost at 31 December	5,330	5,223
Accumulated depreciation at 1 January	-4,946	-4,731
Depreciation for the financial year	-176	-215
Accumulated depreciation at 31 December	-5,122	-4,946
Book value on 31 December	208	277

18. Investments accounted for using the equity method

EUR 1,000	2017	2016
Associates	87	95
Share of the income of investments accounted for using the equity method	-87	-8
Total	**0**	**87**

Nature of investments in associates

2017

EUR 1,000		Assets	Liabilities	Turnover	Profit/loss	Ownership %
BIF Management Ltd	Jersey	39	17	0	-18	33.33%
Baltic SME Management B.V.	The Netherlands	2	53	0	-10	33.33%
Total		**41**	**70**	**0**	**-28**	

2016

EUR 1,000		Assets	Liabilities	Turnover	Profit/loss	Ownership %
BIF Management Ltd	Jersey	26	12	0	-25	33.33%
Baltic SME Management B.V.	The Netherlands	0	41	0	-9	33.33%
Total		**26**	**53**	**0**	**-34**	

19. Investments at fair value through profit or loss

Investments in funds

EUR 1,000	2017	2016
Investments in funds at 1 January	51,394	47,249
Acquisitions	0	6,393
Additions	10,543	7,539
Disposals	-35	0
Distributions	-7,157	-14,416
Fair value gains/losses of investments	3,422	4,629
Transfers	97	0
Investments in funds at 31 December	58,264	51,394
Investments in funds by investment area at the end of period		
Buyout	22,020	20,617
Credit	1,749	2,491
Russia	4,505	4,399
Real Estate	17,885	13,163
Other investment areas	2,795	3,121
Funds of funds	511	614
Norvestia	8,799	6,989
Total	**58,264**	**51,394**

Investments in funds include the subsidiary, CapMan Fund Investments SICAV-SIF, with a fair value of MEUR 28.0.

Growth equity investments

EUR 1,000	2017	2016
Other investments at 1 January	37,856	0
Additions	1,856	0
Disposals	-20,920	0
Acquisitions	0	37,940
Fair value gains/losses of investments	9,959	-84
Transfers	89	0
Other investments at 31 December	28,840	37,856

Growth companies consist of Aste Helsinki which offers media production and consulting, Coronaria Hoitoketju which offers health and elderly care services, Fluido which offers cloud services consulting, Polystar Instruments which develops telecommunications business intelligence software solutions, Digital Workforce Services Oy which specializes in RPA (Robotic Process Automation) services and Touhula Varhaiskasvatus which offers early childhood and preschool education. Investments in associates are diversified into various industries and therefore the company assesses the related risks to be relatively small.

CapMan has founded a new growth equity based fund on 11.12.2017 with respect to CapMan sold its growth equity investments in January 2018.

EUR 1,000	Domicile	Group ownership of shares
Aste Holding Oy	Helsinki	40.0%
Coronaria Hoitoketju Oy	Oulu	19.8%
Fluido Oy	Espoo	37.6%
Touhula Varhaiskasvatus Oy	Oulu	2.4%
Digital Workforce Services Oy	Helsinki	21.2%
Polystar Instruments AB	Stockholm	10.0%

Other financial assets

EUR 1,000	2017	2016
Other investments at 1 January	179	48,784
Acquisitions	0	-31,637
Additions	0	124
Disposals	-5	0
Distributions	0	-18,191
Fair value gains/losses of investments	-32	1,099
Other investments at 31 December	142	179

Until acquiring the control in Norvestia Oyj on 19.12.2016, other investments mainly included shares in CapMan's associated company, Norvestia Oyj. At the end of the period, on December 31, 2015, the fair value of these shares amounted to EUR 48.7 million and CapMan's share in Norvestia was 28.7% of Norvestia's total shares. The fair value change of the associated company was recognised in CapMan's income statement based on the change in Norvestia's reported NAV / share. The associated company was fair valued through profit or loss because CapMan has been qualified as an investment entity under IFRS 10.

Investments in joint ventures

EUR 1,000	2017	2016
Investments in joint ventures at 1 January	5,376	7,651
Additions	172	0
Disposals	-63	0
Distributions	-210	-2,484
Fair value gains/losses of investments	-358	209
Investments in joint ventures at 31 December	4,917	5,376

Nature of investments in joint ventures

2017

EUR 1,000		Assets	Liabilities	Turnover	Profit/loss	Ownership %
Maneq Investments Luxembourg S.a.r.l.	Luxembourg	5,968	2,968	0	3	18.18%
Maneq 2004 AB	Sweden	75,848	-1,405	2,044	11,261	41.90%
Yewtree Holding AB	Sweden	69	1	2	-4	35.00%

2016

EUR 1,000		Assets	Liabilities	Turnover	Profit/loss	Ownership %
Maneq Investments Luxembourg S.a.r.l.	Luxembourg	5,725	2,360	0	270	18.18%
Maneq 2002 AB	Sweden	20	1	0	-7	35.00%
Maneq 2004 AB	Sweden	216	9	-12	13	41.90%
Yewtree Holding AB	Sweden	220	4	12	0	35.00%

The Group's share of the Maneq funds is approx. EUR 4.8 million. As an investment entity, CapMan measures its investments in joint ventures as at fair value through profit or loss.

The owners of Maneq Investments Luxembourg S.a.r.l have agreements relating to the distribution of the assets and minority rights in decision making. The investment is made through several separate instruments and their values are co-dependent. The investment is thus valued as one entity based on discounted cash flows. Based on the contractual agreement, CapMan has right to net assets of the arrangement.

Team members of CapMan investment teams and other personnel have the option to invest in portfolio companies alongside CapMan via Maneq funds. CapMan has not established the new Maneq-funds after the year 2011. Maneq 2002 AB fund has been terminated on June 27 2017.

The valuation principles are presented in Note 33. Financial risk management g) Determining fair values.

20. Receivables - Non-current

EUR 1,000	2017	2016
Other loan receivables	3,100	4,769
Accrued income	43	433
Total	**3,143**	**5,202**

Other loan receivables include receivables from Norum Russia Co-Investment Ltd EUR 1.6 million, receivables from NEP Priedvidza S.a.r.l. EUR 0.9 million, receivables from NRE Cream Oy €0.4 million and receivables from CapMan Russia Team Guernsey Ltd EUR 0.2 million.

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

21. Deferred tax assets and liabilities

Changes in deferred taxes during 2017:

EUR 1,000	31 Dec 2016	Charged to Income Statement	Translation difference	Charged in equity	Acquisitions	31 Dec 2017
Deferred tax assets						
Accrued differences	1,567	185	-1	0	0	1,751
Interest expense on hybrid bond	3,320	0		-3,320	0	0
Total	**4,887**	**185**	**0**	**-3,320**	**0**	**1,751**
Deferred tax liabilities						
Accrued differences	2,088	-944	-5	0	0	1,139
Unrealised fair value changes	7,780	-346		0	0	7,434
Total	**9,868**	**-1,290**	**0**	**0**	**0**	**8,573**

Changes in deferred taxes during 2016:

EUR 1,000	31 Dec 2015	Charged to Income Statement	Translation difference	Charged in equity	Acquisitions	31 Dec 2016
Deferred tax assets						
Accrued differences	1,320	247		0	0	1,567
Interest expense on hybrid bond	3,080	0		240	0	3,320
Total	**4,400**	**247**	**0**	**240**	**0**	**4,887**
Deferred tax liabilities						
Accrued differences	1,958	130		0	0	2,088
Unrealised fair value changes	0	-25		0	7,805	7,780
Total	**1,958**	**105**	**0**	**0**	**7,805**	**9,868**

22. Trade and other receivables

EUR 1,000	2017	2016
Trade receivables	3,052	1,201
Loan receivables	455	814
Accrued income	2,255	2,235
Other receivables	2,963	5,599
Total	**8,725**	**9,849**

The Group has had no bad debts.

Loan receivables include mainly current loan from the related parties presented in Note 32. Related party disclosures.

Accrued income includes mainly accrual items.

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

Trade and other receivables by currency at end of year

Trade and other receivables	Amount in foreign currency	Amount in euros	proportion
EUR		7,639	88%
SEK	10,333	1,050	12%
GBP	32	36	0%

23. Financial assets at fair value through profit or loss

EUR 1,000	2017	2016
Financial assets held for trading	76,841	85,907
Other financial assets at fair value through profit or loss	303	306
Total	**77,144**	**86,213**

Financial assets held for trading include investments to listed shares, derivative contracts and investments in hedge and interest funds. Listed shares and derivative contracts are measured at fair value by the last trade price on active markets on the balance sheet date. Their fair value amounted to EUR 55.1 million as at December 31, 2017.

The fair value of investments in funds is determined as the funds' net asset value at the balance sheet date. The fair value of fund investments totaled EUR 10.6 million, of which hedge funds and equity funds totaled EUR 3.4 million and EUR 7.2 million, respectively.

The fair value of interest-bearing securities on the balance sheet date was EUR 11.1 million, of which bonds and bond funds totaled EUR 7.6 million and EUR 3.5 million, respectively. The fair value of bonds is based on the last trade price on the balance sheet date or, in an illiquid market, on values determined by the counterparty. The fair value of investments in bond funds is determined as the funds' net asset value at the balance sheet date.

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

Derivative contracts

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

EUR 1,000	2017	2016
Index derivatives, bought call options and sold futures		
Fair value	37	-113
Underlying value	-21,962	-14,416

24. Cash and bank

EUR 1,000	2017	2016
Bank accounts	23,291	45,001
Total	23,291	45,001

Cash and bank includes bank accounts.

25. Share capital and shares

Movements in the number of shares

1,000 shares	Number of A shares	Number of B shares	Total
At 31 December 2014	**5,750**	**80,567**	**86,317**
At 31 December 2015	**5,750**	**80,567**	**86,317**
A-shares converted into B-shares	-5,750	5,750	0
Share subscriptions with options		29	29
Share issue		56,967	56,967
At 31 December 2016	**0**	**143,313**	**143,313**
Share subscriptions with options		636	636
Share issue		1,677	1,677
At 31 December 2017	**0**	**145,626**	**145,626**

1,000 shares	Share capital	Share premium account	Other reserves	Total
At 31 December 2014	**772**	**38,968**	**27,175**	**66,915**
Options			222	222
At 31 December 2015	**772**	**38,968**	**27,397**	**67,137**
Share subscriptions with options			22	22
Options			64	64
Share issue			69,628	69,628
At 31 December 2016	**772**	**38,968**	**97,111**	**136,851**
Share subscriptions with options			421	421
Options			96	96
Share issue			-78	-78
Hybrid bond repayment			-15,000	-15,000
At 31 December 2017	**772**	**38,968**	**82,550**	**122,290**

Other reserves

During the financial year 2017, the share issue costs relating to the acquisition of Norvestia (see note 4 Acquisitions) were deducted from the unrestricted equity fund. Invested unrestricted equity fund also includes granted stock option subscription rights and subscribed shares.

The stock option programs are presented in Table 31. Share-based payments.

During financial year 2017 the hybrid bond of EUR 15 million was repaid.

Translation difference

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

Dividends paid and proposal for profit distribution

The Board of Directors will propose to the Annual General Meeting to be held on 14 March 2018 that a dividend of EUR 0.11 per share will be paid to shreholders, equivalent to a total of approx. MEUR 16.0.

A dividend of EUR 0.09 per share, total MEUR 13.0, was paid for the year 2016. The dividend was paid to the shareholders on 3 April 2017.

Redemption obligation clause

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

Ownership and voting rights agreements

As at 31 December 2017 CapMan Plc had no knowledge of agreements or arrangements, related to the Company's ownership and voting rights, that were apt to have substantial impact on the share value of CapMan Plc.

Distribution of shareholdings by number of shares and sector as at 31 December 2017

Shareholding	Number of holdings	%	Number of shares	%	Number of votes	%
1–100	1,837	11.31%	93,312	0.06%	93,312	0.06%
101–1,000	6,761	41.64%	3,447,709	2.37%	3,447,709	2.37%
1,001–10,000	6,484	39.93%	22,465,788	15.43%	22,465,788	15.43%
10,001–100,000	1,056	6.50%	25,737,929	17.67%	25,737,929	17.67%
100,001–1,000,000	81	0.50%	19,899,160	13.66%	19,899,160	13.66%
1,000,001–	18	0.11%	73,963,378	50.79%	73,963,378	50.79%
Total	**16,237**	**100.00%**	**145,607,276**	**99.99%**	**145,607,276**	**100.00%**
of which Nominee registered	9	0.10%	13,228,335	9.08%	13,228,335	9.08%
On the book-entry register joint account			18,709	0.01%	18,709	0.01%
Total shares outstanding			**145,625,985**	**100.00%**	**145,625,985**	**100.00%**

Sector	Number of shares	%	Number of votes	%
Corporations	32,734,957	22.48%	32,734,957	22.48%
Households	64,675,732	44.42%	64,675,732	44.42%
Non-profit and public sector institutions	19,407,534	13.33%	19,407,534	13.33%
Financial and insurance corporations	15,092,778	10.37%	15,092,778	10.37%
Total	**145,607,276**	**100.00%**	**145,607,276**	**100.00%**
Nominee registered and foreign shareholders	13,696,275	9.41%	13,696,275	9.41%
On the book-entry register joint account	18,709	0.01%	18,709	0.01%
Total shares outstanding	**145,625,985**	**100.00%**	**145,625,985**	**100.00%**

Source: EuroClear Finland Ltd, as at 31 December 2017. Figures are based on the total number of shares 145,607,276 and total number of shareholders 16,237. CapMan Plc had 26,299 shares as at 31 December 2017.

CapMan's largest shareholders as at 31 December 2017

	Number of shares	Proportion of shares, %	Number of votes	Proportion of votes, %
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	10,898,500	7.48	10,898,500	7.48
Mandatum Henkivakuutusosakeyhtiö	10,737,228	7.37	10,737,228	7.37
OY Inventiainvest AB (Ari Tolppanen) [2)]	7,024,794	4.82	7,024,794	4.82
Laakkonen Mikko Kalervo	6,378,320	4.38	6,378,320	4.38
Keskinäinen työeläkevakuutusyhtiö Varma	3,675,215	2.52	3,675,215	2.52
Joensuun Kauppa Ja Kone Oy	3,511,853	2.41	3,511,853	2.41
Vesasco Oy	3,088,469	2.12	3,088,469	2.12
Valtion Eläkerahasto	2,500,000	1.72	2,500,000	1.72
Heiwes Oy + Heikki Westerlund	2,372,156	1.63	2,372,156	1.63
Heiwes Oy	2,094,480	1.44	2,094,480	1.44
Westerlund Heikki	277,676	0.19	277,676	0.19
Winsome Oy [2)] + Tuomo Raasio [1)]	2,130,043	1.46	2,130,043	1.46
Winsome Oy [2)]	2,076,299	1.43	2,076,299	1.43
Raasio Tuomo [1)]	53,744	0.04	53,744	0.04
Momea Invest Oy	2,079,222	1.43	2,079,222	1.43
Laakkonen Hannu	1,916,742	1.32	1,916,742	1.32
Sijoitusrahasto Taaleritehdas Mikro Markka	1,500,000	1.03	1,500,000	1.03
Oy G.W.Sohlberg Ab	1,356,000	0.93	1,356,000	0.93
Mr Max Oy	1,287,995	0.88	1,287,995	0.88
Keskinäinen Vakuutusyhtiö Kaleva	1,138,200	0.78	1,138,200	0.78
Sijoitusrahasto Taaleritehdas Arvo Markka Osake	1,000,000	0.69	1,000,000	0.69
Immonen Jukka Kalevi	974,544	0.67	974,544	0.67
Mandatum Life	854,930	0.59	854,930	0.59
Oy Nissala Ab	793,000	0.54	793,000	0.54
Total	**65,217,211**	**44.78%**	**65,217,211**	**44.78%**
Nominee registered [3)]	13,228,335	9.08%	13,228,335	9.08%
Shareholdings of management and employees [3)]	9,381,677	6.44%	9,381,677	6.44%

CapMan has not received any flagging notifications during year 2017. Updated information of all flagging notifications can be found at www.capman.com.

1) Employed by CapMan.
2) CapMan employee who exercises controlling power in the aforementioned company but who does not own CapMan shares directly.
3) Shareholders among the 200 largest shareholders of the Company.

26. Interest-bearing loans and borrowings

EUR 1,000	2017	2016
Bank loans	5,489	8,489
Senior bond	29,737	29,587
Multi-issuer bond	9,989	9,989
Total	**45,215**	**48,065**

The interest of the bank loan is paid quarterly.

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

The multi-issuer bond, EUR 10 million, guaranteed by Garantia Insurance Company Ltd, has an annual coupon rate of 1.85% and it matures on June 18, 2019.

27. Trade and other payables - Current

EUR 1,000	2017	2016
Ostovelat	635	1,681
Saadut ennakot	170	0
Siirtovelat	15,879	22,733
Muut velat	10,153	8,927
Yhteensä	**26,837**	**33,341**

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

Accrued expenses include a clawback liability of EUR 7.6 million (2016: EUR 7.5 million) relating to potential repayment of carried interest to CapMan Real Estate I Fund. Liability is related to the exit in 2007. The other significant items in accrued expenses relate to accrued salaries and social benefit expenses.

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

Trade and other liabilities by currency at end of year

Trade and other liabilities	Amount in foreign currency	Amount in euros	Proportion
EUR		25,221	94%
SEK	14,067	1,429	5%
GBP	166	187	1%

28. Interest-bearing loans and borrowings - Current

EUR 1,000	2017	2016
Loans from credit institutions	3,000	3,000
Senior bond		15,000
Total	**3 000**	**18 000**

The senior bond, EUR 15 million has matured and repaid on 11 December 2017.

29. Financial assets and liabilities

Financial assets

2017

EUR 1,000	Note	Balance sheet value	Fair value
Investments at fair value through profit or loss			
Investments in funds	19	58,264	58,264
Growth equity investments	19	28,840	28,840
Other financial assets	19	142	142
Investments in joint ventures	19	4,917	4,917
Loan receivables	20	3,143	3,143
Trade and other receivables	22	8,725	8,725
Financial assets at fair value	23	77,144	77,144
Cash and bank	24	23,291	23,291
Total		**204,466**	**204,466**

2016

EUR 1,000	Note	Balance sheet value	Fair value
Investments at fair value through profit or loss			
Investments in funds	19	51,394	51,394
Growth equity investments	19	37,856	37,856
Other financial assets	19	179	179
Investments in joint ventures	19	5,376	5,376
Loan receivables	20	5,202	5,202
Trade and other receivables	22	9,849	9,849
Financial assets at fair value	23	86,213	86,213
Cash and bank	24	45,001	45,001
Total		241,070	241,070

Financial liabilities

2017

EUR 1,000	Note	Balance sheet value	Fair value
Non-current liabilities	26	45,215	45,215
Trade and other liabilities	27	26,837	26,837
Current liabilities	28	3,000	3,000
Total		**75,052**	**75,052**

2016

EUR 1,000	Note	Balance sheet value	Fair value
Non-current liabilities	26	48,065	48,065
Trade and other liabilities	27	33,341	33,341
Current liabilities	28	18,000	18,000
Total		**99,406**	**99,406**

Net debt

EUR 1,000	2017	2016
Cash and cash equivalents	23,594	45 307
Borrowings - repayable within one year	-3,000	-18 000
Borrowings - repayable after one year	-45,215	-48 065
Net debt	-24,621	-20 758
Cash and cash equivalents	23,594	45 307
Gross debt - variable interest rates	-8,489	-11 489
Gross debt - fixed interest rates	-39,726	-54 576
Net debt	-24,621	-20 758

EUR 1,000	Cash	Borrowed due within 1 year	Borrowed due after 1 year	Total
Net debt as at 1 January 2017	45,307	-18,000	-48,065	-20,758
Cash flows	-21,713	15,000	2,850	-3,863
Foreign exchange adjustments	0	0	0	0
Other non-cash movements	0	0	0	0
Net debt as at 31 December	23,594	-3,000	-45,215	-24,621

30. Commitments and contingent liabilities

Leasing agreements - CapMan Group as lessee

EUR 1,000	2017	2016
Other hire purchase commitments		
Within one year	1,027	1,018
After one but not more than five years	2,483	1,876
After five years	502	923
Total	**4,012**	**3,817**

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

Securities and other contingent liabilities

EUR 1,000	2017	2016
Contingencies for own commitment		
Pledged deposit for own commitment	32,120	32,559
Pledged securities	2,799	9,580
Pledged cash and bank	846	0
Other contingent liabilities		
Bank guarantee counter-obligation	10,500	0
Remaining commitments to funds		
by investment area		
Buyout	13,178	12,919
Credit	2,316	3,407
Russia	1,477	1,831
Real Estate	10,584	1,003
Other investment areas	3,272	4,747
Funds of funds	717	722
Growth Equity [1)]	26,626	0
Norvestia	8,911	11,889
Total	67,081	36,518

[1)] The commitment relates to a new growth equity based fund founded on 11.12.2017 with respect to CapMan sold its growth equity investments in January 2018.

CapMan estimates that EUR 50-55 million of the remaining commitments will be called in the next 4 years, particularly due to unused investment capacity of the older funds.

31. Share-based payments

CapMan Plc had two stock option programs at the end of 2017, the stock option program 2013 and the stock option program 2016. Stock options are used to commit key individuals/executives to the company and reinforce the alignment of interests of key individuals/executives and CapMan shareholders.

The fair value of stock options has been assessed at the grant date and expensed straight-line in the income statement over the vesting period. Fair value of options at the grant date is determined in accordance with the Black&Scholes model.

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

Option programmes effective on 31 December 2017

	Stock option program 2016		
	Stock option 2016A	**Stock option 2016B**	**Stock option 2016C**
Stock options, number	1,410,000	1,410,000	1,410,000
Entitlement to subscribe for B shares	1,410,000	1,410,000	1,410,000
Share subscription period begins	01/05/2019	01/05/2020	01/05/2021
Share subscription period ends	30/04/2021	30/04/2022	30/04/2023
Share subscription price	Trade volume weighted average price of the B share on the Nasdaq OMX Helsinki 1.4.-31.5.2016 with an addition of ten (10) per cent less dividends i.e. €0.95	Trade volume weighted average price of the B share on the Nasdaq OMX Helsinki 1.4.-31.5.2017 with an addition of ten (10) per cent less dividends i.e. €1.76	Trade volume weighted average price of the B share on the Nasdaq OMX Helsinki 1.4.-31.5.2018 with an addition of ten (10) per cent

Information applied in the Black&Scholes model

	Stock option 2016A
Expected volatility	21.56%
Risk-free interest	0.0%

	Stock option program 2013		
	Stock option 2013A	Stock option 2013B	Stock option 2013C
Stock options, number	1,410,000	1,410,000	1,410,000
Entitlement to subscribe for B shares	1,410,000	1,410,000	1,410,000
Share subscription period begins	01/05/2016	01/05/2017	01/05/2018
Share subscription period ends	30/04/2018	30/04/2019	30/04/2020
Share subscription price	Trade volume weighted average price of the B share on the Nasdaq OMX Helsinki 1.4.-31.5.2013 with an addition of ten (10) per cent less dividends i.e. €0.66	Trade volume weighted average price of the B share on the Nasdaq OMX Helsinki 1.4.-31.5.2014 with an addition of ten (10) per cent less dividends i.e. €0.94	Trade volume weighted average price of the B share on the Nasdaq OMX Helsinki 1.4.-31.5.2015 with an addition of ten (10) per cent less dividends i.e. €0.96

Information applied in the Black&Scholes model

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

Terms and conditions and subscription windows for the option programmes can be found at www.capman.com.

Shares and stock options

						Shares 31 Dec 2017	Stock options 31 Dec 2017	
	Issued stock options	Distributed stock options 31 Dec 2017	Subscribed stock options 31 Dec 2017	Sold stock options 31 Dec 2017	Remaining stock options 31 Dec 2017	Of shares and votes %	Of shares and votes % if all distributed stock options will be exercised	Of shares and votes % if all stock options of option programs will be exercised
Shares	145,625,985					100.0%		
2016A options	1,410,000	673,958	0	0	673,958		0.5%	1.0%
2016B options	1,410,000	0	0	0	0		0.0%	1.0%
2016C options	1,410,000	0	0	0	0		0.0%	1.0%
2013A options	1,410,000	1,325,000	630,580	335,015	694,420		0.9%	1.0%
2013B options	1,410,000	1,268,334	32,976	103,382	1,235,358		0.9%	1.0%
2013C options	1,410,000	1,277,291	0	0	1,277,291		0.9%	1.0%

32. Related party disclosures

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

Group companies		Group ownership of shares, %	Parent company ownership of shares, %
CapMan Mezzanine V Manager S.A.	Luxembourg	100%	100%
CapMan (Guernsey) Buyout X GP Limited	Guernsey	100%	100%
CapMan (Guernsey) Russia II GP Limited	Guernsey	100%	100%
Maneq 2012 AB	Sweden	100%	100%
CapMan Nordic Real Estate Manager S.A.	Luxembourg	100%	100%
CapMan Buyout X GP Oy	Finland	100%	100%
CapMan Endowment GP Oy	Finland	100%	100%
CapMan Collection Oy	Finland	100%	100%
CapMan Real Estate UK Limited	United Kingdom	100%	
Nest Capital 2015 GP Oy	Finland	100%	100%
Dividum AB	Sweden	100%	
Valo Advisors Oy	Finland	100%	100%
Valo Fund Management Oy	Finland	100%	
Kokoelmakeskus GP Oy	Finland	100%	100%
Norvestia Oyj [1)]	Finland	92.5%	92.5%
Norventures Oy	Finland	100%	
CapMan Growth Equity Oy	Finland	100%	
CapMan Nordic Real Estate Manager II S.A.	Luxembourg	100%	100%
CapMan Infra Management Oy	Finland	80%	80%
CapMan Infra Lux Management S.á.r.l.	Luxembourg	80%	
CapMan Lynx Holding SCA	Luxembourg	80%	
CapMan Lynx S.á.r.l.	Luxembourg	80%	
CapMan Growth Equity GP 2017 Oy	Finland	100%	100%

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

Investments accounted for using the equity method are presented in Table 18. Investments accounted for using the equity method

The investments in joint ventures are presented in Table 19. Investments at fair value through profit and loss

Loans to related parties

CapMan has granted a Management Group member a short-term loan of 133 thousand euros, the interest rate of which being 12-month Euribor + margin of 1%. The loan has been granted in January 2016 and it has been renewed in December 2017. It will mature in December 2018.

Commitments to related parties

EUR 1,000	2017	2016
Commitments to Maneq funds	3,903	4,075

Management remuneration

EUR 1,000		2017	2016
Salaries and other short-term employee benefits		1,899	1,460
Other long-term benefits		344	299
Share-based payments		205	99
Total [1]		**2,448**	**1,858**
Remuneration and fees			
CEO			
Heikki Westerlund	Until 3 May 2017	1,231	486
Share-based payments		0	60
Joakim Frimodig	From 4 May 2017	231	0
Share-based payments		105	0
Total		**1,567**	**546**
Members of the Board			
Claes de Neergaard	Until 14 March 2017	14	38
Koen Dejonckheere [2]	Until 15 March 2016	0	0
Dirk Beeusaert	From 16 March 2016 to 14 March 2017	13	29
Andreas Tallberg	From 15 March 2017	55	0
Karri Kaitue		66	59
Nora Kerppola		53	44
Ari Tolppanen		50	77
Mammu Kaario	From 15 March 2017	38	0

[1] Excluding the CEO

[2] Mr. Dejonckheere has informed the company that he prefers not to accept board compensation.

Pension costs

	Pension costs		Additional pension costs	
EUR 1,000	2017	2016	2017	2016
CEO				
Heikki Westerlund	145	90	30	38
Joakim Frimodig	58	0	21	0

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

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

The CEO and some of the Management Group members are covered by additional payment-based pension insurance. The retirement age of the CEO is 63 years.

In 2017 the Management Group members were granted 412 500 stock options (2016: 330 000). The stock options granted to the management are subject to the same terms as for stock options granted to employees.

33. Financial risk management

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

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

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

a) Liquidity risk

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

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

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

The CapMan Real Estate I fund transferred into carry in 2007. From the EUR 27.4 million of carried interest paid in 2007 approximately EUR 6.4 million was not recognised in the revenue in 2007 but instead left as a liability in case that some of the carried interest would have to be returned to the investors in the future. CapMan's share of the entered carried interest was approx. EUR 13.5 million and the share of minority owners was approx. EUR 7.5 million. In 2014, the clawback risk was reassessed and the related liability decreased by EUR 1.2 million to EUR 5.2 million. However, in light of the current market situation, it is considered unlikely that any further carried interest would be paid from the CapMan Real Estate I fund. The clawback risk was reassessed again in 2016, and as a result, the related liability was increased by EUR 2.3 million from EUR 5.2 million to EUR 7.5 million. After the reassessment of the clawback risk in 2017 the liability was increased by EUR 0.1 million. The current clawback liability of EUR 7.6 million, including the minority owners' share, is estimated to be adequate to cover the possible return of carried interest.

CapMan has made commitments to the funds it manages. As at December 31, 2017, the undrawn commitments to the funds amounted to EUR 67.1 million (36.5) and the financing capacity available (cash and third party financing facilities) amounted to EUR 33.3 million (55.0).

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

Furhermore, CapMan Plc has a EUR 10 million multi-issuer bond. During finance year 2017 CapMan has repaid a EUR 15 million hybrid bond which was withdrawed in 2013 and a EUR 15 million senior bond which was withdrawed in 2013.

As of 31 December 2017, CapMan Plc had access to EUR 8.5 million (11.5) of bank financing, and in addition had unused long-term credit facilities of EUR 10 million (10) available.

Maturity analysis

31 December 2017

EUR 1,000	Due within 3 months	Due between 3 and 12 months	Due between 1 and 3 years	Due between 3 and 5 years	Due later
Bonds		0	29,737		
Bank loan		3,000	5,489		
Accounts payable	635				
Interests, bonds		1,440	1,440		
Interests, bank loan	53	140	68		
Commitments to funds	2,664	16,793	5,614	212	41,798
Commitments to Maneq -funds			3,903		
Clawback		7,607			

31 December 2016

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

b) Interest rate risk

The Group's exposure to interest rate risk arises principally from the non-current bank loan of EUR 8.5 million with a floating interest rate. The other interest-bearing liabilities have a fixed interest rate.

The annual coupon rate of the hybrid loan is 8.0%. The hybrid loan was paid back on March 2017. The annual coupon rate of the multi-issuer bond is 1.85%. The senior bond issued in October 2015 has an annual coupon rate of 4.2%. The interest of the bonds will be paid annually.

Loans according to interest rate

EUR 1,000	2017	2016
Floating rate	8,489	11,489
Fixed rate	39,726	54,576
Total	**48,215**	**66,065**

	The effect on profit after tax		
EUR 1,000	Change in interest rates 1%	Change in interest rates - 1%	Change in interest rates 2%
Floating rate	68	-68	136

c) Credit risk

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

As at December 31, 2017, the group had EUR 7.6 million invested in bonds. The longest maturity of these investments was 3.2 years and the average maturity was 2.5 years. None of the investments were past due.

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

In June 2013, CapMan transferred its ownership in 2005-2011 Maneq funds (including equity and loan receivables) to a Luxembourg company founded by CapMan and sold part of that company for a cash consideration of EUR 14 million. After the transaction, the Group's share of the Maneq funds is approx. EUR 4.8 million at fair value as at December 31, 2017. The Group's holdings in Maneq funds are presented as investments in joint ventures. Following the transaction, CapMan has a loan receivable from the Luxembourg company, but the risk profile of this receivable is like that of an equity investment.

d) Currency risk

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

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

As at December 31, 2017, 81% of the Group's assets were in euros, 10% in Swedish krona,8% in US dollars and 1% in other currencies. The following table presents the fair values of the foreign currency denominated financial assets.

Fair values of investments denominated in foreign currencies, in euros

EUR 1,000	SEK	USD	Muut valuutat	Yhteensä
2017	11,762	8,626	672	21,060
2016	15,502	9,344	858	25,704

e) Capital management

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

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

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

Furhermore, CapMan Plc has a EUR 10 million multi-issuer bond. During finance year 2017 CapMan has repaid a MUR 15 million hybrid bond which was withdrawed in 2013 and a EUR 15 million senior bond which was withdrawed in 2013.

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

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

EUR 1,000	2017	2016
Interest-bearing loans	48,215	66,065
Cash and cash equivalents	-23,291	-45,307
Net debt	24,924	20,758
Equity	126,694	142,979
Net gearing	19.7%	14.5%
Return on equity	11.5%	14.7%
Equity ratio	60.0%	56.6%

f) Price risk of the investments in funds

Investments in funds and growth companies

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

Financial assets held for trading

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

g) Determining fair values

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

EUR 1,000	Fair value	Level 1	Level 2	Level 3
Investments in funds	58,264	0	19	58,245
Growth equity investments	28,840	0	0	28,840
Joint ventures	4,917	0	0	4,917
Other non-current investments	142	0	124	18
Current financial assets at fair value through profit or loss	77,144	66,121	11,023	0

The different levels have been defined as follows:

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

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

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

Non-current investments at fair value through profit or loss

EUR 1,000	Level 1	Level 2	Level 3	Total
Investments in funds				
at Jan 1		41	51,353	51,394
Acquisitions			0	0
Additions			10,543	10,543
Disposals			-35	-35
Distributions		-22	-7,135	-7,157
Fair value gains/losses			3,422	3,422
Transfers			97	97
at the end of period		19	58,245	58,264
Growth equity investments				
at Jan 1			37,856	37,856
Additions			1,856	1,856
Disposals			-20,920	-20,920
Acquisitions			0	0
Fair value gains/losses			9,959	9,959
Transfers			89	89
at the end of period			28,840	28,840
Other investments				
at Jan 1		124	55	179
Additions			0	0
Disposals			-5	-5
Acquisitions			0	0
Fair value gains/losses			-32	-32
at the end of period		124	18	142
Investments in joint ventures				
at Jan 1			5,376	5,376
Additions			172	172
Disposals			-63	-63
Distributions			-210	-210
Fair value gains/losses			-358	-358
at the end of period			4,917	4,917

Fund investments in Level 2 are investments in the CapMan Public Market fund. All other fund investments are included in Level 3.

Investments in joint ventures reported in Level 3 include investments in Maneq Investments Luxembourg S.a.r.l. There were no transfers from one level to another during the review period.

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

EUR 1,000	Fair value	Level 1	Level 2	Level 3
Investments in funds	51,394		41	51,353
Growth equity investments	37,856			37,856
Joint ventures	5,376			5,376
Other non-current investments	179		124	55
Current financial assets at fair value through profit or loss	86,213	75,818	10,395	

The different levels have been defined as follows:

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

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

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

Non-current investments at fair value through profit or loss

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

Fund investments in Level 2 are investments in the CapMan Public Market fund. All other fund investments are included in Level 3.

Other investments reported under Level 3 included Norvestia's shares until acquiring control in Norvestia on December 19, 2016.

Investments in joint ventures reported in Level 3 include investments in Maneq Investments Luxembourg S.a.r.l.

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

Sensitivity analysis of Level 3 investments at 31 December 2017

Investment area	Fair value MEUR 31 Dec 2017	Valuation methodology	Unobservable inputs	Used input value (weighted average)	Fair value sensitivity to a +/- 10% change in input value
Growth investments	28.8	Peer group	Peer group earnings multiples	EV/Sales 2017 1.1x EV/EBITDA 2017 10.9x	+/- 2.1 MEUR
			Discount to peer group multiples	26%	-/+ 0.8 MEUR
Buyout	22.0	Peer group	Peer group earnings multiples	EV/EBITDA 2017 9.4x	+ 3.7 / - 3.8 MEUR
			Discount to peer group multiples	26%	+/- 1.4 MEUR
Real Estate	17.9	Valuation by an independent valuer			
Investments in external PE funds	8.8	Reports from PE fund management company			
Investments in joint ventures	4.9	Peer group	Peer group earnings multiples	EV/EBITDA 2017 9.5x	+/- 0.6 MEUR
			Discount to peer group multiples	29%	-/+ 0.3 MEUR
Russia	4.5	Peer group	Peer group earnings multiples	EV/EBITDA 2017 11.5x	+/- 0.4 MEUR
			Discount to peer group multiples	30%	+/- 0.1 MEUR
Credit	1.7	Discounted cash flows	Discount rate; market rate and risk premium	10%	- 0.1 MEUR / value increase based on a change in the discount rate is not booked
Funds of funds	0.5	Reports from PE fund management company			
Other investment areas	2.4	Peer group	Peer group earnings multiples	EV/EBITDA 2017 8.9x	+/- 0.1 MEUR
			Discount to peer group multiples	15%	-/+ 0.0 MEUR

Sensitivity analysis of Level 3 investments at 31 December 2016

Investment area	Fair value MEUR 31 Dec 2016	Valuation methodology	Unobservable inputs	Used input value (weighted average)	Fair value sensitivity to a +/- 10% change in input value
Norvestia growth investments	37.9	Discount rate	Discount rate	12%	-2.3 / +3.0 MEUR
		Peer group	Peer group earnings multiples	EV/Sales 2017 1.3x EV/EBITDA 2017 11.8x	+/- 1.4 MEUR
			Discount to peer group multiples	4%	-/+ 0.5 MEUR
Buyout	20.6	Peer group	Peer group earnings multiples	EV/EBITDA 2016 9.1x	+/- 3.2 MEUR
			Discount to peer group multiples	23%	+/- 1.1 MEUR
Real Estate	13.2	Valuation by an independent valuer			
Norvestia investments in PE funds	7.0	Reports from PE fund management company			
Investments in joint ventures	5.4	Discounted cash flows	Discount rate	0%	- 0.2 MEUR / value increase based on a change in the discount rate is not booked
Russia	4.4	Peer group	Peer group earnings multiples	EV/EBITDA 2016 13.0x	- 0.4 MEUR / + 0.3 MEUR
			Discount to peer group multiples	35%	- 0.2 MEUR / + 0.1 MEUR
Credit	2.5	Diskontatut kassavirrat	Discount rate; market rate and risk premium	11%	- 0.1 MEUR / value increase based on a change in the discount rate is not booked
Funds of funds	1.7	Reports from PE fund management company			
Other investment areas	2.0	Peer group	Peer group earnings multiples	EV/EBITDA 2016 9.0x	+/- 0.1 MEUR
			Discount to peer group multiples	20%	-/+ 0.0 MEUR

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

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

The valuations are based on euro. If portfolio company's reporting currency is other than euro, P&L items used in the basis of valuation are converted applying the average foreign exchange rate for corresponding year and the balance sheet items are converted applying the rate at the time of reporting. Changes in the foreign exchange rates, in CapMan's estimate, have no significant direct impact on the fair values calculated by peer group multiples during 2017.

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

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

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

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

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

Future rental cash inflows
Based on the actual location, type and quality of the properties and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties;

Discount rates
Reflecting current market assessments of the uncertainty in the amount and timing of cash flows;

Estimated vacancy rates
Based on current and expected future market conditions after expiry of any current lease;

Property operating expenses
Including necessary investments to maintain functionality of the property for its expected useful life;

Capitalisation rates
Based on actual location size and quality of the properties and taking into account market data at the valuation date;

Terminal value
Taking into account assumptions regarding maintenance costs , vacancy rates and market rents.

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

Parent Company Income Statement (FAS)

EUR	Liitetieto	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Turnover	1	**10,593,566.00**	**5,693,533.99**
Other operating income	2	12,222.65	338,733.00
Employee benefit expenses	3	-6,444,178.40	-5,952,993.48
Depreciation	4	-35,271.17	-69,002.29
Other operating expenses	5	-4,805,627.44	-8,643,283.72
Operating loss		**-679,288.36**	**-8,633,012.50**
Finance income and costs	6	-11,389,136.86	25,263,183.96
Profit before appropriations and taxes		**-12,068,425.22**	**16,630,171.46**
Appropriations	7	14,217,000.00	3,050,000.00
Income taxes		-699,636.63	0.00
Profit for the financial year		**1,448,938.15**	**19,680,171.46**

Parent Company Balance Sheet (FAS)

EUR	Liitetieto	31 Dec 2017	31 Dec 2016
ASSETS			
Non-current assets			
Intangible assets	8	203,650.27	18,499.49
Tangible assets	9	151,289.13	119,677.21
Investments	10		
Shares in subsidiaries		198,884,614.74	208,724,967.44
Investments in associated companies		1,108,700.60	1,171,603.83
Other investments		6,669,772.75	1,813,730.18
Investments total		206,663,088.09	211,710,301.45
Non-current assets total		**207,018,027.49**	**211,848,478.15**
Current assets			
Long-term receivables	11	7,298,885.22	9,253,516.36
Short-term receivables	12	23,289,315.86	11,425,037.62
Cash and bank		9,823,794.75	32,451,006.80
Current assets total		**40,411,995.83**	**53,129,560.78**
Total assets		**247,430,023.32**	**264,978,038.93**

EUR	Liitetieto	31 Dec 2017	31 Dec 2016
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	13		
Share capital		771,586.98	771,586.98
Share premium account		38,968,186.24	38,968,186.24
Invested unrestricted shareholders' equity		79,626,999.28	79,206,065.72
Retained earnings		30,797,652.15	24,164,245.37
Profit for the financial year		1,448,938.15	19,680,171.46
Total shareholders' equity		**151,613,362.80**	**162,790,255.77**
Liabilities			
Non-current liabilities	14	46,833,734.97	48,189,573.97
Current liabilities	15	48,982,925.55	53,998,209.19
Total liabilities		**95,816,660.52**	**102,187,783.16**
Total equity and liabilities		**247,430,023.32**	**264,978,038.93**

Parent Company Cash Flow Statement (FAS)

EUR	1 Jan–31 Dec 2017	1 Jan–31 Dec 2016
Cash flow from operations		
Profit before appropriations and taxes	-12,068,425	16,630,171
Finance income and costs	11,389,137	-25,263,184
Adjustments to cash flow statement	35,271	3,117,132
Change in net working capital		
Change in current non-interest-bearing receivables	-1,063,472	1,383,880
Change in current trade payables and other non-interest-bearing liabilities	-882,494	2,897,241
Interest paid	-3,857,498	-4,135,710
Interest received	356,233	1,093,576
Dividends received	5,008,125	29,900,578
Cash flow from operations	**-1,083,123**	**25,623,684**
Cash flow from investments		
Investments in tangible and intangible assets	-227,234	0
Investments in other placements	-7,583,882	444,734
Long-term loan receivables granted	-1,374,193	-2,013,548
Repayment of long-term loans	3,859,616	3,771,406
Cash flow from investments	**-5,325,692**	**2,202,592**
Cash flow from financing activities		
Paid share issue	420,934	0
Repayment of long-term loan receivables	0	1,917,000
Short-term loan receivables granted	30,750,000	-3,053,000
Repayment of short-term loans	-300,000	1,089,080
Withdrawal of loans from financial institutions	9,000,000	0
Repayment of loans from financial institutions	-42,000,000	-3,511,500
Dividends paid	-13,045,081	-6,040,333
Change in group liabilities	-3,994,250	-570,153
Group contributions received	2,950,000	0
Cash flow from financing activities	**-16,218,397**	**-10,168,906**
Change in cash and cash equivalents	**-22,627,212**	**17,657,370**
Cash and cash equivalents at beginning of year	32,451,007	14,793,637
Cash and cash equivalents at end of year	**9,823,795**	**32,451,007**

Notes to the Parent Company Financial Statements (FAS)

Basis of preparation for parent company financial statements

CapMan Plc's financial statements for 2017 have been prepared in accordance with the Finnish Accounting Act.

Foreign currency translation

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

Investments

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

Receivables

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

Non-current liabilities

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

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

Leases

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

Provisions

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

Pensions

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

Revenue recognition

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

Income taxes

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

1. Turnover by area

EUR	2017	2016
Finland	4,967,632	4,463,152
Foreign	5,625,934	1,230,382
Total	**10,593,566**	**5,693,534**

2. Other operating income

EUR	2017	2016
Other	12,223	338,733
Total	**12,223**	**338,733**

3. Personnel

EUR	2017	2016
Salaries and wages	5,654,460	4,782,079
Pension expenses	993,340	637,555
Other personnel expenses	-203,622	533,360
Total	**6,444,178**	**5,952,993**
Salaries and other remuneration of the CEO		
Heikki Westerlund (Until May 3 2017)	1,230,729	486,013
Joakim Frimodig (From 4 May 2017)	230,594	0
Board members	154,520	208,600
Average number of employees	34	39

Management remuneration is presented in the Group Financial Statements Table 32. Related party disclosures.

4. Depreciation

EUR	2017	2016
Depreciation by asset type:		
Intangible rights	0	2,053
Other long-term expenditure	33,019	59,628
Machinery and equipment	2,253	7,322
Total	**35,272**	**69,002**

5. Other operating expenses

EUR	2017	2016
Other personnel expenses	290,398	260,943
Office expenses	625,483	1,237,217
Travelling and entertainment	302,051	247,478
External services	3,441,537	2,120,589
Other operating expenses	146,159	4,777,057
Total	4,805,628	8,643,284
Audit fees		
PricewaterhouseCoopers Oy,		
Authorised Public Accountants		
Audit fees	63,478	72,800
Tax advices	11,256	12,230
Other fees and services	85,375	205,774
Fees under Auditing Act chapter 1, section 1, paragraph 2	0	4,625
Total	**160,109**	**295,429**

6. Finance income and costs

EUR	2017	2016
Dividend income		
Group companies	4,798,600	11,059,162
Associated companies	209,525	18,841,416
Total	**5,008,125**	**29,900,578**
Other interest and finance income		
Group companies	181,432	220,426
Others	239,400	835,550
Total	**420,832**	**1,055,976**
Interest and other finance costs		
Impairment of other shares and similar rights of ownership	-12,631,095	0
Group companies	-284,800	-3,208
Others	-3,902,199	-5,690,162
Total	**-16,818,094**	**-5,693,370**
Finance income and costs total	**-11,389,137**	**25,263,184**

7. Appropriations

EUR	2017	2016
Group contributions received	14,217,000	3,050,000

8. Intangible assets

EUR	2017	2016
Intangible rights		
Acquisition cost at 1 January	828,188	828,188
Acquisition cost at 31 December	828,188	828,188
Accumulated depreciation at 1 January	-828,188	-826,185
Depreciation for financial year	0	-2,003
Accumulated depreciation at 31 December	-828,188	-828,188
Book value on 31 December	0	0
Other long-term expenditure		
Acquisition cost at 1 January	2,360,280	2,360,280
Additions	218,169	
Acquisition cost at 31 December	2,578,449	2,360,280
Accumulated depreciation at 1 January	-2,341,781	-2,281,965
Depreciation for financial year	-33,019	-59,815
Accumulated depreciation at 31 December	-2,374,800	-2,341,780
Book value on 31 December	203,649	18,500
Intangible rights total	**203,649**	**18,500**

9. Tangible assets

EUR	2017	2016
Machinery and equipment		
Acquisition cost at 1 January	902,094	902,094
Additions	33,864	
Acquisition cost at 31 December	935,958	902,094
Accumulated depreciation at 1 January	-902,094	-894,910
Depreciation for financial year	-2,253	-7,184
Accumulated depreciation at 31 December	-904,347	-902,094
Book value on 31 December	31,611	0
Other tangible assets		
Acquisition cost at 1 January	119,677	119,677
Book value on 31 December	119,677	119,677
Tangible assets total	**151,288**	**119,677**

10. Investments

Shares in subsidiaries

EUR	2017	2016
Acquisition cost at 1 January	208,724,967	83,531,742
Additions *	2,759,647	125,205,759
Disposals	-12,600,000	-12,534
Acquisition cost at 31 December	198,884,614	208,724,967

Shares in associated companies

EUR	2017	2016
Acquisition cost at 1 January	1,171,604	46,091,704
Additions	0	1
Disposals	-62,903	-44,920,101
Acquisition cost at 31 December	1,108,701	1,171,604

Shares, other

EUR	2017	2016
Acquisition cost at 1 January	1,813,730	2,133,991
Additions	5,006,568	163,253
Disposals	-150,525	-483,513
Acquisition cost at 31 December	6,669,773	1,813,731
Investments total	**206,663,088**	**211,710,302**

The subsidiaries and the associated companies are presented in the Notes to the Consolidated Financial Statements, Table 32. Related party disclosures.

11. Long-term receivables

EUR	2017	2016
Receivables from Group companies		
Loan receivables	0	461,000
Receivables from associated companies		
Loan receivables	4,226,540	4,054,540
Other loan receivables	3,072,345	4,737,977
Long-term receivables total	**7,298,885**	**9,253,517**

12. Short-term receivables

EUR	2017	2016
Accounts receivable	1,137,291	536,024
Receivables from Group companies		
Accounts receivable	20,785	80,994
Loan receivables	6,064,999	6,590,000
Other receivables	14,857,544	3,523,925
Total	**20,943,328**	**10,194,919**
Receivables from associated companies		
Accrued income	71,544	30,162
Total	**71,544**	**30,162**
Loan receivables	7,451	7,451
Other receivables	806,558	68,944
Accrued income	323,143	587,537
Short-term receivables total	**23,289,315**	**11,425,038**

13. Shareholders' equity

EUR	2017	2016
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	79,206,066	8,810,891
Share issue	0	70,373,297
Share subscriptions with options	420,934	21,878
Invested unrestricted shareholders' equity at 31 December	79,627,000	79,206,066
Retained earnings at 1 January	43,844,417	30,204,578
Dividend payment	-13,046,765	-6,040,333
Retained earnings at 31 December	30,797,652	24,164,245
Profit for the financial year	1,448,938	19,680,171
Shareholders' equity, total	**151,613,363**	**162,790,256**

Calculation of distributable assets

EUR 1,000	2017	2016
Retained earnings	30,797,652	24,164,245
Profit for the financial year	1,448,938	19,680,171
Invested unrestricted shareholders' equity	79,627,000	79,206,066
Total	**111,873,590**	**123,050,482**

CapMan Plc´s share capital is divided as follows:

Number of shares	2017	2016
Series A share (10 votes/share)	0	0
Series B share (1 vote/share)	145,625,985	143,313,255

A-shares converted into B-shares

14. Non-current liabilities

EUR	2017	2016
Senior bond	29,737,500	29,587,500
Multi-issuer bond	9,989,100	9,989,100
Bank loans	5,488,500	8,488,500
Other liabilities	1,618,635	124,474
Non-current liabilities total	**46,833,735**	**48,189,574**

15. Current liabilities

EUR	2017	2016
Accounts payable	335,046	186,927
Liabilities to Group companies		
Pohjola Bank plc; Group account	2,310,554	6,304,804
Accounts payable	0	6,741
Other liabilities	30,450,000	1,566,010
Interest liability	284,800	0
Accrued expenses	173,204	1,750,199
Total	**33,218,558**	**9,627,754**
Hybrid bond	0	15,000,000
Senior bond	0	15,000,000
Bank loans	3,000,000	3,000,000
Other liabilities	8,489,634	8,347,911
Accrued expenses	3,939,687	2,835,617
Current liabilities total	**48,982,925**	**53,998,209**

16. Contingent liabilities

Leasing agreements

EUR	2017	2016
Operating lease commitments		
Within one year	57,282	53,410
After one but not more than five years	71,515	28,837
Total	**128,797**	**82,247**
Other hire purchase commitments		
Within one year	461,322	461,322
After one but not more than five years	1,845,288	1,845,288
After five years	501,767	922,644
Total	**2,808,377**	**3,229,254**

Securities and other contingent liabilities

EUR	2017	2016
Contingencies for own commitment		
Loan commitments to Maneq funds	3,903,056	4,075,056
Other contingent liabilities	32,119,965	32,559,362
Remaining commitments to funds		
Equity funds	724,777	578,459
Fund of funds	279,875	284,522
Total	**1,004,652**	**862,981**

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

Helsinki 31 of January, 2018

Andreas Tallberg
Chairman

Karri Kaitue

Nora Kerppola

Mammu Kaario

Ari Tolppanen

Joakim Frimodig
CEO

The Auditor’s Note

Our report has been issued today.

Helsinki 1 February, 2018

PricewaterhouseCoopers Oy
Audit firm

Lauri Kallaskari
Authorised Public Accountant

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of CapMan Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

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

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of CapMan Oyj (business identity code 0922445-7) for the year ended 31 December 2017. The financial statements comprise:

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

Basis for Opinion

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

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

Independence

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

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 8 to the Financial Statements.

Our Audit Approach

Overview

Materiality: We have applied an overall group materiality of € 1,9 million
Group scoping: The group audit scope included all significant legal entities in Finland, Sweden and Guernsey, covering the vast majority of revenues, assets and liabilities of the Group. The group audit scope covered also the direct fund investments made through the Luxembourg group entity.
Key audit matters: Valuation of buyout fund investments and growth investments

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

Materiality

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

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

Overall group materiality: € 1,9 million
How we determined it: 0,9% of total assets
Rationale for the materiality benchmark applied: We chose total assets as the benchmark because, in our view, in circumstances of volatile profits through fair value movement and carried interest income, it represents a stable and relevant metrics for the users of the financial statements and it is a generally accepted benchmark. We chose 0,9% which is within the range of acceptable quantitative materiality thresholds in auditing standards.

How we tailored our group audit scope

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

Using the above criteria we selected the most significant legal entities in Finland, Sweden and Guernsey and the fund investments in Luxembourg into our audit scope and at the same time ensured that we get sufficient coverage to our audit, in order to issue an audit opinion for the Group.

Key Audit Matters

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

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

Key audit matter in the audit of the group

Valuation of buyout fund investments and growth equity investments

Refer to accounting policies for the consolidated financial statements and note 19.

CapMan investments at fair value through profit and loss include investments in CapMan managed funds and growth investments.

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

The fair valuation model for buyout fund investments and growth equity investments (unlisted companies) includes complex key assumptions and variables and management judgment and is as such defined as a key audit matter. This matter is a significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014.

How our audit addressed the key audit matter

We assessed the appropriateness of management's valuation policies.

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

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

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

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

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

- We evaluated the process by which the future cash flow forecasts were compiled. We tested the key underlying assumptions for the cash flow forecasts and we assessed the implied growth rates beyond the forecasted period;
- We corroborated cash flow discount factor assumptions to underlying documentation and observable inputs, as appropriate;
- We verified the appropriateness of the peer groups used; and
- We agreed on a sample basis the peer group multiples used to available external market data.

We have no key audit matters to report with respect to our audit of the parent company financial statements. There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the parent company financial statements.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

Other Reporting Requirements

Appointment

PricewaterhouseCoopers Oy has been without interruption the auditor of CapMan Oyj for 17 years, since CapMan Oyj became a public interest entity on 2 April 2001.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

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

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

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 1 February 2018
PricewaterhouseCoopers Oy
Authorised Public Accountants

Lauri Kallaskari
Authorised Public Accountant (KHT)

Shares and shareholders

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

CAPMAN SHARES

CapMan's shares are quoted on the main list of Nasdaq Helsinki. All shares generate equal voting rights and rights to a dividend and other distribution to shareholders. CapMan had 145,625,985 shares outstanding as of 31 December 2017. CapMan's shares are included in the book-entry securities register and have no nominal value. CapMan's share capital as of 31 December 2017 was € 771,586.92.

OPTION PROGRAMMES

CapMan had two option programme to engage and commit personnel to the company in force as of the end of 2017: Option programme 2013 and Option programme 2016. More details on the programmes can be found in the Report of the Board of Directors and the Notes to the Financial Statements.

CAPMAN'S SHAREHOLDERS

CapMan had 16,237 shareholders as of the end of 2017.

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 9.4% of CapMan's shares as of the end of 2017. A breakdown by sector and size of holding can be found on the Notes to the Financial Statements.

DIVIDEND POLICY AND DIVIDEND PAYABLE FOR 2017

CapMan's objective is to pay at least 75% of its earnings per share in the form of a dividend. The Board of Directors will propose to the Annual General Meeting that a dividend of € 0.11 per share should be paid to shareholders.

IR CONTACTS

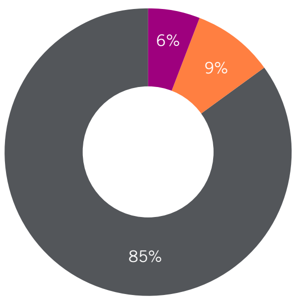
CapMan's IR contacts are the joint responsibility of the CEO, the CFO and the Communications and IR Manager. The company observes a two-week silent period prior to publication of its interim reports and financial statements, during which it does not comment on the company's financial performance or future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

READ MORE:

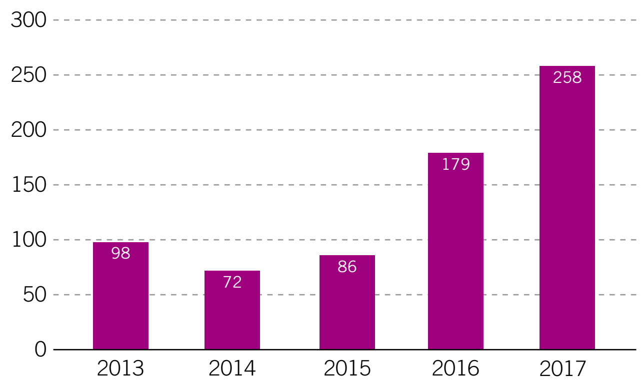
Share-related key figures

Information for shareholders

Holding and voting rights by shareholder class



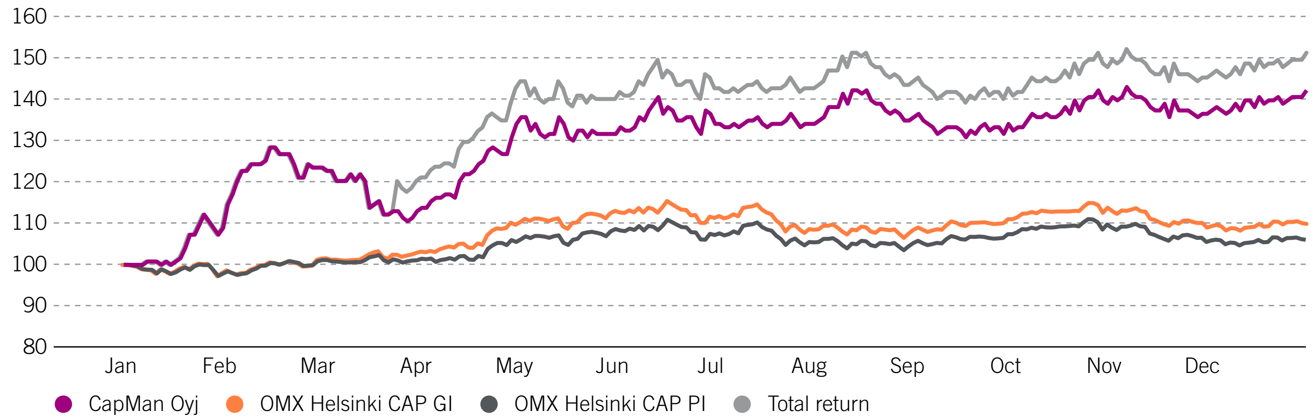
Market capitalisation, M€



Share price development and trading volume

	2017	2016
Share price €		
High	1,80	1,30
Low	1,24	0,91
Trade-weighted average share price	1,58	1,10
Closing price 31 December	1,77	1,25
Volume		
Shares (million)	49,7	33,5
Euros (million)	78,1	37,0

Share price and index development in 2017



Basic share and option information

CapMan share	
Market	Nasdaq Helsinki
Currency	€
Listing date	02-Apr-01
ISIN	FI0009009377
Symbol	CAPMAN
Reuters-symbol	CAPMAN.HE
Bloomberg-symbol	CAPMAN
List	Nordic Mid Caps
Industry	Finance
Number of shares	145,625,985
Votes/share	1/share

CapMan 2013 A option	
Stock options, number	1,410,000
Share subscription price	€ 0.66
Exercise period	1 May 2016 – 30 April 2018

CapMan 2013 B option	
Stock options, number	1,410,000
Share subscription price	€ 0.94
Exercise period	1 May 2017 – 30 April 2019

CapMan 2013 C option	
Stock options, number	1,410,000
Share subscription price	€ 0.96
Exercise period	1 May 2018 – 30 Apr 2020

CapMan 2016 A option	
Stock options, number	1,410,000
Share subscription price	€ 0.95
Exercise period	1 May 2019 – 30 Apr 2021

CapMan 2016 B option	
Stock options, number	1,410,000
Share subscription price	€ 1.76
Exercise period	1 May 2020 – 30 Apr 2022

CapMan 2016 C option	
Stock options, number	1,410,000
Share subscription price	The trade volume weighted average quotation of the share on NASDAQ OMX Helsinki Ltd. during 1 April – 31 May 2018 with an addition of 10 per cent.
Exercise period	1 May 2021 – 30 Apr 2023

Option programmes 2013 A, 2013 B, 2013 C, 2016 A, 2016 B, 2016 C each entitle holders to subscribe to 1,410,000 shares.
Terms and conditions and subscription windows for the option programmes can be found at www.capman.com.

Information for shareholders

Annual General Meeting 2018

CapMan Plc's Annual General Meeting 2018 will be held on Wednesday, 14 March 2018 at 10.00 am EET at Glo Hotel Art at the address Lönnrotinkatu 29, Helsinki. All shareholders registered with the company's list of shareholders maintained by Euroclear Finland Oy on Friday, 2 March 2018 are entitled to attend.

Shareholders wishing to attend the AGM should inform the company by 10.00 am EET on Friday 9 March 2018 at the latest. Registration can be made by sending a written notification to the company's address (CapMan Plc/AGM, Ludviginkatu 6, 00130 Helsinki) online at www.capman.com/investors/corporate-governance/general-meetings/, by email (agm@capman.com), or by phone (Katri Kautovaara, +358 (0)207 207 562). Registrations must reach the company by the date and time specified above. Any proxy for exercising voting rights must be delivered to CapMan at the aforementioned postal address before expiry of the registration period.

Dividend

The Board of Directors will propose to the AGM that a dividend of € 0.11 per share will be paid for the financial year 2017.

Capman Plc's Financial Reporting in 2018

CapMan Plc will publish three interim reports during 2018:

- **Interim Report for the period 1 January – 31 March 2018** on 26 April 2018
- **Half-Year Financial Report for the period 1 January – 30 June 2018** on 9 August 2018
- **Interim Report for the period 1 January – 30 September 2018** on 1 November 2018

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. The company's website also includes other IR material. Anyone interested in receiving CapMan releases by email can subscribe them in the News and materials section of the website.

Changes of Address

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

Analysts Following Capman Plc

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