

CAPMAN GROUP'S INTERIM REPORT 1 JANUARY – 31 MARCH 2015



CapMan

CAPMAN GROUP'S INTERIM REPORT FOR 1 JANUARY–31 MARCH 2015

Performance and main events for the review period:

- Group turnover totalled MEUR 7.3 (January–March 2014: MEUR 7.0).
- Operating profit was MEUR 0.9 (MEUR 1.7).
- Profit before and after taxes was MEUR 0.5 (MEUR 1.2).
- Earnings per share for the review period were 0.3 cents (1.1 cents).
- Interest bearing net debt decreased to MEUR 0.1 (MEUR 11.0).
- The CapMan Nordic Real Estate fund closed at MEUR 273.

CapMan maintains its outlook estimate for 2015:

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

Basis for outlook:

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

The fair value development of our own fund investments will have a substantial impact on our overall result in 2015. We expect disparity in the development of individual portfolio companies and real estate also during 2015 depending on their industry and geographical location. In addition, our portfolio companies and real estate are also influenced by various other factors, among others the general development of industries and local economies, inflation development, valuation multiples of peer companies, and exchange rates.

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

Heikki Westerlund, CEO:

“The CapMan Nordic Real Estate fund exceeded its original target size and we believe that the investment area will demonstrate significant growth potential in the future. The fund has been especially active in Denmark, where it has already completed five investments. Our service business has started to grow and will become a major business area together with management fees within the next two years.

The first quarter results reflect the fact that three months is a very short time frame in private equity. The overall development of our funds' portfolio companies and real estate was slightly positive.

We expect our full year cash flow to remain robust due to already announced exits. The cash position will strengthen our ability to make strategic moves. As such, we continue to evaluate options for growth either organically or by selective M&A.”

Business operations

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

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

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

Please see Appendix 3 for additional details about CapMan's business model.

Group turnover and result in January–March 2015

The Group's turnover grew by 5.2% from the corresponding period in 2014 and totalled MEUR 7.3 (2014: MEUR 7.0). The increase in turnover was due to higher carried interest income compared to the corresponding period last year. Operating expenses totalled MEUR 6.8 (MEUR 6.7). Expenses for the review period included approx. MEUR 0.5 of bonus provisions (MEUR 0.2) for the investment teams based on CapMan's short term compensation scheme.

The Group recorded an operating profit of MEUR 0.9 (MEUR 1.7).

Financial income and expenses amounted to MEUR -0.4 (MEUR -0.3). CapMan's share of the income of investments accounted for using the equity method was MEUR 0.0 (MEUR -0.2).

Profit before and after taxes was MEUR 0.5 (MEUR 1.2). Earnings per share were 0.3 cents (1.1 cents) after deducting the (net of tax) interest on the hybrid bond for the review period.

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

Management Company business

Turnover generated by the Management Company business during the first quarter of 2015 totalled MEUR 7.3 (MEUR 7.0). Fees totalled MEUR 6.8 (MEUR 7.0). The decline in fees was mainly a result of exits completed after the end of the review period. Fees recorded also include fees generated by CapMan's purchasing scheme (CaPS) and other services.

Carried interest income for the review period totalled MEUR 0.5 (MEUR 0.0) and was mainly due to recognised revenue received from the CapMan Equity VII A and Sweden funds following the exit from Symbio S.A.

The operating profit of the Management Company business improved and was MEUR 0.6 (MEUR 0.4) due to higher carried interest income compared to the corresponding period last year. The profit for the first quarter 2015 was MEUR 0.5 (MEUR 0.4). The status of the funds managed by CapMan is presented in more detail in Appendix 1.



Fund Investment business

Fair value changes of fund investments in the first three months of 2015 were MEUR 0.4 (MEUR 1.5) representing a 0.7% increase in value (2.2% increase in the corresponding period in 2014). The overall change in fair value was due to the slightly positive development in several portfolio companies. The aggregate fair value of fund investments as of 31 March 2015 was MEUR 56.1 (31 March 2014: MEUR 66.4).

Operating profit for the Fund Investment business was MEUR 0.3 (MEUR 1.3) and profit for the review period was MEUR 0.0 (MEUR 0.8). The Fund Investment business includes the results of Maneq companies remaining in CapMan's portfolio.

CapMan invested a total of MEUR 0.9 (MEUR 3.2) in its funds during the first quarter of 2015. The majority of the investments was allocated to the CapMan Buyout VIII, CapMan Russia II and various Real Estate funds. CapMan received distributions from funds totalling MEUR 0.3 (MEUR 2.2). The majority of the distributions came from the CapMan Buyout X fund. In the first quarter of 2015, CapMan made new commitments totalling MEUR 0.1 into the CapMan Nordic Real Estate fund.

The amount of remaining commitments that have not yet been called totalled MEUR 29.1 as of 31 March 2015 (31 March 2014: MEUR 30.6). CapMan estimates that only MEUR 15-20 of the remaining commitments will be called in the next 3-4 years, particularly due to unused investment capacity of the older funds. The aggregate fair value of existing investments and remaining commitments was MEUR 85.1 (MEUR 97.0). CapMan invests 1-5% of the original capital in the new funds that it manages, depending on fund size.

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

Investments at fair value and remaining investment capacity by investment area are presented in the Tables section of this report.

Balance sheet and financial position as of 31 March 2015

CapMan's balance sheet totalled MEUR 116.5 as of 31 March 2015 (31 March 2014: MEUR 116.8). Non-current assets amounted to MEUR 79.8 (MEUR 90.1), of which goodwill totalled MEUR 6.2 (MEUR 6.2).

Fund investments booked at fair value totalled MEUR 56.1 (MEUR 66.4). Long-term receivables amounted to MEUR 3.3 (MEUR 2.6). As of 31 March 2015, investments accounted for using the equity method were MEUR 9.1 at fair value (31 March 2014: MEUR 9.4).

Current assets amounted to MEUR 36.7 (MEUR 26.7). Liquid assets (cash in hand and at banks, plus other financial assets at fair value through profit and loss) amounted to MEUR 30.9 (MEUR 20.8). The increase in liquid assets was due to completed exits after the comparable period.

CapMan's interest-bearing net debt amounted to MEUR 0.1 (MEUR 11.0). The Group has a MEUR 10 share of a multi-issuer bond issued in 2014 outstanding. The Group's additional MEUR 30 in debt securities consist of a MEUR 15 senior bond and a MEUR 15 hybrid bond. The bonds were issued in December 2013. The senior bond has an annual coupon rate of 5.5% and it matures in December 2017. The annual coupon rate of the hybrid bond is 8.0%. The interest on the hybrid bond is deducted from equity as interest is paid, which is annually. The hybrid bond has no maturity, but CapMan has the right to redeem it four years after the issue date and the option to redeem it earlier, under certain terms and conditions, two years after the issue date.



As of 31 March 2015, CapMan Plc utilised MEUR 6 (MEUR 16.9) of bank financing, and had an additional unused long-term credit facility of MEUR 15.0 available. Trade and other payables totalled MEUR 22.9 (MEUR 19.2). 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 March 2015.

The Group's cash flow from operations totalled MEUR 3.7 for the first three months of 2015 (MEUR 3.7). Income from fund management fees is paid semi-annually, in January and July, and is shown under working capital in the cash flow statement. Cash flow from investments totalled MEUR -0.6 (MEUR -1.1) and includes, *inter alia*, fund investments and repaid capital received by the Group. Cash flow before financing totalled MEUR 3.1 (MEUR 2.6), while cash flow from financing was MEUR -1.2 (MEUR 0.9).

Key figures 31 March 2015

CapMan's equity ratio was 54.3% as of 31 March 2015 (31 March 2014: 56.8%), its return on equity 3.1% (7.3%), and its return on investment 4.2% (6.9%). The target levels for the company's equity ratio and return on equity are 45–60% and over 20%, respectively.

	31.3.15	31.3.14
Earnings per share, cents	0.3	1.1
Diluted, cents	0.3	1.1
Shareholders' equity / share, cents *	69.9	74.1
Share issue adjusted number of shares	86,290,467	85,777,244
Number of shares at the end of period	86,316,766	86,316,766
Number of shares outstanding	86,290,467	86,290,467
Company's possession of its own shares, end of period	26 299	26 299
Return on equity, %	3.1	7.3
Return on investment,%	4.2	6.9
Equity ratio,%	54.3	56.8
Net gearing,%	0.2	17.3

*In line with IFRS standards, the MEUR 15 (31 March 2014 and 31 December 2014: 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 review period has been deducted when calculating earnings per share.

Fundraising during the review period and capital under management as of 31 March 2015

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

The CapMan Nordic Real Estate fund held its final closing at MEUR 273. CapMan takes advantage of its geographically extended network and aims to gain new fund commitments from investor groups that have not previously invested in private equity funds. The low interest rate environment has increased investors interest in private equity investments.

CapMan's collaboration with Elite Asset Management initiated in 2014 provides an opportunity for a wider customer base to invest in private equity. In December 2014, Elite Asset Management introduced CapMan

CapMan

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

CapMan has started offering fundraising advisory services as part of its service business to several external clients. CapMan believes the fundraising advisory services have significant growth potential. The services are expected to increase CapMan's fee income in the long-term.

Capital under management was MEUR 2,960.0 as of 31 March 2015 (31 March 2014: MEUR 3,084.6). The amount decreased slightly due to completed exits following the end of the comparable period. Of the total capital under management, MEUR 1,470.6 (MEUR 1,572.2) was held in funds making investments in portfolio companies and MEUR 1,489.4 (MEUR 1,512.4) in real estate funds.

Funds under management, together with their investment activities, are presented in more detail in Appendices 1 and 2.

Decisions taken by the AGM

The Annual General Meeting (AGM) of CapMan Plc was held in Helsinki on 18 March 2015. The AGM approved the annual accounts for the 2014 financial year and discharged the company's Board of Directors and Chief Executive Officers from liability. The AGM approved all the proposals presented by the Board of Directors to the AGM. The AGM decided, in accordance with the proposal of the Board of Directors, that a dividend of EUR 0.06 per share should be paid to shareholders, and this was paid to shareholders on 1 April 2015.

The AGM elected five members to the Board of Directors for a term of office expiring at the end of the next AGM. Koen Dejonckheere, Karri Kaitue, Nora Kerppola, Claes de Neergaard, and Ari Tolppanen were re-elected to the Board.

PricewaterhouseCoopers Oy, authorized public accountants, was re-elected as the company's auditor, with Mikko Nieminen as responsible auditor.

More details on the decisions taken at the AGM can be found in the stock exchange release issued on 18 March 2015.

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 B shares. The number of B shares concerned shall not exceed 8,000,000, and the authorisation shall remain in force until the end of the following AGM and 30 June 2016 at the latest. The AGM also authorised the Board to decide on the issuance of shares and other special rights entitling to shares. The number of shares to be issued shall not exceed 15,000,000 B shares and the authorization shall remain in force until the end of the following AGM and 30 June 2016 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 18 March 2015.



Organisation of the Board of Directors

At its organising meeting held on 18 March 2015, the Board of Directors elected Karri Kaitue as Chairman and Nora Kerppola as Vice Chairman. The Board established an Audit Committee comprising Nora Kerppola (Chairman) and Karri Kaitue, a Remuneration Committee comprising Karri Kaitue (Chairman), Koen Dejonckheere, and Claes de Neergaard, and a Nomination Committee comprising Karri Kaitue (Chairman), Koen Dejonckheere, and Ari Tolppanen.

Personnel

CapMan employed a total of 105 people as of 31 March 2015 (31 March 2014: 106), of whom 68 (66) worked in Finland and the remainder in the other Nordic countries, Russia, Luxembourg and the United Kingdom. A breakdown of personnel by country is presented in the Tables section of this report.

Shares and share capital

There were no changes in CapMan Plc's share capital during the first quarter of 2015. Share capital totalled EUR 771,586.98 as of 31 March 2015. The number of B shares was 80,566,766 and that of A shares 5,750,000 as of 31 March 2015.

B shares entitle holders to one vote per share and A shares to 10 votes per share.

Shareholders

The number of CapMan Plc shareholders decreased by 2.7% from the comparable period and totalled 6,884 as of 31 March 2015 (31 March 2014: 7,073).

Company shares

As of 31 March 2015, CapMan Plc held a total of 26,299 CapMan Plc B shares, representing 0.03% of both classes of shares and 0.02% of voting rights. The market value of own shares held by CapMan was EUR 25,247 as of 31 March 2015 (31 March 2014: EUR 27,614). No changes occurred in the number of own shares held by CapMan Plc during the review period.

Compensation schemes

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

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

The long-term scheme consists of carried interest payable to investment teams and stock option programmes for CapMan's Executive Management Group. The carried interest payable to investment teams is based on the success of investments made in the corresponding funds. This arrangement is in line with international industry practice. At the end of the reporting period, CapMan Plc had one stock option programme – Option Programme 2013 – in place



as part of its incentive and commitment arrangements for key personnel. The Board of Directors decides annually on the distribution of stock options to the key personnel employed or recruited by the Group.

The maximum number of stock options issued under Option Programme 2013 will be 4,230,000, which will carry an entitlement to subscribe to a maximum of 4,230,000 new B shares. The programme is divided into A, B, and C series, each of which covers a maximum of 1,410,000 option entitlements. The share subscription price of the 2013A options is EUR 0.88 (the trade volume-weighted average quotation of the share during 1 April–31 May 2013 with an addition of 10%), that of the 2013B options is EUR 1.16 (the trade volume-weighted average quotation of the share during 1 April–31 May 2014 with an addition of 10%), and that of the 2013C options the trade volume-weighted average quotation of the share during 1 April–31 May 2015 with an addition of 10%. The subscription period for 2013A options will begin on 1 May 2016, that for 2013B options on 1 May 2017, and that for 2013C options on 1 May 2018. Receivables from shares subscribed to under these options will be entered in the company's unrestricted shareholders' equity. A total of 1,175,000 stock option entitlements under the Option Programme 2013A and a total of 1,141,667 stock option entitlements under the Option Programme 2013B had been allocated by 31 March 2015.

The terms of the option programmes can be found on CapMan's website.

Trading and market capitalisation

CapMan Plc's B shares closed at EUR 0.96 on 31 March 2015 (31 March 2014: EUR 1.05). The trade-weighted average price during the review period was EUR 0.99 (EUR 1.11). The highest price paid was EUR 1.09 (EUR 1.23) and the lowest EUR 0.83 (EUR 0.90). The number of CapMan Plc B shares traded totalled 5.1 million (8.0 million), valued at MEUR 5.0 (MEUR 8.9).

The market capitalisation of CapMan Plc B shares as of 31 March 2015 was MEUR 77.3 (31 March 2014: MEUR 84.6). The market capitalisation of all company shares, including A shares valued at the closing price of B shares, was MEUR 82.9 (MEUR 90.6).

Other events in January–March 2015

In January, funds managed by CapMan agreed to sell their ownership in Cederroth Intressenter AB. The transaction contributes some MEUR 8 to CapMan Group's 2015 cash flow at the closing of the transaction. The closing is subject to the approval of the relevant competition authorities and it is expected to be completed no later than within the third quarter of 2015.

In January, funds managed by CapMan announced the sale of their holding in Symbio S.A., a provider of outsourced product development services. The transaction has a positive impact on CapMan Group's result for 2015 through approx. MEUR 1 of carried interest income from the exiting funds. The transaction contributes some EUR 1.2 million to CapMan Group's 2015 cash flow. Part of the carried interest was recognised in the first quarter of 2015 and part is expected to materialise by the end of June.

In March, CapMan updated its financial objectives. CapMan's target for return on equity is over 20% p.a. (previously over 20% p.a.) and the target for equity ratio is 45–60% (previously at least 60%). According to CapMan's new dividend policy, the dividend pay-out ratio is at least 60% of the earnings per share (previously at least 50% of net profit).



Events after the review period

There were no significant events after the review period.

Significant risks and short-term uncertainties

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

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

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

The CapMan Real Estate I fund transferred into carry in 2007. Of the MEUR 27.4 carried interest paid in 2007, some MEUR 6.4 was not entered in CapMan's profit in 2007 but instead left in reserve in case that some of the carried interest would have to be returned to investors in future. CapMan's share of the entered carried interest was approx. MEUR 13.5 and the share of minority owners was approx. MEUR 7.5. However, in light of the current market situation, it is considered unlikely that any further carried interest would be paid from the CapMan Real Estate I fund. Based on the fund's revised outlook, MEUR 1.2 of the reserved MEUR 6.4 was recognised as revenue in the end of 2014. The MEUR 1.2 did not include the minority owners' share. The remaining accrual of MEUR 5.2 in CapMan's balance sheet, including the minority owners' share, is estimated to be adequate to cover the possible return of carried interest.

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

The EU's Basel III and Solvency II regulatory initiatives limit the ability of European banks and insurance companies to invest in private equity funds, and could therefore impact CapMan's fundraising activity.

Business environment

Compared to the general sluggish GDP growth and high unemployment in the Eurozone, many Nordic countries are faring reasonably well¹. The Nordic market remains one of the strongest private equity markets in Europe, due to its favourable macro environment, open markets, access to financing and strong operational expertise in the private equity industry.²

In the first quarter of 2015, the total value of real estate transactions amounted to MEUR 460 in Finland. The first quarter volume was MEUR 200 less than the comparable period last year, but still MEUR 80 higher than the volume recorded in the first quarter in 2013.³ In Sweden the transaction volume decreased from SEK 25.0 billion in the first quarter of 2014 to SEK 21.5 billion in the first quarter of 2015. However, the 2015 volume is still some 7% higher

¹ European Commission European Economic Forecast, Winter 2015

² UnQuote Analysis: Nordic Survey 2014, 1 July 2014 and Nordic UnQuote, 17 July 2014

³ KTI Transaction Information Service, April 2015



than the average first quarter volume recorded between 2006 and 2014.⁴ Investors in Finland continued to focus primarily on prime assets with stable rents, and the yield gap between prime and secondary assets remains high. In Sweden interest towards better secondary properties continued to increase during the first quarter of 2015, pushing yields further down. In the occupancy market prime rents remained stable over the first quarter both in Finland and Sweden. In secondary locations both rents and occupancy rates increased in Sweden while the situation remained unchanged in Finland.⁵

The aggregate value of European buyout deals in the first quarter of 2015 fell slightly from the corresponding quarter last year.⁶ As a result, a significant amount of capital was returned to fund investors, enabling them to re-allocate this capital to new private equity funds. Stock markets have continued to rally in the first months of 2015 as cheap credit is widely available. The available capital has boosted asset prices, which in turn dampens M&A activity as reasonably priced targets are harder to find.⁷

Stock market valuations and in some cases negative interest rates drive investors to look for alternative investments. Investor sentiment towards private equity remains very positive, and almost 80% of investors surveyed by Preqin are looking to either maintain or increase their exposure to private equity within the next 12 months. More than half of investors surveyed are looking to invest in funds focusing on small to mid-market buyouts. Similarly more than half of institutional investors perceive Europe as the geographic region offering the best opportunities for investment.⁸ The fundraising market showed signs of cooling in the first quarter of the year as the number of funds in the market has decreased. The number of European private equity funds closed and the aggregate amount of capital raised fell below the corresponding quarter last year. The fundraising market remains polarised. The largest and the most experienced managers received the majority of investors' commitments, while smaller funds had more difficulties to raise capital⁹.

There is a growing demand for alternative debt financing in Europe, as European SMEs in particular have a limited access to bank financing due to new regulations and increased liquidity requirements for banks. Use of alternative financing in European buyouts has increased significantly and the role of non-bank lenders in supporting businesses has become more important.¹⁰ Both private debt fund managers and institutional investor communities are optimistic towards the development of the European private debt market. According to a survey by Preqin, 57% of investors expect to increase their allocation to private debt within the next 12 months.¹¹

The growth forecast for the Russian economy remains negative and the outlook for the rouble unstable. Confidence among Russian consumers fell to its lowest level since 2009.¹² Although a weakening rouble may have a further negative impact on the fair value development of CapMan's Russian investments in euros, the economic situation has not yet had a material impact on CapMan Russia's portfolio companies and the team is actively exploring attractive investment opportunities by taking advantage of the decreased competition in the market, among others. Non-strategic sectors serving Russia's expanding middle class such as IT, B2B services, and healthcare that are the investment focus of CapMan Russia are still expected to continue their growth.

⁴ CBRE (Nordic Investment MarketView, Q1 2015)

⁵ Pangea Property Partners (The Nordic property market Monthly update – April 2015)

⁶ Preqin Private Equity-Backed Buyout Deals and Exits April 2015

⁷ Preqin Quarterly Private Equity Update Q1 2015

⁸ Preqin Investor Outlook: Alternative Assets, H1 2015

⁹ Preqin Private Equity Fundraising April 2015

¹⁰ Preqin Private Debt 2015, November 2014

¹¹ Preqin Private Debt Quarterly, April 2015

¹² Focus Economics April 2015

CapMan

CapMan maintains its outlook estimate for 2015:

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

Basis for outlook:

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

The fair value development of our own fund investments will have a substantial impact on our overall result in 2015. We expect disparity in the development of individual portfolio companies and real estate also during 2015 depending on their industry and geographical location. In addition, our portfolio companies and real estate are also influenced by various other factors, among others the general development of industries and local economies, inflation development, valuation multiples of peer companies, and exchange rates.

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

The logo for CapMan, featuring the word "CapMan" in a stylized, serif font. The "C" is large and prominent, and the "a" is lowercase and smaller than the other letters.

The CapMan Group will publish its Interim Report for 1 January – 30 June 2015 on Thursday, 6 August 2015.

Helsinki, 7 May 2015

CAPMAN PLC
Board of Directors

Further information:

Niko Haavisto, CFO, tel. +358 50 465 4125

Distribution:

NASDAQ OMX Helsinki
Principal media
www.capman.com

Appendices (after the Tables section):

Appendix 1: The CapMan Group's funds under management as of 31 March 2015, MEUR

Appendix 2: Operations of CapMan's funds under management January–March 2015

Appendix 3: Description of CapMan's business operations

CapMan

Accounting principles

The Interim Report has been prepared in accordance with the International Financial Reporting Standards (IFRS). The information presented in the Interim Report is un-audited.

GROUP STATEMENT OF COMPREHENSIVE INCOME (IFRS)

€ ('000)	1-3/15	1-3/14	1-12/14
Turnover	7,336	6,975	39,475
Other operating income	28	25	226
Personnel expenses	-3,977	-3,889	-17,804
Depreciation and amortisation	-80	-101	-394
Other operating expenses	-2,776	-2,740	-11,975
Fair value changes of investments	381	1,468	-3,127
Operating profit	912	1,738	6,401
Financial income and expenses	-423	-349	-1,412
Share of the income of investments accounted for using the equity method	15	-171	-44
Profit before taxes	504	1,218	4,945
Income taxes	-19	-54	-980
Profit for the period	485	1,164	3,965
Other comprehensive income:			
Translation differences	-59	6	11
Total comprehensive income	426	1,170	3,976
Profit attributable to:			
Equity holders of the company	485	1,164	3,965
Total comprehensive income attributable to:			
Equity holders of the company	426	1,170	3,976
Earnings per share for profit attributable to the equity holders of the Company:			
Earnings per share, cents	0.3	1.1	3.4
Diluted, cents	0.3	1.1	3.4

Accrued interest payable on the hybrid bond has been taken into consideration for the review period when calculating earnings per share.

CapMan

GROUP BALANCE SHEET (IFRS)

€ ('000)	31.3.15	31.3.14	31.12.14
ASSETS			
Non-current assets			
Tangible assets	227	272	236
Goodwill	6,204	6,204	6,204
Other intangible assets	687	981	756
investments accounted for using the equity method	9,071	9,412	9,056
Investments at fair value through profit and loss			
Investments in funds	56,073	66,416	55,258
Other financial assets	121	113	121
Receivables	3,325	2,554	3,250
Deferred income tax assets	4,097	4,111	4,097
	79,805	90,063	78,978
Current assets			
Trade and other receivables	5,847	5,891	5,959
Other financial assets at fair value through profit and loss	314	319	319
Cash and bank	30,549	20,519	28,650
	36,710	26,729	34,928
Total assets	116,515	116,792	113,906

CapMan

€ ('000)	31.3.15	31.3.14	31.12.14
EQUITY AND LIABILITIES			
Capital attributable the Company's equity holders			
Share capital	772	772	772
Share premium account	38,968	38,968	38,968
Other reserves	27,175	27,041	27,175
Translation difference	78	132	137
Retained earnings	-6,661	-3,358	-1,485
Total equity	60,332	63,555	65,567
Non-current liabilities			
Deferred income tax liabilities	1,953	1,817	1,976
Interest-bearing loans and borrowings	25,998	27,854	27,247
Post-employment benefits	0	299	0
	27,951	29,970	29,223
Current liabilities			
Trade and other payables	22,907	19,232	13,734
Interest-bearing loans and borrowings	5,000	4,000	5,000
Current income tax liabilities	325	35	382
	28,232	23,267	19,116
Total liabilities	56,183	53,237	48,339
Total equity and liabilities	116,515	116,792	113,906

CapMan

GROUP STATEMENT OF CHANGES IN EQUITY

€ ('000)	Attributable to the equity holders of the Company					
	Share capital	Share premium account	Other reserves	Translation differences	Retained earnings	Total
Equity on 1 January 2014	772	38,968	26,107	126	-1,112	64,861
Profit for the period					1,164	1,164
Other comprehensive income for the period						
Currency translation differences				6		6
Total comprehensive income for the period				6	1,164	1,170
Share issue			934			934
Options					42	42
Dividends					-3,452	-3,452
Equity on 31 March 2014	772	38,968	27,041	132	-3,358	63,555
Equity on 1 January 2015	772	38,968	27,175	137	-1,485	65,567
Profit for the period					485	485
Other comprehensive income for the period						
Currency translation differences				-59		-59
Total comprehensive income for the period				-59	485	426
Options					55	55
Dividends					-5,177	-5,177
Other changes					-539	-539
Equity on 31 March 2015	772	38,968	27,175	78	-6,661	60,332

CapMan

STATEMENT OF CASH FLOW (IFRS)

€ ('000)	1-3/15	1-3/14	1-12/14
Cash flow from operations			
Profit for the review period	485	1,164	3,965
Adjustments	367	-634	9,439
Cash flow before change in working capital	852	530	13,404
Change in working capital	3,207	3,500	1,729
Financing items and taxes	-355	-331	-3,451
Cash flow from operations	3,704	3,699	11,682
Cash flow from investments	-556	-1,118	2,089
Cash flow before financing	3,148	2,581	13,771
Dividends paid	0	0	-3,452
Other net cash flow	-1,249	934	1,327
Financial cash flow	-1,249	934	-2,125
Change in cash funds	1,899	3,515	11,646
Cash funds at start of the period	28,650	17,004	17,004
Cash funds at end of the period	30,549	20,519	28,650

CapMan

SEGMENT INFORMATION

The Group reports two segments: Management company business and Fund investments

1-3/2015	Management Company business			Fund Investment business	Total
	CapMan		Total		
	Private Equity	CapMan Real Estate			
€ ('000)					
Turnover	5,125	2,211	7,336	0	7,336
Operating profit	316	263	579	333	912
Profit/loss for the period	266	221	487	-2	485
Assets	6,493	746	7,239	72,566	79,805
Total assets include:					
Investments accounted for using the equity method	0	0	0	9,071	9,071

1-3/2014	Management Company business			Fund Investment business	Total
	CapMan		Total		
	Private Equity	CapMan Real Estate			
€ ('000)					
Turnover	4,805	2,170	6,975	0	6,975
Operating profit/loss	-48	469	421	1,317	1,738
Profit/loss for the period	-48	416	368	796	1,164
Assets	7,256	314	7,570	82,493	90,063
Total assets include:					
Investments accounted for using the equity method	0	0	0	9,412	9,412

CapMan

1-12/2014	Management Company business			Fund Investment business	Total
	CapMan Private Equity	CapMan Real Estate	Total		
€ ('000)					
Turnover	28,104	11,371	39,475	0	39,475
Operating profit/loss	7,230	3,209	10,439	-4,038	6,401
Profit/loss for the financial year	5,792	2,569	8,361	-4,396	3,965
Assets	6,551	766	7,317	71,661	78,978
Total assets include: Investments accounted for using the equity method	0	0	0	9,056	9,056

Income taxes

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

Dividends

A dividend of EUR 0.06 per share, totalling MEUR 5.2 million in all, was paid for 2014. The dividend was paid to shareholders on 1 April 2015. A dividend of EUR 0.04 per share, totalling MEUR 3.5 million in all, was paid for 2013.

CapMan

NON-CURRENT ASSETS

€ ('000)	31.3.15	31.12.14
Investments in funds at fair value through profit and loss at Jan 1	55,258	64,122
Additions	900	9,689
Distributions	-301	-12,149
Fair value gains/losses on investments	216	-6,404
Investments in funds at fair value through profit and loss at end of the period	56,073	55,258
Investments in funds at fair value through profit and loss at the end of period	31.3.15	31.12.14
Buyout	29,538	30,584
Credit	2,386	2,344
Russia	4,259	3,955
Real Estate	8,120	8,000
Other	10,206	8,315
Fund of funds	1,564	2,060
In total	56,073	55,258

CapMan

THE GROUP'S ASSETS MEASURED AT FAIR VALUE AT 31 MARCH 2015

The different levels have been defined as follows:

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

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

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

	Level 1	Level 2	Level 3	Total
Investments at fair value through profit and loss				
Investments in funds				
at Jan 1		2,993	52,265	55,258
Additions		18	882	900
Distributions		0	-301	-301
Fair value gains/losses on investments		24	192	216
at the end of period		3,035	53,038	56,073

Fund investments in Level 2 are investments in the CapMan Public Market fund. All other fund investments are in Level 3. There were no transfers from one level to another during the review period.

The group's assets measured at fair value at 31.12.2014

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

Fund investments in Level 2 are investments in CapMan Public Market fund. All other fund investments are in Level 3. There were no transfers from one level to another during the review period.

CapMan

Level 3 sensitivity analysis

Investment area	Fair value MEUR 31.3.2015	Valuation methodology	Unobservable inputs	Used input value (weighted average)	Fair value sensitivity (MEUR) to a +/- 10% change in input value
Buyout	29.5	Peer group	Peer group earnings multiples	EV/EBITDA 2015 7.7x	+3.5 / - 3.6
			Discount to peer group multiples	24%	-0.6 / +0.8
		Discounted cash flows	Discount rate; WACC	11%	-0.6 / + 0.8
Russia	4.3	Peer group	Peer group earnings multiples	EV/EBITDA 2015 11.3x	+/- 0.4
			Discount to peer group multiples	34%	-/+ 0.2
Real Estate	8.1	Valuation by an independent valuer, using discounted cash flows methodology	Discount rate for cash flows	8%	NA*
			Discount rate for terminal value	8%	
Credit	2.4	Discounted cash flows	Discount rate; market rate and risk premium	13%	- 0.1 / value increase based on a change in the discount rate is not booked
Other investment areas	6.1	Peer group	Peer group earnings multiples	EV/EBITDA 2015 11.0x	+/- 0.6
			Discount to peer group multiples	29%	-/+ 0.3

CapMan

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

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

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

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

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

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

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

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

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



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.

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

NON-CURRENT LIABILITIES

€ ('000)	31.3.15	31.12.14
Interest bearing loans at end of the review period	25,998	27,247

Seasonal nature of business

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

PERSONNEL

By country	31.3.15	31.12.14
Finland	68	68
Sweden	23	23
Norway	0	1
Russia	10	10
Luxembourg	1	1
United Kingdom	3	3
In total	105	106

CapMan

CONTINGENT LIABILITIES

€ ('000)	31.3.15	31.12.14
Leasing agreements	3,245	3,523
Securities and other contingent liabilities	60,002	60,002
Remaining commitments to funds	29,076	30,250
Remaining commitments by investment area		
Buyout	14,164	14,632
Credit	3,691	3,716
Russia	2,194	2,288
Real Estate	3,525	3,723
Other	4,731	4,725
Fund of funds	771	1,166
In total	29,076	30,250

COMMITMENTS TO RELATED PARTIES

€ ('000)	31.3.15	31.12.14
Commitments to Maneq funds	4,090	4,090

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

CapMan

TURNOVER AND PROFIT QUARTERLY

2015

MEUR	1-3/15
Turnover	7.3
Fees	6.8
Carried interest	0.5
Other operating income	0.0
Operating expenses	-6.8
Fair value changes of investments	0.4
Operating profit / loss	0.9
Financial income and expenses	-0.4
Share of the income of investments accounted for using the equity method	0.0
Profit / loss before taxes	0.5
Profit / loss for the period	0.5

2014

MEUR	1-3/14	4-6/14	7-9/14	10-12/14	1-12/14
Turnover	7.0	8.0	8.1	16.4	39.5
Fees	7.0	6.6	7.9	7.2	28.7
Carried interest	0.0	1.4	0.2	9.2	10.8
Other operating income	0.0	0.1	0.1	0.0	0.2
Operating expenses	-6.7	-6.8	-6.5	-10.2	-30.2
Fair value changes of investments	1.5	-0.4	-2.2	-2.0	-3.1
Operating profit / loss	1.7	1.0	-0.5	4.2	6.4
Financial income and expenses	-0.3	-0.5	-0.3	-0.3	-1.4
Share of the income of investments accounted for using the equity method	-0.2	0.4	-0.2	0.0	0.0
Profit / loss before taxes	1.2	0.9	-1.0	3.8	4.9
Profit / loss for the period	1.2	0.7	-1.2	3.3	4.0

CapMan

APPENDIX 1: THE CAPMAN GROUP'S FUNDS UNDER MANAGEMENT AS OF 31 MARCH 2015, MEUR

The tables below show the status of the funds managed by CapMan as of 31 March 2015. CapMan groups its funds into four categories in terms of their life cycle as follows: 1) Funds generating carried interest; 2) Funds in the exit and value creation phase; 3) Funds in the active investment phase; and 4) Funds with no carried interest potential for CapMan.

Exits made by funds generating carried interest provide CapMan with immediate carry income, while those in the exit and value creation phase can be expected to start generating carried interest within the next 1-5 years. The carry potential of funds in the active investment phase is likely to be realised over the next 5-10 years. The final category comprises funds that do not offer any carried interest potential for CapMan, either because CapMan's share of carry in the funds concerned is small or because the funds are not expected to transfer to carry.

When analysing the projected timetable within which a fund could transfer to carry, the cumulative cash flow that investors have already received should be compared to the fund's paid-in capital. In order for a fund to enter carry, it must first return its paid-in capital and pay an annual preferential return to investors. In the case of funds in the exit or value creation phase, the table shows the cash flow that must be returned to investors to enable a fund to transfer to carry. The carry potential of each fund can be evaluated by comparing this figure to the fair value of the fund's portfolio. A portfolio's fair value, including its possible net cash flows, provides an indication of the distributable capital available as of the end of the reporting period. Any uncalled capital in a fund (particularly relevant for funds in the active investment phase) should be taken into account when evaluating the cash flow that will be needed to enable a fund to transfer to carry.

The percentage shown in the last column indicates the share of each fund's cash flow due to CapMan as and when the fund transfers to carry. Following a previous distribution of carried interest, any new paid-in capital, together with the annual preferential return payable on it, must be returned to investors before any further distribution of carried interest can take place.

Definitions of the column headings are shown below the table.

CapMan

FUNDS INVESTING IN PORTFOLIO COMPANIES

	Size	Paid-in capital	Fund's current portfolio		Net cash assets	Distributed cash flow		Amount of cash flow needed to transfer the fund to carry as of 31.3.2015	CapMan's share of cash flow if the fund generates carried interest (investment team share deducted)
			At cost	At fair value		To investors	To mgmt-company		
Funds generating carried interest									
Fenno Program ¹⁾ , FV V, FM IIIB, CME VII B ⁶⁾ , FM III A, CME VII A ⁶⁾ , CME Sweden ⁶⁾									
Total	622.6	617.3	45.0	23.6	12.2	958.7	30.4		10-20%
Funds in exit and value creation phase									
CMB VIII ^{2) 6)}	440.0	401.7	160.3	172.4	0.7	292.5		322.2	12 %
CMPM	138.0	134.4	60.9	85.0	0.3	151.5		69.6	10 %
CMR	118.1	111.8	66.5	82.7	0.8	22.0		131.0	3.4 %
CMB IX	294.6	282.3	208.8	220.9	1.6	44.8		327.5	10 %
Total	990.7	930.2	496.5	561.0	3.4	510.8			
Funds in active investment phase									
CMM V	95.0	61.2	39.8	45.5	0.8	29.5			10 %
CMB X ²⁾	244.5	165.4	136.8	147.9	7.0	8.2			8 %
CMR II	99.1	21.7	15.5	13.9	1.0	0.6			8 %
Total	438.6	248.3	192.1	207.3	8.8	38.3			
Fund with no carried interest potential for CapMan									
SWE LS ³⁾ , SWE Tech ^{2), 3)} , CME VII C ⁶⁾ , FM III C, CMM IV ⁴⁾ , CMLS IV, CMT 2007 ²⁾									
Total	552.8	523.8	114.9	107.6	2.0	391.3			
Total private equity funds	2,604.7	2,319.6	848.5	899.5	26.4	1,899.1	30.4		

CapMan

REAL ESTATE FUNDS

	Investment capacity	Paid-in capital	Fund's current portfolio		Net cash assets	Distributed cash flow		Amount of cash flow needed to transfer the fund to carry as of 31.3.2015	CapMan's share of cash flow if the fund generates carried interest (investment team share deducted)
			At cost	At fair value		To investors	To mgmt-company		
Funds in exit and value creation phase									
CMRE II									
Equity and bonds	150.0	128.8	122.2	128.3		50.9		163.9	12%
Debt financing	450.0	301.7	175.2	175.2					
Total	600.0	430.5	297.4	303.5	-1.5	50.9			
CMRHE									
Equity and bonds	332.5	324.9	424.9	347.6		64.4		460.1	12%
Debt financing	617.5	542.6	459.5	459.5					
Total	950.0	867.5	884.4	807.1	0.0	64.4			
Total	1,550.0	1,298.0	1,181.8	1,110.6	-1.5	115.3	0.0		
Funds in active investment phase									
CMNRE									
Equity and bonds	266.2	81.9	66.3	69.8		8.3			
Debt financing	0.0	0.0	0.0	0.0					
Total	266.2	81.9	66.3	69.8	3.7	8.3			
Funds with no carried interest potential to CapMan									
CMRE I ⁵⁾									
Equity and bonds	200.0	188.5	67.0	36.2		207.8	27.4		
Debt financing	300.0	276.6	70.5	70.5					
Total	500.0	465.1	137.5	106.7	0.0	207.8	27.4		
Real Estate funds total	2,316.2	1,845.0	1,385.6	1,287.1	2.2	331.4	27.4		

CapMan

Abbreviations used to refer to funds:

CMB	= CapMan Buyout	CMRE	= CapMan Real Estate
CME	= CapMan Equity	CMT 2007	= CapMan Technology 2007
CMLS	= CapMan Life Science	FM	= Finnmezzanine Fund
CMM	= CapMan Mezzanine	FV	= Finnventure Fund
CMHRE	= CapMan Hotels RE	PSH Fund	= Project Specific Hotel Fund
CMNRE	= CapMan Nordic Real Estate	SWE LS	= Swedestart Life Science
CMPM	= CapMan Public Market Fund	SWE Tech	= Swedestart Tech
CMR	= CapMan Russia Fund		

Explanation of the terminology used in the fund tables

Size/Original investment capacity:

Total capital committed to a fund by investors, i.e. the original size of a fund. For real estate funds, investment capacity also includes the share of debt financing used by a fund.

Paid-in capital:

Total capital paid into a fund by investors as of the end of the review period.

Fund's current portfolio at fair value:

The determination of the fair value of fund investments for funds investing in portfolio companies is carried out using the International Private Equity and Venture Capital Valuation Guidelines (IPEVG, www.privateequityvaluation.com).

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. Due to qualitative nature of the valuation methodologies, they are mainly based on CapMan's judgment.

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.

Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. Due to the nature of private equity investment activities, fund portfolios contain investments with a fair value that exceeds their acquisition cost, as well as investments with a fair value less than the acquisition cost.

Net cash assets:

When calculating the investors' share, a fund's net cash assets must be taken into account in addition to the portfolio at fair value. The proportion of debt financing in real estate funds is presented separately in the table.

CapMan

Amount of cash flow needed to transfer the fund to carry

This cash flow refers to the profit distributed by funds and the capital they pay back to investors. The figure indicates the size of the cash flow that must be returned to investors as of the end of the reporting period to enable a fund to transfer to carry. A fund's carry potential can be evaluated by comparing this figure to the fair value of its portfolio.

CapMan's share of cash flow if a fund generates carried interest:

When a fund has generated the cumulative preferential return for investors specified in the fund agreements, the management company is entitled to an agreed share of future cash flows from the fund, known as carried interest.

After the previous distribution of profits, any new capital called in, as well as any annual preferential returns on it, must be returned to investors before any new distribution of profits can be paid.

Footnotes to the tables

- 1) Fenno Fund and Skandia I together form the Fenno Program, which is jointly managed with Fenno Management Oy.
- 2) The fund is comprised of two or more legal entities (parallel funds are presented separately only if their investment focuses or portfolios differ significantly).
- 3) Currency items are valued at the average exchange rates quoted at 31 March 2015.
- 4) CapMan Mezzanine IV: The paid-in capital includes a MEUR 192 bond issued by Leverator Plc Distributed cash flow includes payments to both bond subscribers and to the fund's partners.
- 5) CapMan Real Estate I: Distributed cash flow includes repayment of the bonds and cash flow to the fund's partners. Following the previous payment of carried interest, a total of MEUR 42.3 in paid-in capital had not yet been returned to investors. This capital, together with the annual income entitlement payable on it, must be paid to investors before further carried interest can be distributed.

CapMan's management considers it unlikely, in the light of the market situation, that further carried interest will be provided by the CapMan Real Estate I fund. As a result, the fund has been transferred from those funds in carry. A total of some MEUR 5 of carried interest has not been entered in CapMan's profit but instead left in reserve in case that some of the carried interest would have to be returned to investors in the future.

- 6) CapMan Group's Board of Directors made a decision in early 2012 to increase the Buyout investment teams' share of carried interest to better reflect prevailing industry practices. In CapMan Buyout VIII fund the investment team's share is approximately 40%, and in CapMan Equity VII funds the investment team's share is approximately 25%.



APPENDIX 2: OPERATIONS OF CAPMAN'S FUNDS UNDER MANAGEMENT IN JANUARY–MARCH 2015

The operations of the private equity funds managed by CapMan during the review period comprised direct investments in portfolio companies in the Nordic countries and Russia (CapMan Private Equity), as well as real estate investments (CapMan Real Estate). Investments by CapMan funds investing in portfolio companies focus on two key investment areas in the Nordic countries and one in Russia. These take the form of mid-size buyouts (CapMan Buyout), mezzanine investments (CapMan Credit) and investments in mid-sized companies operating in Russia (CapMan Russia). The investment focus of CapMan's real estate funds is on properties in Finland and the other Nordic countries. CapMan also has three other investment areas (CapMan Technology, CapMan Life Science and CapMan Public Market¹³), which do not make new investments, but concentrate instead on developing the value of their existing portfolio companies. These two latter investment areas are reported under "Other" in Private Equity.

CAPMAN PRIVATE EQUITY

Investments in portfolio companies in January–March 2015

During the review period, funds managed by CapMan invested in one company and made a couple add-on investments in existing portfolio companies, totalling MEUR 1.3. The new investments were made by the CapMan Russia II fund in Maximum Education. Add-on investments were largely concentrated in portfolio companies held by CapMan's Buyout and Russia funds. Funds made three new investments and several add-on investments valued at a total of MEUR 62.2 in the comparable period.

Exits from portfolio companies in January–March 2015

Funds agreed to exit Cederroth Intressenter AB in January. Part of the cash flow received from the exit from Symbio S.A. (exited in 2014) is allocated for the second quarter of 2015 but the exit process started already in 2014. The combined acquisition cost of partial exits completed during the review period was MEUR 0.9. During the review period, funds completed one exit and made one partial exit with a combined acquisition cost of MEUR 49.4.

Events after the end of the review period

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

CAPMAN REAL ESTATE

Investments in and commitments to real estate acquisitions and projects in January–March 2015

CapMan's real estate funds made no new investments in the review period. Funds made add-on investments to several existing projects totalling MEUR 1.2. Real estate funds were committed to providing financing for real

¹³The Public Market Fund is continuing exit and value creation activities in line with its strategy. CapMan participates in the fundraising of a new fund focusing on publicly listed companies, and the fund will pay management fees and carried interests to CapMan based on the commitments to the fund made through CapMan. As a result of the arrangement, Public Market will be reported together with investment areas categorised as "Others" going forward.



estate acquisitions and projects totalling MEUR 41.2 as of 31 March 2015. CapMan's real estate funds made a number of add-on investments totalling MEUR 1.6 in the comparable period, while commitments to finance new projects totalled MEUR 15.5 as of 31 March 2014.

Exits from real estate investments in January–March 2015

Real Estate funds made no exits in the review or the comparable periods.

Events after the end of the review period

In April, the CapMan Nordic Real Estate fund invested in the development of City Center BROEN, a shopping centre in Esbjerg, Denmark and an office building on Finsesvej 86 in Copenhagen.

CapMan

FUND INVESTMENT ACTIVITIES IN FIGURES

Investments and exits made by funds at acquisition cost, MEUR

	1-3/2015	1-3/2014
New and add-on investments		
Funds investing in portfolio companies	1.3	62.2
Buyout	0.2	42.3
Credit	0.0	19.0
Russia	1.1	0.0
+ Other	0.0	0.9
Real Estate funds	1.2	1.6
Total	2.5	63.8

	1-3/2015	1-3/2014
Exits*		
Funds investing in portfolio companies	0.9	49.4
Buyout	0.8	28.8
Credit	0.0	0.0
Russia	0.1	0.2
Other	0.0	20.4
Real Estate funds	0.0	0.0
Total	0.9	49.4

* including partial exits and repayments of mezzanine loans.

In addition, real estate funds had made commitments to finance real estate acquisitions and projects valued at MEUR 41.2 as of 31 March 2015.

CapMan

Funds' combined portfolio* as of 31 March 2015, MEUR

	Portfolio at acquisition cost	Portfolio at fair value	Share of portfolio (fair value) %
Funds investing in portfolio companies	848.5	898.9	41.1
Real Estate funds	1,385.6	1,287.1	58.9
Total	2,234.1	2,186.0	100.0

Funds investing in portfolio companies			
Buyout	571.2	609.4	67.8
Credit	39.8	45.5	5.1
Russia	82.0	96.6	10.7
Other	155.5	147.4	16.4
Total	848.5	898.8	100.0

* Total of all investments of funds under management.

Remaining investment capacity

After deducting actual and estimated expenses, funds investing in portfolio companies had a remaining investment capacity amounting to some MEUR 584 for new and add-on investments as of 31 March 2015. Of their remaining capital, approx. MEUR 335 was earmarked for buyout investments (incl. mezzanine investments), approx. MEUR 37 for investments by the Credit team, approx. MEUR 62 for technology investments, approx. MEUR 2 for life science investments, approx. MEUR 110 for investments by the CapMan Russia team, and approx. MEUR 38 for investments by the CapMan Public Market team. Real estate funds had a remaining investment capacity of approx. MEUR 222.6 which has been reserved for new investments and for the development of funds' existing investments.

CapMan

APPENDIX 3: DESCRIPTION OF BUSINESS OPERATIONS

CapMan Group is a private equity fund manager operating in the Nordic countries and Russia. The Group also makes investments in its own funds.

Private equity investment means making direct equity investments in companies and real estate. Investments are made through funds, which raise their capital primarily from institutional investors such as pension funds and foundations. Private equity investors actively develop their portfolio companies and real estate by working closely with management and tenants. Value creation is based on promoting companies' sustainable growth and strengthening their strategic position. Private equity investment is of a long-term nature – investments are held for an average of four to six years and the entire life cycle of a fund is typically around 10 years. Over the long term, private equity funds have generated significantly higher levels of returns compared to other investment classes¹⁴, and the industry's long-term prospects are favourable. By investing in CapMan, institutional and private investors can benefit from the profit potential of the private equity industry while diversifying their exposure.

The Group has two operating segments: 1) a Management Company business and 2) a Fund Investment business.

1) Management Company business

In its Management Company business, CapMan raises capital from Nordic and international institutions for the funds that it manages. The investment teams invest this capital in Nordic and Russian companies and Nordic real estate.

The Management Company business has two main sources of income, fee income and carried interest income. Fund investors pay a management fee to CapMan (typically 0.5-2.0% p.a.) during the life cycle of each fund. The management fee is based on fund size less realised exits during the fund's investment period (typically 5 years), after which the management fee is based on the remaining invested portfolio valued at cost. Fees are also generated from CapMan's service business comprising of CapMan Purchasing Scheme (CaPS), fundraising advisory services and services related to fund management. Fees normally cover CapMan's operating costs and generally represent a steady and highly predictable source of income.

The second source of income of the Management Company business is carried interest received from funds. Carried interest denotes the Management Company's share of each fund's cash flow after paid-in capital has been distributed to fund investors and the latter have received their annual preferential return (so-called hurdle rate (IRR), typically 8% p.a.). The amount of carried interest generated depends on the timing of exits and the stage at which funds are in their life cycle, which makes advance prediction difficult.

2) Fund Investment business

Through its Fund Investment business, CapMan makes investments from its own balance sheet in the funds that it manages. Income in this business is generated by increases in the fair value of investments and realised returns. Fair value is determined by the development of portfolio companies and real estate held by the funds, in addition to general market developments. Revenue from CapMan's fund investments can sometimes be negative.

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

¹⁴ Bain & Company, Global Private Equity Report 2014