

A person in a suit is working at a desk. A laptop is open on the left, and a hand is visible typing on the keyboard. In the foreground, there is a glass of whiskey and an open notebook with handwritten notes and diagrams. The background is blurred, showing an office environment.

CapMan

Half-Year Report

1-6 | 2020

*Our growth strategy advances
and our liquidity is strong*

CapMan Plc 6 August 2020

CapMan Plc January–June 2020 Half-Year Report

– Our growth strategy advances and our liquidity is strong

Results and significant events in January–June 2020

- Group turnover was MEUR 20.7 1 Jan–30 Jun 2020 (MEUR 22.6 1 Jan–30 Jun 2019), a decrease of 9 per cent from the comparison period.
- Management Company business turnover was MEUR 13.7 (MEUR 12.8), growth was 7 per cent from the comparison period, and operating profit MEUR 3.5 (MEUR 1.7).
- Service business turnover was MEUR 7.0 (MEUR 9.8), decrease was 29 per cent from the comparison period, and operating profit MEUR 3.4 (MEUR 6.6).
- Investment business operating profit was MEUR -5.7 (MEUR 4.9) in the first half of 2020 due to fair value changes of own investments. In the second quarter, fair value changes were MEUR +3.2 (MEUR +1.7).
- Operating profit was MEUR -1.8 (MEUR 10.5).
- Diluted earnings per share were -3.2 cents (4.3 cents).
- CapMan established Special Situations, a new investment area focusing on financial turnarounds and development of unlisted companies.
- The new CapMan Nordic Real Estate III fund was established with a target size of MEUR 500 (after the review period).
- The new CapMan Growth II fund was established with a target size of is MEUR 85 (after the review period).

TURNOVER	OPERATING PROFIT
€20.7m	-€1.8m
NEW FUNDS	A NEW INVESTMENT AREA
NRE III Growth II	CapMan Special Situations

Joakim Frimodig, CEO:

"The first half of 2020 was eventful both in terms of CapMan's business and market development. During the past few months, we have completed several growth and development initiatives that support our chosen strategic direction and help us build an even stronger CapMan. Our Management Company and Services businesses developed well considering the circumstances, fee-based profitability was on a good level and the impact of recurring fees to our earnings mix is growing. The fair values of our fund investments have developed positively in the second quarter following the decrease brought on by the Covid-19 pandemic in the beginning of the spring.

Our Management Company business grew by 7 per cent following new products and funds under management. The operating profit of the Management Company business was MEUR 3.5, more than doubling from the comparison period due to both growth in fees and improved cost efficiency. We grow our Management Company business with determination and are currently raising several funds. We expect growth in 2020 in capital under management as well as management fees from last year's comparable levels. The market situation has impacted the ability of investors to take new investment decisions and many fundraising projects have been delayed from their original plans. The latest developments point to a returning confidence among investors and a willingness to make additional commitments.

“ Management Company business operating profit more than doubled from the comparison period.

After the end of the review period we have established CapMan Nordic Real Estate III fund, which invests in Nordic real estate assets as well as growth company focused CapMan Growth II fund. Both funds' predecessor funds have been successful and demand for the new funds has been strong. The target size for NRE III is MEUR 500, making it the largest fund in CapMan's history to date. The target size for the Growth II fund is MEUR 85 is expected to be reached by the end of the year. In addition, we have established Special Situations, a new investment area focused on financial turnarounds and development of unlisted companies. CapMan Special Situations is the first local team in Finland with this investment focus and is a continuation of CapMan's growth strategy.

Our Service business turnover fell by 29 per cent in the review period compared to last year due to lower transaction-based services in all services areas during the second quarter of the year. The exceptional market situation following the Covid-19 pandemic provided a backdrop to the lower transaction activity. The Service business operating profit was MEUR 3.4.

“ We have successfully developed our existing business as well as created new initiatives.

We are reorganising our service business. In June we launched JAY Solutions as a new independent service area. JAY Solutions offers its customers technology-driven reporting, analytics and back office services. We are also establishing a new CapMan Wealth Service business area that offers comprehensive wealth advisory services covering both listed and unlisted markets to family offices, smaller institutional investors and high net worth individuals, as well as access for these investors to the best product solutions. JAMs wealth advisory services as well as part of Scala's investor-focused services are combined in the new CapMan Wealth

Services entity. Following the reorganisation, Scala's and JAMs operations cease to exist in their current forms and the respective brands are no longer in use. Going forward, CapMan's Service business includes wealth advisory business CapMan Wealth Services, reporting service JAY Solutions and procurement service CaPS.

Fair value changes of our own investments form a significant portion of CapMan's results and account for variability in our earnings model to a large extent. Our reported fair values increased by MEUR 3.2 in the second quarter of the year as valuations saw an upward correction following a turbulent early spring. The decrease in fair value of our own investments was as such MEUR 5.3 for the first six months of the year.

Despite the disturbance brought on by the Covid-19 pandemic, we have successfully developed our existing business as well as created new initiatives. Measures taken now build earnings growth for the coming years. Our liquidity situation is good, our balance sheet is strong and our objective is to pay an annually increasing dividend to our shareholders."

Group turnover and result in Jan–Jun 2020

CapMan Group's turnover totalled MEUR 20.7 in Jan–Jun 2020 (Jan–Jun 2019: MEUR 22.6). The 9 per cent decrease in turnover was mainly due to lower transaction-based fees in the Service business. Recurring management and service fees grew.

Operating expenses were MEUR 17.3 (MEUR 18.0) in total. Personnel expenses were MEUR 11.5 (MEUR 10.8). The growth in personnel expenses was mainly due to additional expenses related to the termination of the 2018 performance share plan. Depreciations and amortisations were MEUR 0.7 (MEUR 0.7). Other operating expenses amounted to MEUR 5.0 (MEUR 6.6) and reflect cost savings realised in the second quarter of

2020. The comparison period included expenses of MEUR 1.1 related to the acquisition of JAM Advisors, among others.

Fair value changes of investments were MEUR -5.3 (MEUR +5.8) for the first half of 2020. Fair values of own investments increased in the second quarter of the year following the sharp decline in the beginning of the year brought on mainly by the global Covid-19 crisis.

The Group's operating profit was MEUR -1.8 (MEUR 10.5). Operating profit excluding items affecting comparability was MEUR -1.8 (MEUR 11.9).

Financial income and expenses amounted to MEUR -1.3 (MEUR -1.3). Profit before taxes was MEUR -3.1 (MEUR 9.2) and profit after taxes was MEUR -4.3 (MEUR 8.2).

Diluted earnings per share were -3.2 cents (4.3 cents). Diluted earnings per share excluding items affecting comparability were -3.2 cents (5.2 cents).

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

Management Company business

Turnover generated by the Management Company business for the review period totalled MEUR 13.7 (MEUR 12.8), growth was 7 per cent. Mainly CapMan Hotels RE II fund, CapMan Nordic Real Estate II fund, CapMan Buyout XI fund and CapMan Nordic Infrastructure I fund contributed favourably to management fees for the period, offsetting the decrease in fees obtained from older funds in line with the funds' standard lifecycle. Funds established after the end of the review period – CapMan Growth II and CapMan Nordic Real Estate III – did not contribute to management

fees obtained in Jan-Jun 2020. Of the turnover, 96 per cent was based on long term contracts (94 per cent during the comparison period).

Carried interest income for the review period totalled MEUR 0.5 (MEUR 0.8) and was received from Access Capital funds.

Operating expenses of the Management Company business amounted to MEUR 10.2 (MEUR 11.1). Operating profit of the Management Company business grew by 100 per cent and totalled MEUR 3.5 (MEUR 1.7), while profit for the year was MEUR 2.8 (MEUR 1.4).

Service business

Turnover generated by Service business totalled MEUR 7.0 (MEUR 9.8) and the 29 per cent decrease year-over-year was mainly due to lower success fees in the second quarter compared to the corresponding period last year. Fees from services by JAM Advisors and CaPS increased during the review period. JAM Advisors was consolidated as of 27 February 2019. Of the turnover, 63 per cent was based on long term contracts (37 per cent during the comparison period).

Operating expenses of the Service business amounted to MEUR 3.6 (MEUR 3.5). The operating profit of the Service business was MEUR 3.4 (MEUR 6.6). The profit for the review period was MEUR 2.7 (MEUR 5.3).

Investment business

Change in fair value of investments was MEUR -5.3 in Jan-Jun 2020 (MEUR +5.8 in Jan-Jun 2019). The decrease was mainly due to the global Covid-19 crisis and its subsequent impact on valuations. Fair values increased overall during the second quarter of the year.

Operating expenses of the Investment Business were MEUR 0.4 for the review period (MEUR 0.9).

Operating profit for the Investment business was MEUR -5.7 (MEUR 4.9). Profit for the Investment business was MEUR -7.1 (MEUR 3.7).

Table 1: CapMan's investments booked at fair value as at 30 June 2020

Fair value 30 June 2020 (MEUR)	
Fund investments	108.3
Other financial assets	1.5
Market portfolio	1.3
Total	111.1

Fair value of **fund investments** was MEUR 108.3 on 30 June 2020 (30 June 2019: MEUR 94.5). Fair value changes of fund investments were MEUR -5.0 in the first half of 2020 (MEUR +3.7), representing a 4.2 per cent decrease in value (Jan-Jun 2019: +4.0 per cent). The negative change in the fair value of fund investments was mainly due to the impact of the Covid-19 crisis on the valuation of private equity funds in the beginning of the year. During the second quarter of the year, fund value development was predominantly positive. In contrast with the general development, CapMan Hotels II fund continued to decrease in value in the second quarter. Nordic Real Estate funds are valued once per year. Fund investments include mainly funds managed by CapMan.

CapMan invested a total of MEUR 6.1 in the first half of 2020 (MEUR 7.8) mainly in the CapMan Nordic Infrastructure I and CapMan Buyout XI funds. CapMan received distributions from funds totalling MEUR 11.3 (MEUR 2.7). The amount of remaining commitments that have not yet been called totalled MEUR 99.1 as at 30 June 2020 (30 June 2019: MEUR 122.1) and include commitments to CapMan Buyout XI and CapMan Nordic Infrastructure I funds, but do not yet include commitments to the

newest Growth and Real Estate funds, which were established after the end of the review period. Capital calls, distributions and remaining commitments are detailed in the Tables section of this report.

The fair value of CapMan's remaining **market portfolio** was MEUR 1.3 on 30 June 2020 (30 June 2019: MEUR 14.6) and consisted mainly of bonds.

Investments in portfolio companies are valued at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines (IPEVG). Sensitivity analysis by investment area are presented in the Tables section of this report.

Balance sheet and financial position as at 30 June 2020

CapMan's balance sheet totalled MEUR 203.8 as at 30 June 2020 (30 June 2019: MEUR 200.9). Non-current assets amounted to MEUR 143.7 (MEUR 132.9), of which goodwill totalled MEUR 15.3 (MEUR 19.5). Goodwill was impaired in the end of 2019 following a write-down of CapMan Russia.

As at 30 June 2020, fund investments booked at fair value totalled MEUR 108.3 (MEUR 94.5 as at 30 June 2019).

Other financial assets booked at fair value were MEUR 1.5 (MEUR 2.6).

Long-term receivables amounted to MEUR 10.8 (MEUR 10.1).

Current assets amounted to MEUR 60.1 (MEUR 68.0). Financial assets booked at fair value, i.e. current investments, were MEUR 1.3 (MEUR 14.6) and included the market portfolio. Cash in hand and at banks amounted to MEUR 45.0 (MEUR 43.2).

CapMan's interest-bearing net debt amounted to MEUR 27.6 as at 30 June 2020 (MEUR 9.8). After the comparison period, CapMan drew MEUR 20 of its long-term credit facility in the review period. CapMan's total interest-bearing debt as at 30 June 2020 is outlined in Table 2.

Table 2: CapMan's interest bearing debt

	Debt amount 30 Jun 2020 (MEUR)	Matures latest	Annual interest (%)	Debt amount 31 Dec 2019 (MEUR)
Senior bond (issued in 2018)	50	Q2 2023	4.13%	50
Long-term credit facility (available)	20 (20)	Q2 2022	2.00%	(40)

CapMan Plc's bond and long-term credit facility include financing covenants, which are conditional on the company's equity ratio and net gearing ratio. CapMan honoured all covenants as at 30 June 2020.

Trade and other payables totalled MEUR 17.0 on 30 June 2020 (30 June 2019: MEUR 14.7).

The Group's cash flow from operations totalled MEUR -10.2 for the review period (MEUR -6.2). The larger negative net cash flow from operations compared to the corresponding period last year was mainly due to withholding taxes related to the execution of the 2018 performance share plan. CapMan receives management fees from funds semi-annually, in January and July, which is shown under working capital in the cash flow statement. Cash flow from investments totalled MEUR +13.6 (MEUR

+22.3) and includes, *inter alia*, investments and repaid capital received by the Group, including the disposal of the market portfolio.

Cash flow before financing totalled MEUR +3.4 (MEUR +16.1) and reflects the development in the Management Company business, Service business and Investment business. Cash flow from financing was MEUR -2.1 (MEUR -27.5) and included the drawdown of the credit facility and the distribution of dividends and equity repayment.

Capital under management as at 30 June 2020

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 and the hotels real estate fund. Capital under management is calculated based on the capital, which forms the basis for management fees, and includes primarily equity without accounting for the funds' debt. 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 MEUR 3,151 as at 30 June 2020 (30 June 2019: MEUR 3,264). The decrease in capital under management was mainly due to exits from the real estate funds as well as the valuation of the hotel fund. New commitments to the CapMan Buyout XI and the CapMan Nordic Infrastructure I funds had a positive impact on capital under management. CapMan Growth II and CapMan Nordic Real Estate III funds were established after the end of the review period and were not included in capital under management as of 30 June 2020. The debt for the new hotels real estate fund has been included in capital under management in line with the previous Hotels RE fund. Capital under management per fund type is displayed in Table 3.

Table 3: Capital under management (incl. funds and mandates)

	30.6.20 (MEUR)	30.6.19 (MEUR)
Real Estate	1,864	1,926
Private Equity & Credit	961	1,017
Infra	297	267
Other	29	54
Total capital under management (incl. Hotels II fund debt)	3,151	3,264

Key figures 30 June 2020

CapMan's return on equity was -7.5 per cent on 30 June 2020 (30 June 2019: +13.6 per cent) and return on investment -2.0 per cent (+11.6 per cent). Comparable return on equity was -7.5 per cent (+15.8 per cent) and comparable return on investment was -2.0 per cent (+13.2 per cent). Equity ratio was 50.3 per cent (60.2 per cent).

According to the CapMan's long-term financial targets, the target level for the company's return on equity is on average over 20 per cent. The objective for the equity ratio is more than 60 per cent.

Table 4: CapMan's key figures

	30.6.20	30.6.19	31.12.19
Earnings per share, cents	-3.2	4.4	9.2
Diluted, cents	-3.2	4.3	9.0
Adjusted earnings per share, diluted, cents	-3.2	5.2	11.6
Shareholders' equity / share, cents	65.5	78.7	85.1
Share issue adjusted number of shares, avg.	155,196,262	150,831,221	152,154,735
Return on equity, %	-7.5	13.6	12.7
Return on equity, comparable, %	-7.5	15.8	16.0
Return on investment, %	-2.0	11.6	10.5
Return on investment, comparable, %	-2.0	13.2	13.5
Equity ratio, %	50.3	60.2	59.9
Net gearing, %	27.0	8.1	7.2

Decisions of the 2020 Annual General Meeting

Decisions of the AGM regarding distribution of funds

CapMan's 2020 Annual General Meeting (AGM) decided in accordance with the proposal of the Board of Directors, that a dividend of EUR 0.04 per share and an equity repayment of EUR 0.09 per share be paid from the distributable profits and the invested unrestricted equity fund of the

company, EUR 0.13 per share in total. The dividend and equity repayment were paid on 20 March 2020. Decisions regarding the distribution of funds have been described in greater detail in the stock exchange releases on the decisions taken by the General Meetings issued on 11 March 2020.

Decisions of the AGM regarding the composition of the Board

The 2020 AGM decided that the Board of Directors comprises seven members. Mr. Andreas Tallberg, Ms. Catarina Fagerholm, Mr. Johan Hammarén, Mr. Eero Heliövaara, Ms. Mammu Kaario, Mr. Olli Liitola and Mr. Peter Ramsay were elected members of the Board of Directors for a term of office expiring at the end of the next Annual General Meeting. The Board composition and remuneration have been described in greater detail in the stock exchange releases regarding the decisions of the AGM and the organisational meeting of the Board issued on 11 March 2020.

Authorisations given to the Board by the AGM

The 2020 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. 9.09 per cent of all shares in the company.

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 14,000,000 shares, which corresponds to approx. 9.09 per cent of all shares in the company.

The authorisation shall remain in force until the end of the following AGM and 30 June 2021 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 11 March 2020.

Shares and shareholders

Shares and share capital

There were no changes in CapMan's share capital during the review period.

Share capital totalled EUR 771,586.98 as at 30 June 2020. CapMan had 156,338,420 shares outstanding as at 30 June 2020 (153,270,056 shares as at 30 June 2019). CapMan issued 2,002,208 shares in a directed share issue without payment to implement the share payments of its Performance Share Plan 2018.

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.

Company shares

As at 30 June 2020, 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 51,020 as at 30 June 2020 (30 June 2019: EUR 44,708). No changes occurred in the number of own shares held by CapMan Plc during the review period.

Trading and market capitalisation

CapMan Plc's shares closed at EUR 1.94 on 30 June 2020 (30 June 2019: EUR 1.70). The trade-weighted average price for the review period was EUR 2.16 (EUR 1.66). The highest price paid was EUR 2.89 (EUR 1.82) and the lowest EUR 1.49 (EUR 1.40). The number of CapMan Plc shares traded totalled 41.3 million (11.7 million), valued at MEUR 89.0 (MEUR 19.5).

The market capitalisation of CapMan Plc shares as at 30 June 2020 was MEUR 303.3 (30 June 2019: MEUR 260.9).

Shareholders

The number of CapMan Plc shareholders increased by 26 per cent from the corresponding period last year and totalled 24,215 as at 30 June 2020 (30 June 2019: 19,273).

Personnel

CapMan employed 145 people on average in the first half of 2020 (Jan–Jun 2019 average: 144), of whom 112 (104) worked in Finland and the remainder in the other Nordic countries, Luxembourg and the United Kingdom. A breakdown of personnel by country is presented in the Tables section of this report.

Compensation schemes

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

The short-term scheme covers all CapMan employees, excluding CEO and CFO of the company, and its central objective is earnings per share, for which the Board of Directors has set a minimum target.

The long-term scheme of CapMan consists of an investment based long-term share-based incentive plan (Performance Share Plan) for key employees.

In the investment based long-term share-based incentive plan the participants are committed to shareholder value creation by investing a significant amount into the CapMan Plc share. The investment-based long-term incentive plan includes one performance period. The performance period commenced on 1 April 2020 and ends on 31 March 2023. The participants may earn a performance-based reward from the performance

period. The prerequisite for receiving reward on the basis of the plan is that a participant acquires company's shares or allocates previously owned company's shares up to the number determined by the Board of Directors. The performance-based reward from the plan is based on the company share's Total Shareholder Return (TSR) and on a participant's employment or service upon reward payment. The rewards from the Plan will be paid fully in the company's shares in 2023. The Board shall resolve whether new Shares or existing Shares held by the Company are given as reward. The target group of the Plan consists of approximately 20 people, including the members of the Management Group. Following the new Performance Share Plan, CapMan's Board of Directors decided to shorten the performance period of the investment-based long-term incentive plan launched in 2018 by one year and correspondingly reduce the reward amount from the 2018 plan by one-third.

As of 30 June 2020, 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. Following the long-term incentive plan, CapMan will not grant new options from the option plans 2013 and 2016.

More information about the share-based incentive plan and the terms of the option programmes can be found on CapMan's website at www.capman.com.

Other significant events in Jan–Jun 2020

CapMan established CapMan Special Situations, an investment area focused on investing in underperforming or non-core businesses and supports them through financial restructuring and operational turnaround.

Christian Borgström, Managing Partner of JAM Advisors and Maximilian Marschan, Managing Partner of CaPS, were appointed members of CapMan Plc's Management Group as of 1 February 2020.

Events after the end of the review period

In August, CapMan established CapMan Nordic Real Estate III fund with a target size of MEUR 500. In line with its predecessor funds, CapMan Nordic Real Estate III makes value-add investments in office, grocery-driven retail and select residential real estate in the Nordics.

In July, CapMan established CapMan Growth II fund, with a target size of MEUR 85. In line with its predecessor fund, CapMan Growth II makes minority investments in growing Nordic companies.

CapMan is reorganising its service business and establishes CapMan Wealth Services, a new service area that offers wealth advisory services related to the listed and unlisted market to family offices, smaller institutions and high net worth individuals. CapMan Wealth Services will partially replace the wealth advisory services offered by JAM Advisors as well as investor-focused services provided by Scala. In June, the analytics and reporting arm of JAM Advisors was launched as an independent service provider called JAY Solutions. Going forward, CapMan's Service business includes wealth advisory business CapMan Wealth Services, reporting service JAY Solutions and procurement service CaPS.

Significant risks and short-term uncertainties

General risks

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. The most significant short-term risk is the Covid-19 pandemic and related restrictions, which impact the general market development and therefore also CapMan's business. Risks related to CapMan's business are detailed below.

Market risks

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 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.

Risks related to the success of the business

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

Gaining new customers or the launch of new investment areas, products or service businesses may also fail, which may prevent or hamper the realisation of CapMan's growth objectives.

Risks related to fair value changes in portfolio companies, real estate or infrastructure investments

The values of portfolio 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 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 fair values of real estate and infrastructure investments may also vary between review periods based on changes in, inter alia, demand, capacity, condition or exit process. The variations are typically smaller compared to the variations in the fair value of portfolio companies.

Risks related to carried interest and performance-based income

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. The transaction-based fees of JAM Advisors may also vary significantly from period to period.

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 7.7 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 the fund has been terminated. The realisation of the clawback liability would have a negative cash flow impact and it is possible that the provision made is not sufficient.

Risks related to the availability or cost of financing

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.

Risks related to the change in the regulatory environment

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.

The impact of Covid-19 on CapMan's business

The Covid-19 pandemic impacts CapMan's business through, among others, the following earnings streams:

Management fees: Management fees per fund are determined at the establishment of a fund and are paid to the management company, i.e. CapMan, twice per year based on the original fund size, including commitments, over the fund's investment period (generally five years) following which management fees are determined based on the at-cost value of the underlying portfolio. These fees are long-term and highly predictable, and we see little volatility in the near/mid future.

Future management fees are affected mainly by new funds raising and exits from existing funds. If ongoing fundraising projects are postponed or delayed, management fee growth prospects may be affected. Exits following the end of the investment period reduces the aggregate at-cost price of the remaining portfolio, on which management fees are based. If exits are delayed due to increased uncertainty in the market, management fees remain stable.

Carried interest income: The increased uncertainty, the impact on value creation in the portfolio and delays in exit processes may impact the timing and magnitude of funds to generate carried interest, but it is too soon to tell what the impact will be. CapMan does not provide guidance regarding carried interest.

Service fees: The impact of the Covid-19 pandemic on fees from long-term service contracts is limited for the time being. Transaction-based fees are more susceptible to market risk and are therefore more volatile.

Investment business income: Investment business income is defined in the income statement as the change in fair value of investments and

consists of both realised and unrealised changes. The impact has been hardest felt in the Private Equity portfolio, although what the full short and mid-term impact will be is difficult to determine. Because unlisted assets are valued less frequently than listed assets, the impact of short-term market shocks and volatility is in general less pronounced in these asset classes compared to the listed market. However, the effects may in turn take longer to process and the return to so-called normal levels may be further along for unlisted assets. Real Estate and Infra funds have defensive characteristics and may therefore perform better compared to other asset classes in this market. e.g. listed equities in this market. The tenant base of real estate assets has an impact on how susceptible their valuation is to the Covid-19 pandemic.

Financial objectives

CapMan's objective is to pay an annually increasing dividend to its shareholders.

The combined growth objective for the Management Company and Service businesses 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. CapMan's equity ratio target is more than 60 per cent.

Outlook estimate for 2020

CapMan expects to achieve these financial objectives gradually and key figures are expected to show fluctuation on an annual basis considering the nature of the business. CapMan expects management fees and fees from services to continue growing in aggregate in 2020. Our objective is to improve the aggregate profitability of Management Company and Service businesses before carried interest income and any possible items affecting comparability.

Carried interest income from funds managed by CapMan and the return on CapMan's investments have a substantial impact on CapMan's overall result. In addition to portfolio company and asset-specific development and exits from portfolio companies and assets, various factors outside of the portfolio's and CapMan's control influence fair value development of CapMan's overall investments as well as the magnitude and timing of carried interest.

CapMan's objective is to improve results in the longer term, taking into consideration annual fluctuations related to the nature of the business. For these and other above-mentioned reasons, CapMan does not provide numeric estimates for 2020.

Items affecting comparability are described in the Tables section of this report.

Helsinki, 6 August 2020

CAPMAN PLC

Board of Directors

CapMan Group's 1 January – 30 September 2020 Interim Report is published on Thursday 29 October 2020.

Additional information:

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

Distribution:

Nasdaq Helsinki Ltd

Principal media

www.capman.com

Group Statement of comprehensive income (IFRS)

€ ('000)	4-6/20	4-6/19	1-6/20	1-6/19	1-12/19
Management fees	5 858	5 358	12 733	11 486	24 851
Sale of services	2 463	7 311	7 448	10 340	17 211
Carried interest	390	687	479	818	6 910
Turnover	8 711	13 356	20 660	22 645	48 972
Other operating income	0	-4	0	9	6
Personnel expenses	-5 222	-5 511	-11 543	-10 766	-24 184
Depreciation and amortisation	-376	-382	-719	-667	-5 583
Other operating expenses	-2 160	-3 330	-4 992	-6 555	-12 069
Fair value changes of investments	3 186	1 662	-5 252	5 829	12 250
Operating loss (profit)	4 138	5 791	-1 846	10 495	19 392
Financial income and expenses	-731	-686	-1 294	-1 290	-1 783
Result before taxes	3 407	5 105	-3 141	9 206	17 609
Income taxes	-326	-894	-1 201	-1 002	-1 731
Result for the period	3 081	4 211	-4 342	8 204	15 878
Other comprehensive income:					
Translation differences	124	-91	-85	-127	-62
Total comprehensive income	3 205	4 120	-4 427	8 077	15 816

€ ('000)	4-6/20	4-6/19	1-6/20	1-6/19	1-12/19
Profit attributable to:					
Equity holders of the company	3 276	3 004	-5 014	6 622	13 963
Non-controlling interest	-195	1 207	672	1 581	1 915
Total comprehensive income attributable to:					
Equity holders of the company	3 400	2 913	-5 099	6 496	13 900
Non-controlling interest	-195	1 207	672	1 581	1 915
Earnings per share for profit attributable to the equity holders of the Company:					
Earnings per share, cents	2,2	2,0	-3,2	4,4	9,2
Diluted, cents	2,1	1,9	-3,2	4,3	9,0

Group balance sheet (IFRS)

€ ('000)	30.6.20	30.6.19	31.12.19
ASSETS			
Non-current assets			
Tangible assets	3 025	3 149	3 428
Goodwill	15 314	19 544	15 314
Other intangible assets	888	926	797
Investments at fair value through profit and loss			
Investments in funds	108 254	94 491	115 918
Other financial assets	1 458	2 634	2 731
Investments in joint ventures	0	24	0
Receivables	10 766	10 094	9 395
Deferred income tax assets	4 009	2 035	3 726
	143 714	132 898	151 309
Current assets			
Trade and other receivables	13 892	10 300	10 792
Financial assets at fair value through profit and loss	1 254	14 579	10 768
Cash and bank	44 955	43 151	43 665
	60 101	68 030	65 225
Total assets	203 815	200 928	216 534

€ ('000)	30.6.20	30.6.19	31.12.19
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	71 345	84 473	84 823
Translation difference	-433	-412	-348
Retained earnings	-9 485	-4 566	3 218
Total capital attributable to the Company's equity holders	101 167	119 235	127 433
Non-controlling interests	1 024	1 364	2 100
Total equity	102 191	120 598	129 533
Non-current liabilities			
Deferred income tax liabilities	2 577	2 477	2 156
Interest-bearing loans and borrowings	51 880	51 718	59 110
Other non-current liabilities	7 077	7 794	167
	61 534	61 989	61 433
Current liabilities			
Trade and other payables	16 992	14 674	20 159
Interest-bearing loans and borrowings	20 694	1 229	939
Current income tax liabilities	2 002	2 438	4 469
Current provisions	402		
	40 090	18 340	25 567
Total liabilities	101 624	80 330	87 000
Total equity and liabilities	203 815	200 928	216 534

Group Statement of Changes in Equity

Attributable to the equity holders of the Company

€ ('000)	Share capital	Share premium	Other reserves	Translation differences	Retained earnings	Total	Non-controlling interests
Equity on 1 January 2019	772	38 968	83 812	-286	-2 728	120 537	433
Result for the year					6 622	6 622	1 581
Other comprehensive income for the year							
Currency translation differences				-127		-127	
Total comprehensive income for the year				-127	6 622	6 496	1 581
Share issue			9 027			9 027	
Equity investment of non-controlling interests					301	301	17
Share subscriptions with options			779			779	
Options and Performance Share Plan					385	385	
Dividends and return of capital			-9 146		-9 146	-18 291	-668
Equity on 30 June 2019	772	38 968	84 473	-412	-4 566	119 235	1 364
Equity on 1 January 2020	772	38 968	84 823	-348	3 218	127 433	2 100
Result for the year					-5 014	-5 014	672
Other comprehensive income for the year							
Currency translation differences				-85		-85	
Total comprehensive income for the year				-85	-5 014	-5 099	672
Share subscriptions with options			376			376	
Performance Share Plan					-1 447	-1 447	
Dividends and return of capital			-13 854		-6 282	-20 136	-1 708
Transactions with non-controlling interests					41	41	-40
Equity on 30 June 2020	772	38 968	71 345	-433	-9 485	101 167	1 024

Statement of cash flow (IFRS)

€ ('000)	1-6/20	1-6/19	1-12/19
Cash flow from operations			
Result for the financial period	-4 342	8 204	15 878
Adjustments on cash flow statement	10 484	-2 418	-6 540
Change in working capital:			
Change in current non-interest-bearing receivables	-5 010	-4 693	-3 812
Change in current trade payables and other non-interest-bearing liabilities	-6 253	-2 217	1 308
Interest paid	-1 442	-1 394	-2 643
Taxes paid	-3 676	-3 649	-4 553
Cash flow from operations	-10 239	-6 168	-363
Cash flow from investing activities			
Acquisition of subsidiaries		-540	-540
Proceeds from sale of subsidiaries			5 900
Investments in tangible and intangible assets	-308	-388	-561
Investments at fair value through profit and loss	13 505	23 395	12 390
Long-term loan receivables granted	-165	-254	-3 034
Proceeds from long-term receivables	438	14	2 594
Interest received	124	48	158
Cash flow from investing activities	13 593	22 274	16 907
Cash flow from financing activities			
Share issue	376	1 089	1 542
Proceeds from borrowings	20 000	370	130
Repayment of long-term loan	-130	-10 000	-10 000
Payment of lease liabilities	-456		-924
Dividends paid and return of capital	-21 854	-18 958	-18 958
Cash flow from other financing items			787
Cash flow from financing activities	-2 064	-27 499	-27 423
Change in cash and cash equivalents	1 290	-11 393	-10 879
Cash and cash equivalents at start of year	43 665	54 544	54 544
Cash and cash equivalents at end of year	44 955	43 151	43 665

Accounting principles

This unaudited half-year report is prepared in accordance with IAS 34 (Interim Financial Reporting) using the same accounting policies and methods of computation as in the previous annual financial statements.

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

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.

Items affecting comparability and alternative key figures are presented under the Segment information.

Segment information

CapMan has three operating segments: the Management company business, Service business and Investments business.

In its Management Company 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 and infrastructure assets. CapMan raises capital for the funds from Nordic and international investors. Income from the Management company business is derived from fees and carried interest received from funds. The fees include management fees related to CapMan's position as a fund management company and fees from other services closely related to fund management.

In the Service business, CapMan offers procurement services to companies in Finland and Sweden through CapMan Procurement Services (CaPS) and private equity advisory and fundraising services to private equity fund managers through Scala Fund Advisory. Wealth management and analysis and reporting services are offered through JAM Advisors to institutional clients, foundations, family offices and wealthy private clients. Income from the Services business include fees from CapMan Procurement Services (CaPS), fundraising advisory services (Scala) and wealth management, analysis and reporting services (JAM Advisors).

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.

Other includes the corporate functions not allocated to operating segments. These functions include part of the activities of group accounting, corporate communications, group management and costs related to share-based payment. Other also includes the eliminations of the intersegment transactions.

Segment information 4-6/2020

€ ('000)	Management company business	Service business	Investment business	Other	Total
Management fees	5 828	29			5 858
Service fees	263	2 179		21	2 463
Carried interest	390				390
Turnover	6 482	2 208		21	8 711
Personnel expenses, of which	-2 736	-1 206	-338	-942	-5 222
Salaries and bonuses	-2 736	-1 206	-338	-790	-5 070
Share-based payment				-153	-153
Depreciation, amortisation and impairment	-149	-164		-63	-376
Other operating expenses	-1 286	-347	-52	-475	-2 160
Internal service fees	-723	-40	-4	766	
Fair value changes of investments			3 186		3 186
Operating profit (loss)	1 587	452	2 792	-693	4 138
Financial items			-731		-731
Income taxes	-317	-105	267	-171	-326
Result for the period	1 270	347	2 328	-864	3 081
Earnings per share, cents					2,2
Earnings per share, diluted, cents					2,1
Timing of revenue recognition from customer contracts:					
Services transferred over time	6 092	2 147		21	8 260
Services transferred at a point in time	390	61			451
Revenue from customer contracts, external	6 482	2 208		21	8 711

Segment information 4-6/2019

€ ('000)	Management company business	Service business	Investment business	Other	Total
Management fees	5 303	56			5 358
Service fees	394	6 882		36	7 311
Carried interest	687				687
Turnover, external	6 383	6 937		36	13 356
Turnover, internal		151		-151	
Other operating income	0	0		-4	-4
Personnel expenses, of which	-2 922	-1 143	-226	-1 220	-5 511
Salaries and bonuses	-2 922	-1 143	-226	-1 045	-5 336
Share-based payment				-176	-176
Depreciation, amortisation and impairment	-163	-164		-55	-382
Other operating expenses	-1 411	-661	-255	-1 003	-3 330
Internal service fees	-959	-225	-172	1 356	
Fair value changes of investments			1 662		1 662
Operating profit	928	4 895	1 009	-1 042	5 791
Items impacting comparability					
Acquisition related expenses				345	345
Donations			200		200
Items impacting comparability, total			200	345	545
Adjusted operating profit	928	4 895	1 209	-697	6 336
Financial items			-686		-686
Income taxes	-186	-976	62	205	-894
Result for the period	743	3 919	386	-837	4 211

Segment information 4-6/2019

€ ('000)	Management company business	Service business	Investment business	Other	Total
Result for the period	743	3 919	386	-837	4 211
Items impacting comparability					
Acquisition related expenses				276	276
Donations			200		200
Items impacting comparability, total			200	276	476
Adjusted profit for the period	743	3 919	586	-561	4 687
Earnings per share, cents					2,0
Items impacting comparability, cents					0,2
Adjusted earnings per share, cents					2,2
Earnings per share, diluted, cents					1,9
Items impacting comparability, cents					0,4
Adjusted earnings per share, diluted, cents					2,3
Timing of revenue recognition from customer contracts:					
Services transferred over time	5 696	1 985		36	7 717
Services transferred at a point in time	687	4 952			5 639
Revenue from customer contracts, external	6 383	6 937		36	13 356

Segment information 1-6/2020

€ ('000)	Management company business	Service business	Investment business	Other	Total
Management fees	12 661	72			12 733
Service fees	517	6 904		27	7 448
Carried interest	479				479
Turnover	13 657	6 975		27	20 660
Personnel expenses, of which	-5 598	-2 362	-338	-3 245	-11 543
Salaries and bonuses	-5 598	-2 362	-338	-1 696	-9 994
Share-based payment				-1 550	-1 550
Depreciation, amortisation and impairment	-291	-305		-124	-719
Other operating expenses	-2 873	-812	-57	-1 251	-4 992
Internal service fees	-1 446	-79	-8	1 533	
Fair value changes of investments			-5 252		-5 252
Operating profit	3 450	3 418	-5 654	-3 060	-1 846
Financial items			-1 294		-1 294
Income taxes	-690	-698	-115	302	-1 201
Profit for the period	2 760	2 720	-7 064	-2 758	-4 342

Segment information 1-6/2020

€ ('000)	Management company business	Service business	Investment business	Other	Total
Earnings per share, cents					-3,2
Earnings per share, diluted, cents					-3,2
Non-current assets	18 366	15 593	122 938	·13 183	143 714
Timing of revenue recognition from customer contracts:					
Services transferred over time	13 178	4 408		27	17 613
Services transferred at a point in time	479	2 568			3 047
Revenue from customer contracts, external	13 657	6 975		27	20 660

Segment information 1-6/2019

€ ('000)	Management company business	Service business	Investment business	Other	Total
Management fees	11 413	74			11 486
Service fees	548	9 734		59	10 340
Carried interest	818				818
Turnover, external	12 779	9 807		59	22 645
Turnover, internal		302		-302	
Other operating income	1	12		-4	9
Personnel expenses, of which	-6 062	-1 670	-270	-2 763	-10 766
Salaries and bonuses	-6 062	-1 670	-270	-2 377	-10 380
Share-based payment				-386	-386
Depreciation, amortisation and impairment	-317	-217		-132	-667
Other operating expenses	-2 758	-1 061	-320	-2 416	-6 555
Internal service fees	-1 918	-535	-344	2 797	
Fair value changes of investments			5 829		5 829
Operating profit	1 724	6 639	4 895	-2 762	10 495
Items impacting comparability					
Acquisition related expenses				1 126	1 126
Donations			200	97	297
Items impacting comparability, total			200	1 223	1 423
Adjusted operating profit	1 724	6 639	5 095	-1 539	11 918
Financial items			-1 290		-1 290
Income taxes	-345	-1 328	118	552	-1 002
Profit for the period	1 379	5 311	3 723	-2 210	8 204

Segment information 1-6/2019

€ ('000)	Management company business	Service business	Investment business	Other	Total
Profit for the period	1 379	5 311	3 723	-2 210	8 204
Items impacting comparability					
Acquisition related expenses				991	991
Donations			200	97	297
Items impacting comparability, total			200	1 088	1 288
Adjusted profit for the period	1 379	5 311	3 923	-1 122	9 491
Earnings per share, cents					4,4
Items impacting comparability, cents					0,8
Adjusted earnings per share, cents					5,2
Earnings per share, diluted, cents					4,3
Items impacting comparability, cents					0,9
Adjusted earnings per share, diluted, cents					5,2
Non-current assets	23 808	15 051	106 650	-12 611	132 898
Total assets include:					
Investments in joint ventures			24		24
Timing of revenue recognition from customer contracts:					
Services transferred over time	11 960	3 581		59	15 600
Services transferred at a point in time	818	6 226			7 045
Revenue from customer contracts, external	12 779	9 807		59	22 645

Segment information 1–12/2019

€ ('000)	Management company business	Service business	Investment business	Other	Total
Management fees	24 684	167			24 851
Service fees	1 188	15 530		493	17 211
Carried interest	6 910				6 910
Turnover, external	32 782	15 697		493	48 972
Turnover, internal		302		-302	
Other operating income	1	12		-7	6
Personnel expenses, of which	-13 586	-3 823	-241	-6 534	-24 184
Salaries and bonuses	-13 586	-3 823	-241	-5 803	-23 453
Share-based payment				-731	-731
Depreciation and amortisation	-618	-471	0	-264	-1 353
Impairment	-4 230	0	0	0	-4 230
Other operating expenses	-4 732	-2 397	-1 097	-3 843	-12 069
Internal service fees	-3 638	-227	-688	4 553	
Fair value changes of investments			12 250		12 250
Operating profit	5 979	9 094	10 224	-5 904	19 392
Items impacting comparability					
Acquisition related expenses				1 126	1 126
Donations			200	97	297
Impairment of goodwill	4 230				4 230
Items impacting comparability, total	4 230		200	1 223	5 653
Adjusted operating profit	10 209	9 094	10 424	-4 681	25 045
Financial items			-1 783		-1 783
Income taxes	-633	-1 819	-461	1 181	-1 731
Result for the period	5 347	7 275	7 980	-4 724	15 878

Segment information 1–12/2019

€ ('000)	Management company business	Service business	Investment business	Other	Total
Profit for the period	5 347	7 275	7 980	-4 724	15 878
Items impacting comparability					
Acquisition related expenses				991	991
Donations			200	97	297
Impairment of goodwill and other writedowns	2 821				2 821
Items impacting comparability, total	2 821		200	1 088	4 108
Adjusted profit for the period	8 167	7 275	8 180	-3 636	19 987
Earnings per share, cents					9,2
Items impacting comparability, cents					2,7
Adjusted earnings per share, cents					11,9
Earnings per share, diluted, cents					9,0
Items impacting comparability, cents					2,6
Adjusted earnings per share, diluted, cents					11,6
Non-current assets	19 908	13 827	128 970	-11 397	151 309
Timing of revenue recognition from customer contracts:					
Services transferred over time	25 872	7 882		493	34 248
Services transferred at a point in time	6 910	7 814			14 724
Revenue from customer contracts, external	32 782	15 697		493	48 972

Acquisitions

In the reporting period, there were no acquisitions. The acquisition made in the comparison period has an impact on the comparability of figures.

Acquisition of JAM Advisors in 2019

On February 27, 2019, CapMan acquired 60 per cent of JAM Advisors Oy ("JAM Advisors"), a reporting, analysis and wealth management company. The purchase price was paid by executing a directed issue of 5,110,000 new CapMan shares to the owners of JAM Advisors, having a fair value of EUR 9.0 million. The goodwill arising from the acquisition was EUR 14,8 million. CapMan has a call option and the sellers have a put option for the remaining 40 per cent non-controlling interest. Due to the equivalent option arrangement, no profit or loss is attributed to non-controlling interests and no non-controlling interest is presented separately within consolidated equity.

The acquisition provided CapMan with a new technologically advanced service and wealth management business and opportunities to expand into new customer segments. JAM Advisors serves mainly domestic institutional investors, foundations, family offices and high-net-worth individuals and serves as their advisor.

As of the acquisition date, February 27, 2019, JAM Advisors has been consolidated into CapMan's consolidated financial statements in full and reported as part of CapMan's reportable segment Service Business.

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 0.04 per share and a repayment of invested unrestricted equity fund of EUR 0.09 per share, totalling EUR 20.0 million, was paid to the shareholders for the financial year 2019. Dividend and repayment of equity were paid on March 20, 2020.

A dividend and repayment of equity of EUR 0.12 per share, totalling EUR 18.3 million, was paid for the financial year 2018.

Non-current assets

Fair value hierarchy of financial assets measured at fair value at 30 June 2020

	Level 1	Level 2	Level 3	Total
Investments in funds				
at Jan 1	738		115 180	115 918
Additions			6 061	6 061
Distributions			-11 258	-11 258
Fair value gains/losses			-3 898	-3 898
Transfers*	1 525		-94	1 431
at the end of period	2 263		105 990	108 254
Other investments				
at Jan 1		166	2 564	2 730
Fair value gains/losses			-1 272	-1 272
at the end of period		166	1 292	1 458
Current financial assets at FVTPL**	254	1 000		1 254

* Change of cash and cash equivalents of the subsidiary CapMan Fund Investments SICAV-SIF, classified as fund investments.

**fair value through profit or loss

The different levels have been defined as follows:

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

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

Level 2 assets measured at fair value consist of investments for which the quoted price is available from markets that are not active. CapMan has measured level 2 investments using the last trading price of the reporting period end.

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

During reporting period the investments in CapMan Technology 2007 and CapMan Life Science IV have been reclassified from level 3 to level 1.

Investments in funds include the subsidiary, CapMan Fund Investments SICAV-SIF, with a fair value of EUR 69.3 million at the end of the reporting period.

Fair value hierarchy of financial assets measured at fair value at 31 December 2019

	Level 1	Level 2	Level 3	Total
Investments in funds				
at Jan 1			80 582	80 582
Additions			38 037	38 037
Distributions			-17 543	-17 543
Fair value gains/losses			9 692	9 692
Transfers*	738		4 410	5 148
at the end of period	738		115 180	115 918
Other investments				
at Jan 1		166	2 381	2 547
Fair value gains/losses			184	184
at the end of period		166	2 564	2 730
Investments in joint ventures				
at Jan 1			4 470	4 470
Additions			144	144
Transfers**			-4 581	-4 581
Fair value gains/losses			-33	-33
at the end of period			0	0
Current financial assets at FVTPL**	2 681	8 087		10 768

* Change of cash and cash equivalents of the subsidiary CapMan Fund Investments SICAV-SIF, classified as fund investments.

**fair value through profit or loss

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 2 assets measured at fair value consist of investments for which the quoted price is available from markets that are not active. CapMan has measured level 2 investments using the last trading price of the reporting period end.

Level 3 - The asset that is not based on observable market data. Investments in joint ventures reported on Level 3 include investments in Maneq Investments Luxembourg S.a.r.l.

During reporting period the cash of the subsidiary CapMan Fund Investments SICAV-SIF was transferred from Level 3 to Level 1.

Investments in funds include the subsidiary, CapMan Fund Investments SICAV-SIF, with a fair value of EUR 76.3 million at the end of the reporting period.

Sensitivity analysis of Level 3 investments at 30 June 2020

Investment area	Fair Value MEUR, 30 Jun 2020	Valuation methodology	Unobservable inputs	Used input value (weighted average)	Fair value sensitivity to a +/- 10% change in input value
Growth	12.8	Peer group	Peer group earnings multiples	EV/EBITDA LTM 12.4x	+/- 1.8 MEUR
			Discount to peer group multiples	21 %	-/+ 0.4 MEUR
Buyout	7.0	Peer group	Peer group earnings multiples	EV/EBITDA LTM 9.7x	+/- 1.7 MEUR
			Discount to peer group multiples	17 %	- /+ 0.3 MEUR
Real Estate	37.1	Valuation by an independent valuer			
Infra	17.1	Discounted cash flows	Discount rate; market rate and risk premium	11 %	- 1.4 MEUR / + 1.6 MEUR
Russia	3.9	Peer group	Peer group earnings multiples	EV/EBITDA LTM 8.8x	+/- 0.4 MEUR
			Discount to peer group multiples including additional discount due to increased uncertainty following the market turbulence	46 %	-/+ 0.2 MEUR
Credit	2.7	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
Investments in external PE funds	24.5	Reports from PE fund management company			
Investments in Maneqs	2.2	Peer group	Peer group earnings multiples	EV/EBITDA LTM 9.4x	+/- 0.2 MEUR
			Discount to peer group multiples	19 %	-/+ 0.0 MEUR

Sensitivity analysis of Level 3 investments at 31 December 2019

Investment area	Fair Value MEUR, 31 Dec 2019	Valuation methodology	Unobservable inputs	Used input value (weighted average)	Fair value sensitivity to a +/- 10% change in input value
Growth	16.1	Peer group	Peer group earnings multiples	EV/EBITDA 2019 12.2x	+/- 1.6 MEUR
			Discount to peer group multiples	20 %	-/+ 0.4 MEUR
Buyout	9.6	Peer group	Peer group earnings multiples	EV/EBITDA 2019 8.9x	+ 2.3 MEUR / - 2.1 MEUR
			Discount to peer group multiples	22 %	- 0.7 MEUR /+ 0.6 MEUR
Real Estate	40.0	Valuation by an independent valuer			
Infra	17.6	Discounted cash flows	Discount rate; market rate and risk premium	12 %	- 0.8 MEUR / + 0.9 MEUR
Russia	4.3	Peer group	Peer group earnings multiples	EV/EBITDA 2019 11.4x	+/- 0.4 MEUR
			Discount to peer group multiples	36 %	-/+ 0.2 MEUR
Credit	2.6	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	0.2	Reports from PE fund management company			
Other investment areas	0.8	Discounted cash flows	Discount rate; market rate and risk premium	6 %	- 0.0 MEUR / value increase based on a change in the discount rate is not booked
Investments in external PE funds	22.8	Reports from PE fund management company			
Maneq-investments	3.7	Peer group	Peer group earnings multiples	EV/EBITDA 2019 8.7x	+/- 0.4 MEUR
			Discount to peer group multiples	22 %	-/+ 0.1 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 the reporting period.

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 nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, and the financial situation 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 available market price for actively traded (quoted) investments, earnings multiple valuation technique, whereby public peer group multiples are used to estimate the value of a particular investment, and the Discounted Cash Flows method, whereby estimated future cash flows and the terminal value are discounted to the present by applying the appropriate risk-adjusted rate. CapMan always applies a discount to peer group multiples, due to e.g. limited liquidity of the investments. Due to the qualitative nature of the valuation methodologies, the fair values are to a considerable degree 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 reviewed and decided by the Valuation Committee, which comprises the Group CFO, Head of Monitoring team and either Risk Manager of the relevant fund or Head of the relevant investment team. The portfolio company valuations are reviewed in the Valuation Committee on a quarterly basis. The valuations are back tested against realised exit valuations, and the results of such back testing are reported to the Audit Committee annually.

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

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

In the exceptional market situation caused by the COVID-19 pandemic, the increased volatility in the publicly traded peer group market prices, exceptionally uncertain financial situation and future outlook of portfolio companies and properties as well as the fluctuating market capitalisation rates increase the uncertainty inherent in the valuations substantially compared with a normal situation.

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.

Average personnel

By country	30.6.20	30.6.19	31.12.19
Finland	112	104	110
Sweden	21	20	20
Denmark	6	5	5
Russia	0	11	8
Luxembourg	2	1	1
United Kingdom	4	3	3
In total	145	144	147

Contingent liabilities

€ ('000)	30.6.20	30.6.19	31.12.19
Securities and other contingent liabilities	62 780	61 586	62 780
Remaining commitments to funds	99 083	122 133	103 785
Remaining commitments by investment area			
Buyout	39 055	39 577	39 451
Credit	1 480	1 352	1 485
Russia	984	1 119	1 114
Real Estate	4 192	6 982	4 249
Other	3 556	3 660	4 199
Funds of funds	246	713	551
Growth equity	10 919	14 529	12 221
Infra	18 688	29 829	18 019
External private equity funds	19 963	24 371	22 496
In total	99 083	122 133	103 785

Related parties

Commitments to related parties

€ ('000)	30.6.20	30.6.19	31.12.19
Commitments to Maneq funds	643	3 651	643

Turnover and profit quarterly

Year 2020

MEUR	1-3/20	4-6/20	1-6/20
Turnover	11,9	8,7	20,7
Management fees	6,9	5,9	12,7
Sales of services	5,0	2,5	7,4
Carried interest	0,1	0,4	0,5
Other operating income	0,0	0,0	0,0
Operating expenses	-9,5	-7,8	-17,3
Fair value changes of investments	-8,4	3,2	-5,3
Operating loss	-6,0	4,1	-1,8
Financial income and expenses	-0,6	-0,7	-1,3
Result before taxes	-6,5	3,4	-3,1
Result for the period	-7,4	3,1	-4,3

Year 2019

MEUR	1-3/19	4-6/19	7-9/19	10-12/19	1-12/19
Turnover	9,3	13,4	9,7	16,6	49,0
Management fees	6,1	5,4	6,0	7,3	24,9
Sales of services	3,0	7,3	3,0	3,9	17,2
Carried interest	0,1	0,7	0,7	5,4	6,9
Other operating income	0,0	0,0	0,0	0,0	0,0
Operating expenses	-8,8	-9,2	-8,0	-15,8	-41,8
Fair value changes of investments	4,2	1,7	3,8	2,6	12,1
Operating profit	4,7	5,8	5,5	3,5	19,4
Financial income and expenses	-0,6	-0,7	-0,6	0,1	-1,8
Result before taxes	4,1	5,1	4,9	3,6	17,6
Result for the period	4,0	4,2	4,1	3,7	15,9