

CAPMAN GROUP'S  
FINANCIAL STATEMENTS  
BULLETIN

1 JANUARY – 31 DECEMBER 2013

*CapMan*



## **CapMan Group's Financial Statements Bulletin for 1 January–31 December 2013**

### **Performance and main events for the financial year 2013:**

- Group turnover totalled MEUR 29.8 (January - December 2012: MEUR 27.3).
- The Group's operating profit was MEUR 3.3 (MEUR 2.6).
- Profit before taxes was MEUR 2.0 (MEUR 3.3) and profit after taxes was MEUR 1.5 (MEUR 2.7).
- Earnings per share for the financial year were -1.2 cents (0.3 cents).
- Capital under management as of 31 December 2013 totalled MEUR 3,098.2 (31 December 2012: MEUR 2,126.7).
- The funds managed by CapMan exited 11 portfolio companies in total during the financial year and as a result CapMan received a total of MEUR 19.2 (MEUR 9.2) in cash flow from funds.
- The Group's fees and expenses were in balance in the second half of the year. Fees grew by 5.5% compared to the previous year.
- CapMan repaid its MEUR 29 hybrid bond and issued a new package of debt securities with 40% lower financing costs.
- The Board of Directors of CapMan Plc will propose a dividend of EUR 0.04 per share.

### **Estimate for 2014:**

We estimate our earnings per share to improve significantly from the level achieved in 2013 primarily due to increasing operating profit.

### **Outlook for 2014:**

Our fees will cover our expenses before possible non-recurring expenses related to acquisitions or larger development projects.

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 are ready to exit during 2014.

The fair value development of our own fund investments will have a substantial impact on our overall result in 2014. We expect disparity in the development of individual portfolio companies and real estate also during 2014 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, valuation multiples of peer companies and exchange rates.

### **Heikki Westerlund, CEO:**

“We succeeded in significantly improving the profitability of our Management Company business. In addition to balancing our fees and expenses, we also accomplished a good financing position and flexibility in our capital structure. The lower financing costs as a result of the repayment of the 2008 hybrid bond will be reflected in our earnings per share starting from 2014.

The general market outlook was more positive in the Nordic countries as well as in Europe at large. However, the economic slowdown in some of our home markets, namely Finland and Russia, had a negative impact especially on the fair value changes of our own fund investments in the second half of 2013. Different sectors also continued their diverging development. The weakest development was seen in companies linked to industrial production, where the ongoing structural changes have had the most impact. Many of these investments were made before the onset of the financial crisis and therefore the completion of the value creation work in these companies is taking longer than expected.

We were active in the exit market during 2013, although the exits we aimed to complete by the end of last year have been postponed to this year. Further realised exits would result in excellent positive cash flow through distributions from our own fund investments.”



## 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.

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 2013

The Group's turnover during 2013 grew by 9.1% from 2012 and totalled MEUR 29.8 (2012: MEUR 27.3). The increase in turnover for the year was mainly due to higher fees and carried interest compared to 2012.

Operating expenses totalled MEUR 27.9 (MEUR 30.3). Expenses decreased from last year as a result of lower personnel costs. Expenses for the financial year included the investment teams' share, MEUR 0.9, of total carried interest and approx. MEUR 1.5 non-recurring expenses related to the change in CapMan's CEO, the establishment of the CapMan Nordic Real Estate fund and the assessment of possible M&A activity.

The Group recorded an operating profit of MEUR 3.3 (MEUR 2.6), which represented an increase of 28.6% from last year as a result of higher fees and carried interest income as well as lower expenses.

Financial income and expenses amounted to MEUR -0.7 (MEUR 0.1). The change was due to MEUR 0.4 of non-recurring expenses related to the Group's new financing package. CapMan's share of the profit of its associated companies was MEUR -0.6 (MEUR 0.6). The decrease was mainly due to the fair value change in Maneq investments. The return profile of Maneq investments is largely consistent with that of our own fund investments. Profit before taxes was MEUR 2.0 (MEUR 3.3) and profit after taxes was MEUR 1.5 (MEUR 2.7). Earnings per share were -1.2 cents (0.3 cents) after deducting the (net of tax) interest on the hybrid bond for the financial year.

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

## Management Company business

Turnover generated by the Management Company business during the financial year totalled MEUR 29.8 (MEUR 27.3). Fees increased 5.5% from last year and totalled MEUR 26.9 (MEUR 25.5), due to management fees from CapMan Buyout X, CapMan Russia II and CapMan Nordic Real Estate funds as well as fees generated by CapMan's purchasing scheme (CaPS) and accounting services, among others.

Carried interest income totalled MEUR 2.9 (MEUR 1.8) and was mainly received from the CapMan Equity VII B fund following the exit from MQ Retail AB, Tieturi Oy and Cardinal Foods AS.

The operating profit of Management Company business improved significantly and was MEUR 2.8 (loss of MEUR 2.3) and the profit for the year was MEUR 1.5 (loss of MEUR 2.5). The status of the funds managed by CapMan is presented in more detail in Appendix 1.



## Fund Investment business

Fair value changes related to fund investments in 2013 were MEUR 1.2 (MEUR 5.3) and represented a 1.6% increase in 2013 (7.0% increase in value during 2012). The modest change in fair values in relation to the objectives was mainly due to weaker financial development of certain portfolio companies. Fair value changes were also influenced by developments in the market value of the listed peers of our portfolio companies and changes in exchange rates. The aggregate fair value of fund investments as of 31 December 2013 was MEUR 64.1 (31 December 2012: MEUR 74.5).

Operating profit for the financial year for the Fund Investment business was MEUR 0.5 (MEUR 4.9) and loss for the financial year was MEUR 0.1 (profit of MEUR 5.3). The Fund Investment business includes the results of Maneq companies, of which CapMan sold part in June 2013.

CapMan invested a total of MEUR 5.5 (MEUR 6.3) in its funds during 2013. The majority of this was allocated to the CapMan Buyout IX fund. CapMan received distributions from funds totalling MEUR 14.1 (MEUR 4.0). CapMan made new commitments in total of MEUR 4.4 into the CapMan Nordic Real Estate and CapMan Russia II funds during the financial year.

The amount of remaining commitments not yet called totalled MEUR 30.3 as of 31 December 2013 (31 December 2012: MEUR 22.5). The aggregate fair value of existing investments and remaining commitments as of the same date was MEUR 94.4 (MEUR 96.9). 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), while 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.

## Balance sheet and financial position as of 31 December 2013

CapMan's balance sheet totalled MEUR 110.4 as of 31 December 2013 (31 December 2012: MEUR 128.8). Non-current assets amounted to MEUR 87.9 (MEUR 112.4), of which goodwill totalled MEUR 6.2 (MEUR 6.2).

Fund investments booked at fair value totalled MEUR 64.1 (MEUR 74.5). Long-term receivables amounted to MEUR 2.4 (MEUR 20.0). In the end of 2012, Maneq receivables amounted to MEUR 18.7.

In June, CapMan transferred its ownership in 2005-2011 Maneq funds and long-term receivables from the funds to a Luxembourg company founded by CapMan, Maneq Investments Luxembourg, and sold part of that company to an external investor for a cash consideration of MEUR 14. CapMan's share of Maneq Investments Luxembourg and that company's loan are shown as investments in associated companies. The transaction did not have a material impact on CapMan's results for 2013. As of 31 December 2013, investments in associated companies were MEUR 9.6 at fair value (MEUR 5.2).

Current assets amounted to MEUR 22.6 (MEUR 15.5). Liquid assets (cash in hand and at banks, plus other financial assets at fair value through profit and loss) amounted to MEUR 17.4 (MEUR 7.0). The increase in liquid assets was due to completed exits during 2013 and the partial sale of Maneq assets.

In the Interim Report published on 8 August 2013, CapMan revised the retained earnings and investments in associated companies retrospectively in the opening balance as of 1.1.2012. The mistake relates to the booking of interest receivables in previous financial years. A table showing the change is included in the notes to the financial statements.

CapMan redeemed its MEUR 29 hybrid bond on 18 December in accordance with the bond terms by issuing MEUR 30 million in debt securities, consisting of a MEUR 15 senior bond and a MEUR 15 hybrid bond. The senior bond will have an annual coupon rate of 5.5% and a maturity of four years. The annual coupon rate of the new 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 call it in four years from the issue date. The company has an option to call the bond in two years the earliest from the issue date in accordance with certain terms and conditions.



CapMan Plc had a bank financing package totalling MEUR 43.0 (MEUR 45.0) available as of 31 December 2013, of which MEUR 16.9 (MEUR 32.2) was utilised. Trade and other payables totalled MEUR 11.3 (MEUR 13.2). The Group's interest-bearing net debt amounted to MEUR 14.5 (MEUR 25.5).

CapMan Plc's bank loans include financing covenants, which are conditional to the equity ratio, the ratio of interest bearing bank loans to fund investments from the balance sheet and the level of rolling 12 month EBITDA. CapMan honoured all covenants as of 31 December 2013.

The Group's cash flow from operations totalled MEUR -3.0 for the financial year (MEUR -8.8). 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 26.8 (MEUR 0.9) and includes, *inter alia*, fund investments and repaid capital received by the Group. Cash flow before financing totalled MEUR 23.8 (MEUR -7.9), while cash flow from financing was MEUR -13.4 (MEUR -7.4) as CapMan repaid some of its senior debt.

### Key figures 31 December 2013

CapMan's equity ratio was 58.9% as of 31 December 2013 (31 December 2012: 61.9%), its return on equity 2.0% (3.2%), and its return on investment 3.5% (4.3%). The target levels for the company's equity ratio and return on equity are at least 60% and over 20%, respectively.

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

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

### Board's proposal for distribution of profit

CapMan Plc's goal is to distribute at least 50% of net profit as dividends. CapMan Plc's Board of Directors will propose to the Annual General Meeting to be held on 19 March 2014 that a dividend of EUR 0.04 per share will be paid to shareholders. No dividend was paid for 2012. CapMan Plc's distributable assets amounted to MEUR 23.5 on 31 December 2013 (MEUR 12.8 on 31 December 2012).

### Fundraising during the financial year and capital under management as of 31 December 2013

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 Buyout X, CapMan Russia II and CapMan Nordic Real Estate funds secured slightly more than MEUR 350 in total commitments by the end of 2013. Fundraising for all three funds continues.

The challenging fundraising market has impacted also CapMan's ongoing fundraising rounds. In 2013, the number of funds in the market increased further from last year with traditional fund investors being increasingly selective in making investment decisions as a result. CapMan has broadened its network geographically and obtained new fund commitments from investor groups, which have not previously invested in private equity funds.

Capital under management was MEUR 3,098.2 as of 31 December 2013 (31 December 2012: MEUR 3,126.7). The decrease was due to completed exits during the financial year. Of the total capital under management, MEUR 1,608.2 (MEUR 1,686.5) was held in funds making investments in portfolio companies and MEUR 1,490.0 (MEUR 1,440.2) in real estate funds.

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

### **Authorisations given to the Board by the AGM**

The Annual General Meeting authorised the Board of Directors to decide on the repurchase and/or on the acceptance as pledges of the company's B shares. The number of B shares concerned shall not exceed 8,000,000, and the authorisation shall remain in force until the end of the following AGM and 30 June 2014 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 17,500,000 B shares and the authorization shall remain in force until the end of the following AGM and 30 June 2014 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 20 March 2013.

### **Personnel**

CapMan employed a total of 103 people as of 31 December 2013 (31 December 2012: 109), of whom 65 (71) worked in Finland and the remainder in the other Nordic countries, Russia, and Luxembourg. A breakdown of personnel by country is presented in the Tables section.

### **Shares and share capital**

There were no changes in CapMan Plc's share capital during 2013. Share capital totalled EUR 771,586.98 as of 31 December 2013. Between 26 October and 29 November 2013, a total of 985,225 new CapMan Plc series B shares were subscribed for with the company's stock options 2008B. As a result, the number of B shares increased to 79,516,991. The number of A shares was 5,750,000 as of 31 December 2013.

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

### **Shareholders**

The number of CapMan Plc shareholders increased by 7.0% during 2013 and totalled 6,567 as of 31 December 2013 (31 December 2012: 6,137).

CapMan issued two flagging notices in 2013 related to transactions during the financial year.

In December a flagging notification was issued as Gimv NV's share of the total number of shares in CapMan Plc fell below 10%. The change was due to an increase of total shares outstanding of CapMan Plc following the share subscriptions based on stock options 2008B.

In September CapMan issued a flagging notification related to Eläkekassa Verso's shareholding falling below 5%.



## Company shares

As of 31 December 2013, CapMan Plc held a total of 26,299 CapMan Plc B shares, representing 0.03% of both classes of shares and 0.02% of voting rights. The market value of shares held by CapMan was EUR 29,981 as of 31 December 2013 (31 December 2012: EUR 22,091). No changes occurred in the number of shares held by CapMan Plc during the financial year.

## Stock option programmes

As of 31 December 2013, CapMan Plc had two stock option programmes—Option Programme 2008 and Option Programme 2013—in place as part of its incentive and commitment arrangements for key personnel. The Board of Directors decides annually upon the distribution of stock options to the key personnel employed by or to be recruited by the Group.

The share subscription period for stock option programme 2008A ended on 31 December 2012. The stock option programme 2008B covers a maximum of 2,135,000 option entitlements, which will carry an entitlement to subscribe to a maximum of 2,135,000 new B shares. The share subscription period for 2008B options started 1 May 2012 and ended on 31 December 2013. Receivables from shares subscribed to under these options will be entered in the company's unrestricted shareholders' equity. As of 31 December 2013, 2,070,000 2008B stock option entitlements were allocated. Between 1 January and 31 December 2013, a total of 2,035,000 CapMan Plc series B new shares were subscribed for with the company's stock options 2008B, of which 985,225 shares were registered and listed in 2013 and the remaining 1,049,775 shares will be registered and listed during February 2014.

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 0.92 (the trade volume weighted average quotation of the share during 1 April–31 May 2013 with an addition of 10%), of the 2013B options the trade volume weighted average quotation of the share during 1 April–31 May 2014 with an addition of 10%, and 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 starts on 1 May 2016, for 2013B options on 1 May 2017 and 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 1,125,000 stock option entitlements under the Option Programme 2013A were allocated between 1 January and 31 December 2013.

The terms of the option programmes are available on CapMan's website.

## Trading and market capitalisation

CapMan Plc's B shares closed at EUR 1.14 on 31 December 2013 (31 December 2012: EUR 0.84). The trade weighted average price during the financial year was EUR 0.93 (EUR 0.94). The highest price paid was EUR 1.19 (EUR 1.19) and the lowest EUR 0.78 (EUR 0.80). The number of CapMan Plc B shares traded totalled 20.2 million (20.4 million), valued at MEUR 18.9 (MEUR 19.0).

The market capitalisation of CapMan Plc B shares as of 31 December 2013 was MEUR 90.7 (31 December 2012: MEUR 66.0). The market capitalisation of all company shares, including A shares valued at the closing price of B shares, was MEUR 97.2 (MEUR 70.8).

## Decisions taken by the Annual General Meeting for 2013 and organising meeting held by the Board of Directors

The decisions have been described in detail in two stock exchange releases published on 20 March 2013.

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



CapMan Group's Financial Statements and the Report of the Board of Directors for 2013 will be published as part of the company's Annual Report for 2013 in February 2014 during week 9. CapMan Plc's 2014 Annual General Meeting will be held on Wednesday 19 March 2014 at 10:00 am in Helsinki. Complete financial statements, as required under the terms of the Finnish Companies Act, will be available on CapMan's website by 26 February 2014 at the latest.

## Corporate Governance Statement

CapMan Plc's Corporate Governance Statement will be published separately from the Report of the Board of Directors as part of the company's Annual Report for 2013 during week 9 and will be available on the company's website by 26 February 2014 at the latest.

## Other events during the financial year

Funds managed by CapMan completed the sale of Cardinal Foods AS in June. The transaction contributed a total of MEUR 1.8 to CapMan's result for 2013. The cash flow impact from the transaction was MEUR 3.7 for 2013.

Funds managed by CapMan completed exits from Curato AS and Nice Entertainment Group in November and Russia Baltic Pork Invest ASA in December. The exits had no significant impact on CapMan's result as the exiting funds are not in carry and as the valuation of the companies at exit was largely already reflected in the fair value change of CapMan's fund investments reported earlier.

Joakim Rubin, Head of CapMan Public Market, stepped down from CapMan's Management Group on 11 November 2013. After the change, CapMan's Management Group consists of Heikki Westerlund, Niko Haavisto, Jerome Bouix, Kai Jordahl, Hans Christian Dall Nygård and Mika Matikainen.

The Public Market Fund continues its 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.

## Events after the end of the financial year

CapMan announced the first investments of CapMan Buyout X fund in January 2014. The fund agreed to acquire The North Alliance Group (NOA), a network focused on digital communication in the Nordic markets, and Kämp Group, the leading luxury and lifestyle hotel chain in Finland.

## Significant risks and short-term uncertainties

Financial market uncertainty, weak economic development of 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, possibly affecting the outcome of the on-going fundraising. A successful fundraising effort will impact the total amount of capital under management, hence resulting in new management fees.

The projections related to the profitability of the Management Company business involve significant uncertainty 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. At the end of 2013, a total of MEUR 42.3 in paid-in capital, together with the preferred return to be paid on that capital, had yet to be returned to investors. 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. Of the 2007 carried interest, some MEUR 6.4 was not entered in CapMan's profit in 2007 but instead left in a reserve in case that some of the carried interest would have to be returned to investors in future. It is possible that the required return of carried interest will exceed the reserved amount at the time of terminating the fund.

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

The EU's Basel III and Solvency II regulatory initiatives limit the ability of European banks and insurance companies to invest in private equity funds, and could therefore impact CapMan's fundraising activity. The coming to force of the AIFMD may impact the reporting requirements of funds and their marketing outside of the EU.

## Business environment

2013 saw a resurgence in large-cap M&A activity. The overall value of European buyouts increased in 2013 compared to the previous year, although the number of deals decreased by approximately 10%.<sup>1</sup> The exit market in turn picked up markedly in 2013 with the highest number of exits globally since 2006.<sup>2</sup>

The competition in fundraising remained tough as the number of funds in the market further increased from the previous year.<sup>3</sup> However, the increased exit activity in 2013 resulted in abundant distributions from Europe-focused private equity funds, enabling investors to re-allocate their capital into new funds.<sup>4</sup> According to a survey by Preqin, 90% of investors plan to maintain or increase their allocations to private equity in 2014. In addition, more than half of the investors felt that Europe presents the best investment opportunities in the current financial climate.<sup>5</sup> The Nordic countries in particular are considered the most popular investment destinations in 2014.<sup>6</sup>

The availability of bank financing remains bifurcated in Europe. There is financing available for solid companies and deals, while smaller businesses have difficulties in accessing the capital markets. As expected, credit standards eased for short-term loans towards the end of the year, while they remained more or less unchanged for long-term loans.<sup>7</sup> According to a survey by Finnvera, companies have increasingly diverse financing structures and the demand for alternative sources is on the rise. Large companies are increasingly looking into senior bonds and small companies in turn for private equity financing.<sup>8</sup>

Russia is still considered an important growth region, although the growth of the Russian economy has slowed down to some degree. Sectors such as IT, B2B services and healthcare, which are independent on the development of oil prices, are expected to continue growing rapidly. These sectors are also the investment focus of CapMan Russia.

In 2013 the volume of real estate transactions in Finland remained at the previous year's level at BEUR 2.1. The volume increased in the fourth quarter due to a couple of larger transaction, where the buyers were mainly international real estate investors.<sup>9</sup> In Sweden the transaction volumes decreased to BEUR 10 from circa BEUR 12.5 a year before. Investors in Finland and Sweden continued to focus mainly on prime real estate with stable rents although there have been signs of an increased interest towards better secondary properties, especially in Sweden. The yield gap between prime and secondary assets continues to be high. Prime rents were generally stable in the Nordic countries during the fourth quarter of 2013, while there has been increasing pressure on rents and occupancy rates outside the prime areas.<sup>10</sup> Availability of traditional senior financing remained scarce, although there have been signs of a recovery in this respect.

<sup>1</sup> 2013 buyouts: overall value stabilises around €75bn" unquote | 13 Jan 2014

<sup>2</sup> Preqin 2013 Private Equity-Backed Buyout Deals and Exits January 2014

<sup>3</sup> Preqin 2013 Private Equity Fundraising January 2014

<sup>4</sup> Preqin Private Equity Spotlight, December 2013

<sup>5</sup> Preqin 2013 Private Equity Fundraising January 2014

<sup>6</sup> The 2014 Global outlook & Review – Dow Jones

<sup>7</sup> ECB The Euro Area Bank Lending Survey January 2014

<sup>8</sup> Finnvera, Corporate financing survey 2013.

<sup>9</sup> KTI Transactions information service – January 2014

<sup>10</sup> The Nordic property Monthly update – January 2014



## Regulatory environment

The European Directive on Alternative Investment Fund Managers (AIFM directive) came into force on 21 July 2011 and AIFMD Level 2, the supplementing act that guides its implementation, was released on 19 December 2012. The act was scheduled to be integrated into member states' national legislation by 22 July 2013. The implementation of the directive in Finland has been delayed by some months, but it is intended to be integrated into the national legislation during spring 2014. The directive stipulates an operating license for participants, as well as other significant requirements, including fund investor and authority reporting. CapMan evaluates that its organisation and operating model enables it to comply with the requirements of these new regulations, as applicable.

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

## Estimate for 2014:

We estimate our earnings per share to improve significantly from the level achieved in 2013 primarily due to increasing operating profit.

## Outlook for 2014:

Our fees will cover our expenses before possible non-recurring expenses related to acquisitions or larger development projects.

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 are ready to exit during 2014.

The fair value development of our own fund investments will have a substantial impact on our overall result in 2014. We expect disparity in the development of individual portfolio companies and real estate also during 2014 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, valuation multiples of peer companies and exchange rates.



The CapMan Group will publish its Interim Report for 1 January - 31 March 2014 on Thursday, 8 May 2014.

Helsinki, 6 February 2014

CAPMAN PLC  
Board of Directors

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**Appendices (after the Tables section):**

Appendix 1: The CapMan Group's funds under management as of 31 December 2013, MEUR

Appendix 2: Operations of CapMan's funds under management in 2013

Appendix 3: Description of CapMan's business operations



## Accounting principles

The Financial Statement Bulletin has been prepared in accordance with the International Financial Reporting Standards (IFRS). The information presented in the Financial Bulletin is based on the audited CapMan 2013 financial statements.

## GROUP STATEMENT OF COMPREHENSIVE INCOME (IFRS)

€ ('000)	10-12/13	10-12/12	1-12/13	1-12/12
<b>Turnover</b>	<b>6,537</b>	6,049	<b>29,774</b>	27,304
Other operating income	<b>168</b>	0	<b>187</b>	216
Personnel expenses	<b>-1,771</b>	-4,040	<b>-15,560</b>	-17,411
Depreciation and amortisation	<b>-142</b>	-255	<b>-664</b>	-822
Other operating expenses	<b>-3,071</b>	-2,878	<b>-11,630</b>	-12,017
Fair value gains / losses of investments	<b>-2,563</b>	1,788	<b>1,240</b>	5,333
<b>Operating profit / loss</b>	<b>-842</b>	664	<b>3,347</b>	2,603
Financial income and expenses	<b>-588</b>	-213	<b>-747</b>	131
Share of associated companies' result	<b>-424</b>	163	<b>-610</b>	598
<b>Profit / loss before taxes</b>	<b>-1,854</b>	614	<b>1,990</b>	3,332
Income taxes	<b>-558</b>	-206	<b>-531</b>	-624
<b>Profit / loss for the period</b>	<b>-2,412</b>	408	<b>1,459</b>	2,708
<b>Other comprehensive income:</b>				
Translation differences	<b>154</b>	-1	<b>83</b>	5
Remeasurements of post employment benefit obligations	<b>-103</b>	0	<b>-103</b>	0
<b>Total comprehensive income</b>	<b>-2,361</b>	407	<b>1,439</b>	2,713
<b>Profit attributable to:</b>				
Equity holders of the company	<b>-2,412</b>	408	<b>1,459</b>	2,708
<b>Total comprehensive income attributable to:</b>				
Equity holders of the company	<b>-2,361</b>	407	<b>1,439</b>	2,713
<b>Earnings per share for profit attributable to the equity holders of the Company:</b>				
Earnings per share, cents	<b>-3,6</b>	-0,3	<b>-1,2</b>	0,3
Diluted, cents	<b>-3,6</b>	-0,3	<b>-1,2</b>	0,3

CapMan

**GROUP BALANCE SHEET (IFRS)**

€ ('000)	31.12.13	31.12.12
<b>ASSETS</b>		
<b>Non-current assets</b>		
Tangible assets	282	364
Goodwill	6,204	6,204
Other intangible assets	1,047	1,491
Investments in associated companies	9,583	5,170
Investments at fair value through profit and loss		
Investments in funds	64,122	74,465
Other financial assets	94	99
Receivables	2,432	19,957
Deferred income tax assets	4,111	4,681
	<b>87,875</b>	<b>112,431</b>
<b>Current assets</b>		
Trade and other receivables	5,199	8,532
Other financial assets at fair value through profit and loss	361	365
Cash and bank	17,004	6 625
	<b>22,564</b>	<b>15,522</b>
Non-current assets held for sale	0	848
<b>Total assets</b>	<b>110,439</b>	<b>128,801</b>
€ ('000)	31.12.13	31.12.12

**EQUITY AND LIABILITIES****Capital attributable the Company's equity holders**

Share capital	772	772
Share premium account	38,968	38,968
Other reserves	26,107	38,814
Translation difference	126	43
Retained earnings	-1,112	553
<b>Total equity</b>	<b>64,861</b>	<b>79,150</b>
<b>Non-current liabilities</b>		
Deferred income tax liabilities	1,820	2,360
Interest-bearing loans and borrowings	25,854	22,678
Other liabilities	0	1,241
Post-employment benefits	299	169
	<b>27,973</b>	<b>26,448</b>



<b>Current liabilities</b>		
Trade and other payables	<b>11,344</b>	13,219
Interest-bearing loans and borrowings	<b>6,000</b>	9,785
Current income tax liabilities	<b>261</b>	199
	<b>17,605</b>	23,203
<b>Total liabilities</b>	<b>45,578</b>	49,651
<b>Total equity and liabilities</b>	<b>110,439</b>	128,801

## GROUP STATEMENT OF CHANGES IN EQUITY

€ ('000)	Attributable to the equity holders of the Company					Total
	Share capital	Share premium account	Other reserves	Translation differences	Retained earnings	
Equity on 1 January 2012	772	38,968	38,679	38	9,784	88,241
Changes to the opening balance					-3,784	-3,784
Defined pension benefits					-113	-113
Equity on 1 January 2012, restated	772	38,968	38,679	38	5,887	84,344
Profit for the year					2,708	2,708
Other comprehensive income for the year						
Currency translation differences				5		5
Total comprehensive income for the year				5	2,708	2,713
Options			135		272	407
Dividends					-5,898	-5,898
Hybrid bond, interest (net of tax)					-2,463	-2,463
Other changes					47	47
<b>Equity on 31 December 2012</b>	<b>772</b>	<b>38,968</b>	<b>38,814</b>	<b>43</b>	<b>553</b>	<b>79,150</b>
Equity on 1 January 2013	772	38,968	38,814	43	553	79,150
Profit for the year					1,459	1,459
Other comprehensive income for the year						
Defined pension benefits					-103	-103
Currency translation differences				83		83
Total comprehensive income for the year				83	1,356	1,439
Share issue			877			877
Options			416		-388	28
Hybrid bond, interest (net of tax)					-2,508	-2,508
Redemption of hybrid bond			-29,000			-29,000
Issue of hybrid bond			15,000			15,000
Other changes					-125	-125
<b>Equity on 31 December 2013</b>	<b>772</b>	<b>38,968</b>	<b>26,107</b>	<b>126</b>	<b>-1,112</b>	<b>64,861</b>

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**STATEMENT OF CASH FLOW (IFRS)**

€ ('000)	1-12/13	1-12/12
<b>Cash flow from operations</b>		
Profit for the financial year	1,459	2,708
Adjustments	363	-240
<b>Cash flow before change in working capital</b>	<b>1,822</b>	2,468
Change in working capital	921	-6,875
Financing items and taxes	-5,708	-4,351
<b>Cash flow from operations</b>	<b>-2,965</b>	-8,758
<b>Cash flow from investments</b>	<b>26,792</b>	862
<b>Cash flow before financing</b>	<b>23,827</b>	-7,896
Dividends paid	0	-5,898
Other net cash flow	-13,448	-1,468
<b>Financial cash flow</b>	<b>-13,448</b>	-7,366
<b>Change in cash funds</b>	<b>10,379</b>	-15,262
Cash funds at start of the period	6,625	21,887
<b>Cash funds at end of the period</b>	<b>17,004</b>	6,625

## Segment information

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

<b>10-12/2013</b>	<b>Management Company business</b>			<b>Fund Investment business</b>	<b>Total</b>
	CapMan Private Equity	CapMan Real Estate	Total		
€ ('000)					
Turnover	4,694	1,843	6,537	0	6,537
Operating profit/loss	2,113	-23	2,090	-2,932	-842
Profit/loss for the financial year	658	-23	635	-3,047	-2,412
<b>10-12/2012</b>	<b>Management Company business</b>			<b>Fund Investment business</b>	<b>Total</b>
	CapMan Private Equity	CapMan Real Estate	Total		
€ ('000)					
Turnover	4,374	1,675	6,049	0	6,049
Operating profit/loss	-854	-175	-1,029	1,693	664
Profit/loss for the financial year	-1,142	-211	-1,353	1,761	408
<b>1-12/2013</b>	<b>Management Company business</b>			<b>Fund Investment business</b>	<b>Total</b>
	CapMan Private Equity	CapMan Real Estate	Total		
€ ('000)					
Turnover	22,628	7,146	29,774	0	29,774
Operating profit/loss	2,951	-150	2,801	546	3,347
Profit/loss for the financial year	1,673	-150	1,523	-64	1,459
Assets	7,326	301	7,627	80,248	87,875
Total assets includes:					
Investments in associated companies	0	0	0	9,583	9,583
Non-current assets held for sale	0	0	0	0	0

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1-12/2012	<b>Management Company business</b>			<b>Fund Investment business</b>	<b>Total</b>
€ ('000)	CapMan Private Equity	CapMan Real Estate	Total		
Turnover	20,529	6,775	27,304	0	27,304
Operating profit/loss	-1,401	-895	-2,296	4,899	2,603
Profit/loss for the financial year	-1,614	-931	-2,545	5,253	2,708
Assets	7,817	444	8,261	104,170	112,431
Total assets includes:					
Investments in associated companies	0	0	0	5,170	5,170
Non-current assets held for sale	848	0	848	0	848

### 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

The Board of Directors of CapMan Plc will propose a dividend of EUR 0.04 per share. No dividend was paid for 2012.



### Changes to the opening balance as of 1 January 2012

A mistake was noted in the valuation of investments in associated companies relating to the booking of interest receivables. The mistake has been corrected in earlier financial years as presented in the table below.

Balance sheet 1 Jan 2012	Previously reported figures	1. Change	2. Change	Revised figures
Investments in associated companies	8,347	-3,784	0	<b>4,563</b>
Deferred income tax assets	4,025	0	103	<b>4,128</b>
Equity	88,241	-3,784	-113	<b>84,344</b>
Deferred income tax liabilities	2,569	0	47	<b>2,616</b>
Post-employment benefits	0	0	169	<b>169</b>

### Non-current assets

€ ('000)	31.12.13	31.12.12
Investments in funds at fair value through profit and loss at Jan 1	<b>74,465</b>	70,167
Additions	<b>5,496</b>	6,333
Distributions	<b>-14,098</b>	-4,042
Fair value gains/losses on investments	<b>-1,741</b>	2,007
Investments in funds at fair value through profit and loss at end of the period	<b>64,122</b>	74,465
Investments in funds at fair value through profit and loss at the end of period	<b>31.12.13</b>	31.12.12
Buyout	<b>33,897</b>	39,562
Credit	<b>2,660</b>	3,647
Russia	<b>4,036</b>	4,202
Public Market	<b>5,296</b>	4,009
Real Estate	<b>7,345</b>	6,862
Other	<b>8,153</b>	11,833
Access	<b>2,735</b>	4,350
In total	<b>64,122</b>	74,465

## The Group's assets measured at fair value at 31 December 2013

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 a price) or indirectly (that is, derived from prices)

Level 3: Asset values that are 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 1 January		4,009	70,456	74,465
Additions		61	5,435	5,496
Distributions		-838	-13,260	-14,098
Fair value gains/losses on investments		2,064	-3,805	-1,741
at the end of period		5,296	58,826	64,122

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

Valuation of CapMan funds' investment targets is based on international valuation guidelines that are widely used and accepted within the industry and investors. CapMan always aims at valuing funds' investments at their actual value. Fair value is the best estimate for the amount at which an investment could be exchanged on a reporting date in an arm's length transaction between knowledgeable and willing parties.

The determination of the fair value of fund investments for funds investing in portfolio companies is done applying the International Private Equity and Venture Capital Valuation Guidelines ("IPEVG"), taking into account a range of factors, including the price at which an investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, and financing transactions subsequent to the acquisition of the investment. These valuation methodologies involve a significant degree of management judgment.

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.

Because there is significant uncertainty in the valuation of, or in the stability of, the value of illiquid investments, the fair values of such investments as reflected in a fund's net asset value do not necessarily reflect the prices that would actually be obtained when such investments are realised.



### Transactions with related parties (associated companies)

€ ('000)	31.12.13	31.12.12
Receivables - non-current at end of review period	0	18,721
Receivables - current at end of review period	51	691

### Non-current liabilities

€ ('000)	31.12.13	31.12.12
Interest bearing loans at end of review period	25,854	22,678

### Seasonal nature of CapMan's business

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

### Personnel

By country	31.12.13	31.12.12
Finland	65	71
Sweden	18	16
Norway	8	8
Russia	11	13
Luxembourg	1	1
In total	103	109

### Contingent liabilities

€ ('000)	31.12.13	31.12.12
Leasing agreements	5,131	6,885
Securities and other contingent liabilities	64,326	65,599
Remaining commitments to funds	30,305	22,456

#### Remaining commitments by investment area

Buyout	14,929	10,786
Credit	4,257	4,540
Russia	2,500	1,023
Public Market	1,349	1,059
Real Estate	2,664	813
Other	3,410	2,975
Access	1,196	1,260
In total	30,305	22,456



**Turnover and profit quarterly****2013**

<b>MEUR</b>	<b>1-3/13</b>	<b>4-6/13</b>	<b>7-9/13</b>	<b>10-12/13</b>	<b>1-12/13</b>
Turnover	6.8	9.7	6.7	6.6	29.8
Fees	6.4	7.3	6.6	6.6	26.9
Carried interest	0.4	2.4	0.1	0.0	2.9
Other operating income	0.0	0.0	0.0	0.2	0.2
Operating expenses	-8.4	-8.0	-6.5	-5.0	-27.9
Fair value gains of investments	3.6	0.3	-0.1	-2.6	1.2
Operating profit	2.0	2.0	0.2	-0.9	3.3
Financial income and expenses	0.2	-0.1	-0.2	-0.6	-0.7
Share of associated companies' result	0.5	-0.3	-0.4	-0.4	-0.6
Profit / loss before taxes	2.7	1.6	-0.5	-1.8	2.0
Profit / loss for the period	2.6	1.7	-0.4	-2.4	1.5

**2012**

<b>MEUR</b>	<b>1-3/12</b>	<b>4-6/12</b>	<b>7-9/12</b>	<b>10-12/12</b>	<b>1-12/12</b>
Turnover	6.7	6.5	8.1	6.0	27.3
Fees	6.7	6.5	6.3	6.0	25.5
Carried interest	0.0	0.0	1.8	0.0	1.8
Other operating income	0.0	0.2	0.0	0.0	0.2
Operating expenses	-7.5	-7.9	-7.7	-7.2	-30.3
Fair value gains / losses of investments	3.5	0.3	-0.3	1.8	5.3
Operating profit / loss	2.7	-0.8	0.0	0.7	2.6
Financial income and expenses	0.2	-0.3	0.4	-0.2	0.1
Share of associated companies' result	0.7	-0.1	-0.2	0.2	0.6
Profit / loss before taxes	3.6	-1.2	0.3	0.6	3.3
Profit / loss for the period	3.1	-1.1	0.3	0.4	2.7



## **APPENDIX 1: THE CAPMAN GROUP'S FUNDS UNDER MANAGEMENT AS OF 31 DECEMBER 2013, MEUR**

The tables below show the status of the funds managed by CapMan as of 31 December 2013. CapMan groups its funds into four categories in terms of their life cycle as follows: 1) Funds generating carried interest; 2) Funds in exit and value creation phase; 3) Funds in 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 active investment phase is likely to be realised over the next 5-10 years. The last 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 cumulate 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 (relevant especially 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.



## 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 31.12.2013	CapMan's share of cash flow if fund generates carried interest
			At cost	At fair value		To investors	To mgmt company		
Funds generating carried interest									
Fenno Program <sup>1)</sup> , FM II B, FV V, FM IIIB, CME VII B <sup>6)</sup>									
Total	314.5	308.8	25.4	16.4	4.1	504.3	22.1		10-20%
Funds in exit and value creation phase									
FM III A	101.4	100.6	18.4	19.3	0.4	128.2		2.8	20 %
CME VII A <sup>6)</sup>	156.7	156.7	44.2	24.0	6.4	204.5		14.3	15 %
CME Sweden <sup>6)</sup>	67.0	67.0	18.9	10.3	2.7	86.9		7.6	15 %
CMB VIII <sup>2) 6)</sup>	440.0	397.4	174.0	225.7	2.6	227.4		351.9	12 %
CMLS IV	54.1	57.2	35.5	28.7	0.1	18.1		60.9	10 %
CMT 2007 <sup>2)</sup>	99.6	77.6	33.5	31.0	1.0	44.6		64.1	10 %
CMPM	138.0	132.6	91.5	149.4	0.0	81.7		118.8	10 %
CMR	118.1	101.8	62.5	79.6	0.5	18.6		112.7	3.4 %
CMB IX	294.6	269.5	202.4	272.8	1.0	42.5		286.2	10 %
Total	1,469.5	1,360.4	680.9	840.8	14.7	852.5			
Funds in active investment phase									
CMM V	95.0	29.8	17.8	23.9	-0.1	13.1			10 %
CMB X <sup>2)</sup>	205.6	7.3	0.0	0.0	1.1	0.0			8 %
CMR II	97.2	13.8	11.3	11.3	0.3	0.0			8 %
Total	397.8	50.9	29.1	35.2	1.3	13.1			
Fund with no carried interest potential- for CapMan									
FV IV, FV VET, SWE LS <sup>3)</sup> , SWE Tech <sup>2), 3)</sup> , CME VII C <sup>6)</sup> , FM II A, C, D <sup>2)</sup> , FM III C, CMM IV <sup>4)</sup>									
Total	580.3	555.9	94.9	93.4	5.0	445.1			
Total-private equity funds	2,762.1	2,276.0	830.3	985.8	25.1	1,815.0	22.1		



## 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 31.12.2013	CapMan's share of cash flow if fund generates interest
			At cost	At fair value		To investors	To mgmt-company		
Funds in exit and value creation phase									
CMRE I <sup>5)</sup>									
Equity and bonds	200.0	188.5	63.2	40.9		207.8	27.4	77.2	26%
Debt-financing	300.0	276.6	70.5	70.5					
Total	500.0	465.1	133.7	111.4	2.2	207.8	27.4		
CMRE II									
Equity and bonds	150.0	120.0	114.7	116.9		28.4		157.5	12%
Debt-financing	450.0	289.2	223.8	223.8					
Total	600.0	409.2	338.5	340.7	-1.2	28.4			
CMRHE									
Equity and bonds	332.5	319.9	379.1	310.7		56.7		419.9	12%
Debt-financing	617.5	542.6	501.0	501.0					
Total	950.0	862.5	880.1	811.7	8.6	56.7			
PSH Fund									
Equity and bonds	5.0	3.5	3.6	7.1		1.5		2.8	10%
Debt-financing	8.0	8.0	7.7	7.7					
Total	13.0	11.5	11.3	14.8	0.0	1.5			
Total	2,063.0	1,748.3	1,363.6	1,278.6	9.6	294.4			
Funds in active investment phase									
CMNRE									
Equity and bonds	50.1	10.4	6.5	7.8		0.0			0%
Debt financing	74.9	0.0	0.0	0.0		0.0			
Total	125.0	10.4	6.5	7.8	-1.4	0.0			
Total	125.0	10.4	6.5	7.8	-1.4	0.0			
Real Estate funds total	2,188.0	1,758.7	1,370.1	1,286.4	8.2	294.4	27.4		





## 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 done applying the International Private Equity and Venture Capital Valuation Guidelines ("IPEVG," [www.privateequityvaluation.com](http://www.privateequityvaluation.com)), taking into account a range of factors, including the price at which an investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating performance, and financing transactions subsequent to the acquisition of the investment. These valuation methodologies involve a significant degree of management judgment.

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.

### 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 December 2013.
- 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 6 of carried interest 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.

- 6) CapMan Group's Board of Directors made a decision early 2012 to increase Buyout investment teams' share of carried interest to better reflect the 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, 1 JANUARY – 31 DECEMBER 2013

The operations of the private equity funds managed by CapMan during 2013 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 three key investment areas in the Nordic countries and one in Russia. These take the form of mid-size buyouts (CapMan Buyout), investments in mid-sized companies operating in Russia (CapMan Russia), mezzanine investments (CapMan Credit), and significant minority shareholdings in listed small and mid-cap companies (CapMan Public Market). The investment focus of CapMan's real estate funds is on properties in Finland and the other Nordic countries. CapMan also has two other investment areas (CapMan Technology and CapMan Life Science), which do not make new investments, but concentrate instead on developing the value of their existing portfolio companies. These two latter investments areas are reported under "Other" in Private Equity.

CapMan separated its mezzanine investments from CapMan Buyout during the review period and the investments are reported under "Credit." Due to the change in classification, fund investment activities for the quarter are not comparable with previous quarters where the reclassification has not been made.



## CAPMAN PRIVATE EQUITY

### Investments in portfolio companies in 2013

CapMan's funds made two new investments and a number of add-on investments in existing portfolio companies, totalling MEUR 66.0. The new investments were made by the CapMan Buyout IX fund in Acona Holding AS and by CapMan Russia II fund in MAYKOR Group. Add-on investments were largely concentrated in portfolio companies held by CapMan's Buyout funds. Funds made three new investments and several add-on investments valued at a total of MEUR 75.9 during the corresponding period last year.

### Exits from portfolio companies in 2013

Funds exited IT2 Treasury Solutions, Locus Holding AS, MQ Retail AB, Tieturi Oy, Cardinal Foods AS Ontime Logistics AS and, Noleva Group Oy, Nice Entertainment Group, Curato AS, Russia Baltic Pork ASA and SciBase AB completely and made a partial exit from Design-Talo, Solera AS and Intrum Justitia AB. Exits had a combined acquisition cost of MEUR 229.0. During 2012, funds made five complete and two partial exits from portfolio companies, with a combined acquisition cost of MEUR 104.0.

### Events after the close of the financial year

CapMan announced the first investments of CapMan Buyout X fund in January 2014. The fund agreed to acquire The North Alliance Group (NOA), a network focused on digital communication in the Nordic markets and Kämp Group, the leading luxury and lifestyle hotel chain in Finland.

The CapMan Russia fund exited Bank Europeisky in January 2014. The exit has no significant impact on CapMan's result or cash flow for 2014.

## CAPMAN REAL ESTATE

### Investments in and commitments to real estate acquisitions and projects in 2013

CapMan's real estate funds made two new investments in the financial year. Add-on investments were made in a number of existing developments, totalling MEUR 17.0. The new investments were made by the CapMan Nordic Real Estate fund in Silverdal I - an office building in Sollentuna in the Greater Stockholm area and a mixed residential & retail portfolio located in Amagerbrogade high street in Copenhagen, in which the fund made an add-on investment in October 2013. In addition, real estate funds were committed to provide financing for real estate acquisitions and projects totalling MEUR 12.0 as of 31 December 2013. In 2012, CapMan's real estate funds did not make any new investments, but funds made a number of add-on investments totalling MEUR 29.8, while commitments to finance new projects totalled MEUR 10.0 as of 31 December 2012.

### Exits from real estate investments in 2013

Real estate funds exited As. Oy Kalevankatu 36 in the financial year. The property had an acquisition cost of MEUR 0.3. Real estate funds made one exit in the previous year with an acquisition cost of MEUR 60.8.



## FUND INVESTMENT ACTIVITIES IN FIGURES

### Investments and exits made by funds at acquisition cost, MEUR

	1-12/2013	1-12/2012
<b>New and add-on investments</b>		
Funds investing in portfolio companies	66.0	75.8
Buyout	39.2	36.1
Credit	2.5	6.3
Russia	15.0	20.5
Public Market	0.0	0.2
Other	9.3	12.7
Real estate funds	16.9	29.8
<b>Total</b>	<b>82.9</b>	<b>105.6</b>
<b>Exits*</b>		
Funds investing in portfolio companies	229.0	104.1
Buyout	169.4	88.1
Credit	9.0	0.0
Russia	10.6	0.0
Public Market	8.9	1.4
Other	31.1	14.6
Real estate funds	0.3	60.8
<b>Total</b>	<b>229.3</b>	<b>164.9</b>

\* 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 12.0 as of 31 December 2013.

### Funds' combined portfolio\* as of 31 December 2013, MEUR

	Portfolio at acquisition cost	Portfolio at fair value	Share of portfolio (fair value) %
Funds investing in portfolio	830.2	985.7	43.4
Real estate funds	1,370.1	1,286.4	56.6
<b>Total</b>	<b>2,200.3</b>	<b>2,272.1</b>	<b>100.0</b>
Funds investing in portfolio			
Buyout	517.6	635.2	64.4
Credit	17.8	23.9	2.4
Russia	73.8	90.9	9.2
Public Market	91.5	149.4	15.2
Other	129.5	86.3	8.8
<b>Total</b>	<b>830.2</b>	<b>985.7</b>	<b>100.0</b>

\* 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 740 for new and add-on investments as of 31 December 2013. Of their remaining capital, approx. MEUR 446 was earmarked for buyout investments (incl. mezzanine investments), approx. MEUR 68 for investments by the Credit team, approx. MEUR 62 for technology investments, approx. MEUR 6 for life science investments, approx. MEUR 121 for investments by the CapMan Russia team, and approx. MEUR 37 for investments by the CapMan Public Market team. Real estate funds had a remaining investment capacity of approx. MEUR 174, which has been reserved for new investments and for the development of funds' existing investments.



## 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 the management and tenants. Value creation is based on promoting companies' sustainable growth and strengthening their strategic position. Private equity investment is of a long-term nature – investments are held for an average of four to six years and the entire life cycle of a fund is typically around 10 years. Over the long term, private equity funds have generated significantly higher levels of returns compared to other investment classes<sup>11</sup>, and the industry's long term prospects are favourable. By investing in CapMan, institutional and private investors can benefit from the profit potential of the private equity industry while diversifying their exposure.

The Group has two operating segments: 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. Other services, such as the Purchasing Scheme (CaPS) and accounting services, also generate fees for CapMan. 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.

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<sup>11</sup> Bain & Company, Global Private Equity Report 2013

