



Annual Report 2018

CapMan

Contents

CapMan today	3
CEO's review	4
CapMan's business portfolio	6
Highlights in 2018	7
Private Equity: Growth	9
Private Equity: Buyout	11
Real Estate	13
Infra	15
Services: CaPS	17
CapMan's societal footprint	19
Corporate Governance Statement 2018	21
Board of Directors	28
Management Group	30

Report of the Board of Directors 2018	33
Key Figures	39
Calculation of Key Ratios	44
Financial Statements	45
Group Statement of Comprehensive Income (IFRS)	46
Group Balance Sheet (IFRS)	47
Group Statement of Changes in Equity (IFRS)	48
Group Cash Flow Statement (IFRS)	49
Notes to the Consolidated Financial Statements	50
Parent Company Income Statement (FAS)	93
Parent Company Balance Sheet (FAS)	94
Parent Company Cash Flow Statement (FAS)	95
Notes to the Parent Company Financial Statements (FAS)	96
Signatures to the report of the Board of Directors and financial statements	103
The Auditor's Note	103
Auditor's Report	104
Shares and shareholders	108
Information for shareholders	110

Founded
1989

More than
200
institutional investors

120
private asset
professionals

Offices in
6
countries

Assets under
management over
3.0
bn €

More than
110
portfolio companies,
real estate and
infra assets



CapMan **today**

CapMan is a leading Nordic private asset expert with an active approach to value creation. We offer a wide selection of investment products and services. As one of the Nordic private equity pioneers, we have developed hundreds of companies and real estate assets and created substantial value in these businesses and assets over the past 30 years. CapMan employs today approximately 120 private equity professionals and has over €3 billion in assets under management.

Our objective is to provide attractive returns and innovative solutions to investors. We have a broad presence in the unlisted market through our local and specialised teams. Our investment strategies cover Private Equity, Real Estate and Infra. We also have a growing service business that currently includes procurement services, fundraising advisory and fund management services.

CapMan's share provides an opportunity to benefit from the value development of unlisted companies, real estate and infrastructure. Private assets and alternative investments are an attractive asset class and investors can access a diversified portfolio of private assets investment strategies in a liquid manner through CapMan's share.

Learn more: www.capman.com

30 years of building value **CapMan is a versatile private assets expert**



CapMan's business has continued to grow during 2018 and is increasingly versatile. Fee-based income grew by more than 20% and fee-based profitability grew by more than 100%. We continued to renew CapMan and the year was very eventful. We are building CapMan into a leading Nordic private assets expert.

The positive financial development follows a successful completion of recent growth initiatives. During the last 18 months, we have established a Growth fund, two new Real Estate funds and one new Infra fund. In addition, we have completed several investment mandates. During the year, we have raised more than €500 million in new capital under management and expanded our service business. We completed 20 new investments and 15 exits last year and many of our funds demonstrate top quartile performance.

Increased demand for private assets

The diversification of our business reflects the growing demand for unlisted investments. Our customers wish to increase their allocation to private assets, which include investments in real estate and infrastructure in addition to traditional private equity. Simultaneously, many investor segments have so far had limited access to private assets. By expanding our product portfolio to include e.g. more open-ended products, we are able to better serve new investor categories.

Infrastructure becomes a new cornerstone

Our recent infrastructure investment initiatives are an example of our expansion into new business areas. During 2018, the Infra team grew by several new investment professionals, completed their first investments and established a fund, which already exceeds €140 million. The fund that invests in Nordic mid-market energy, transport and telecom infrastructure has gained a lot of traction and achieved a first close quickly. Nordic infrastructure investing resonates with international investors and we believe that the fund's investor base will broaden further in 2019. The team recently received a mandate from large Korean investors to invest in a major Swedish wind park, demonstrating the confidence that international investors have in the team and in CapMan.

Real estate investing becomes more diverse

CapMan has one of the largest real estate investment teams in the Nordics, which enables us to serve investors on a broad scale. We have continued to develop various real estate strategies over the past year. Nordic Real Estate I and II funds deploy a value-add strategy by investing mainly in Nordic office, retail and residential real estate. Another example of our versatile approach is our

co-operation with BVK, Germany's largest pension insurance company, since 2016. At the end of 2018, we expanded our mandate from BVK to invest in residential real estate in the Nordics.

Other real estate investment strategies have also developed favourably. Nordic Property Income fund is an open-ended fund investing in stable income generating properties in the Nordic countries. The fund grew and made new investments in Finland, Sweden and Denmark. The cashflow-focused Hotels fund has new and extended leases in its portfolio.

An active transaction year for Growth and Buyout funds

Funds investing in portfolio companies also had an eventful year. The Growth fund completed its first exit, the sale of Salesforce solutions provider Fluidio to a global technology company. The exit was very successful to all fund investors, of which CapMan is the largest with an approx. 30% stake in the fund. The fund also made three new investments in Finnish growth companies. Our Buyout funds benefited from the positive developments in the capital markets in the beginning of 2018 and successfully exited several companies. The most recent Buyout fund, established in 2012, has to date already exited four of the fund's original 11 investments.

"The positive financial development follows a
successful completion of recent growth initiatives."

The service business is growing

The service business grew as planned during the year. CapMan's procurement service CaPS grew both in Finland and in Sweden as a result of larger procurement volumes and new member companies. Scala Fund Advisory successfully completed several international fundraising projects. We continue growing our service business in the upcoming years.

Stock market turbulence impacted the trading portfolio

Despite the positive development in our core business, our earnings per share in 2018 were lower compared to the previous year. This was mainly due to increased uncertainty in the capital markets especially in the last quarter of the year, which had a

negative impact on the value of our trading portfolio. We have sold down our trading portfolio by approx. €35 million in 2018. Our objective is to hold approx. 80% of our investments in private assets and the remainder in liquid instruments.

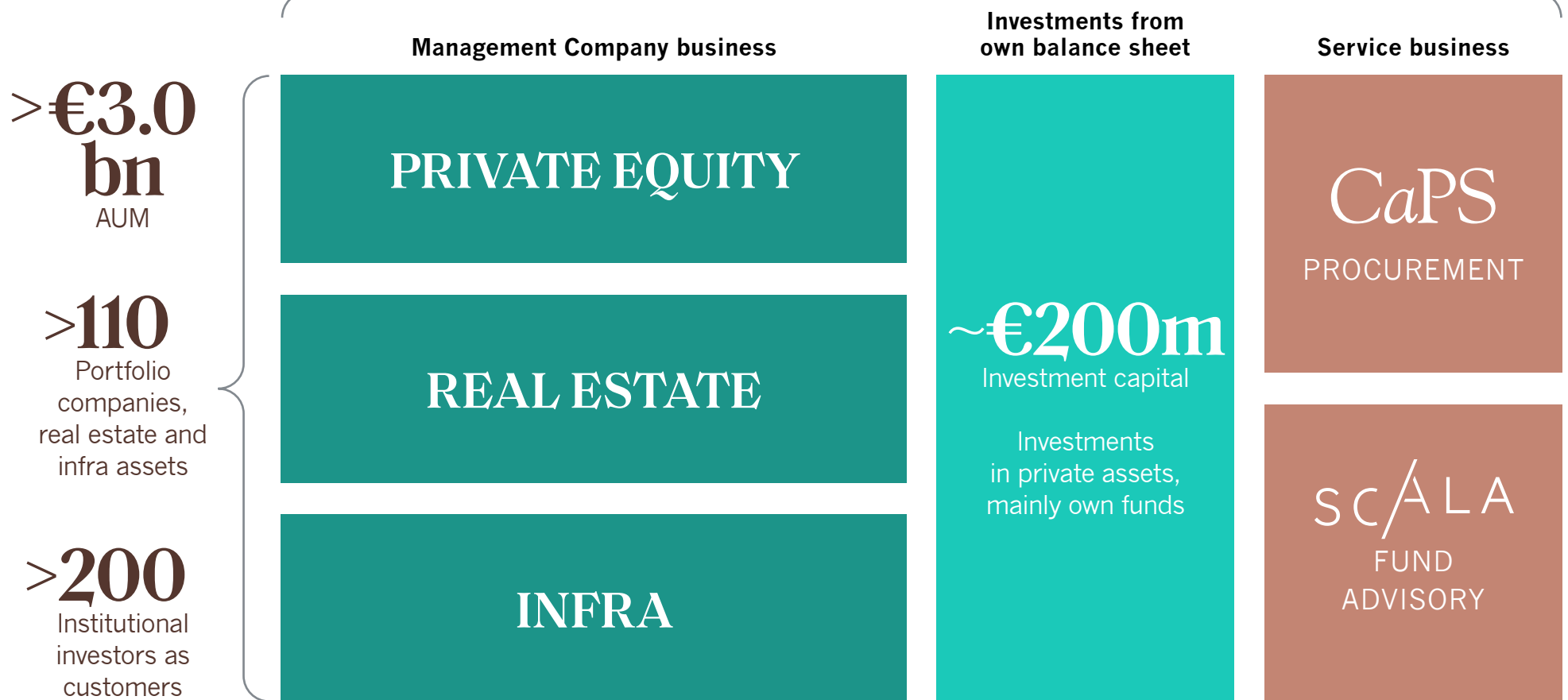
30 years of building value

CapMan turns 30 in 2019. When we started our business in 1989, the world was less open and more linear. Today, fund investors, buyers of our portfolio companies and real estate and portfolio company customers are increasingly international. A single investment decision can have widespread consequences. As a result, we rely increasingly on our values as the foundation for our operations. We are an active owner with strong ethics, dedicated to entrepreneurial development and growth. We build value for our shareholders, our customers, our portfolio companies and their stakeholders, our real estate tenants, and society as a whole.

Joakim Frimodig, CEO

CapMan's Business portfolio

CapMan



Highlights in 2018

CapMan established its first infrastructure fund and completes investments

CapMan Infra has established its first fund investing in Nordic infrastructure companies. The fund has already raised €140 million from a broad investor base. CapMan is also a significant investor in the fund. The Infra team executed a €70 million managed account investment in Elenia, a Finnish electricity network and district heat company, together with a Finnish investor consortium. The team also received a mandate from large Korean investors to invest in a Swedish wind farm. The investment was completed in January 2019.

BVK mandate expands

Besides CapMan's own fund investment operations, CapMan Real Estate has continued the successful co-operation with Bayerische Versorgungskammer (BVK), Germany's largest public pension fund group. Based on its extensive mandate, CapMan acts as an advisor to the BVK fund and manages investments in the Nordic countries. At the end of 2018, CapMan implemented a significant acquisition of a residential portfolio in Finland, that doubled the investment volume of CapMan's mandate from BVK to €820 million.

GROWTH
IN FEES

22%

A very successful first exit from the CapMan Growth fund

In September, CapMan Growth fund, established in 2017, sold its share in Fluidio, a leading Salesforce partner, to global technology company Infosys. The transaction returned capital approx. fivefold to investors. Together with the company's founders, management and personnel, the Growth team has grown the company's turnover fivefold during its ownership following strong increase in domestic sales and internationalisation of operations.



GROWTH IN FEE-BASED
PROFITABILITY*

108%

* Fee-based profitability includes Management Company and Service business operating profit less carried interest and any items affecting comparability.

An active year for real estate investing

The Real Estate team has continued its Nordic activities deploying three separate strategies. The funds have completed nine new investments and nine exits in total. CapMan Nordic Real Estate II fund established in 2017 is close to 70% invested and value creation for the predecessor fund Nordic Real Estate I has continued strong in 2018. The latest addition to the product family, CapMan Nordic Property Income fund, has grown during the year following new subscriptions. The fund has made several investments in the Nordic countries in accordance with its strategy.

The Hotels fund has strengthened co-operation with its tenants and signed new leases. Lease maturities were extended to an average of 19 years and the portfolio composition improved following select exits.

NUMBER OF SHAREHOLDERS
16,000 (2017)

→
18,000

CapMan Buyout introduces Harvia to the stock market

Capman Buyout's portfolio company Harvia's initial public offering was completed in March. During the year, Buyout-funds have exited five companies in total and value creation in the most recent Buyout X fund is proceeding well. The fund has already returned 80% of all invested capital to investors.

Service business grows

Both procurement service CaPS and fundraising advisory Scala have grown significantly in 2018. During the year, Scala has completed several assignments and reinforced its position among both its domestic and international client base. CaPS has continued to expand its operations by growing its member network, adding new procurement categories and expanding its footprint in Sweden. To reflect the growing importance of services, CapMan changed its segment reporting in March and now reports service businesses as a separate segment.



New dividend policy and updated financial objectives

CapMan renewed its dividend policy in August and updated its long-term financial objectives. CapMan's objective is to distribute an annually growing dividend to its shareholders. The combined growth objective for the Management Company and Service business is more than 10% p.a. on average. The return on equity target is more than 20% p.a. on average. The objective for the equity ratio is more than 60%.

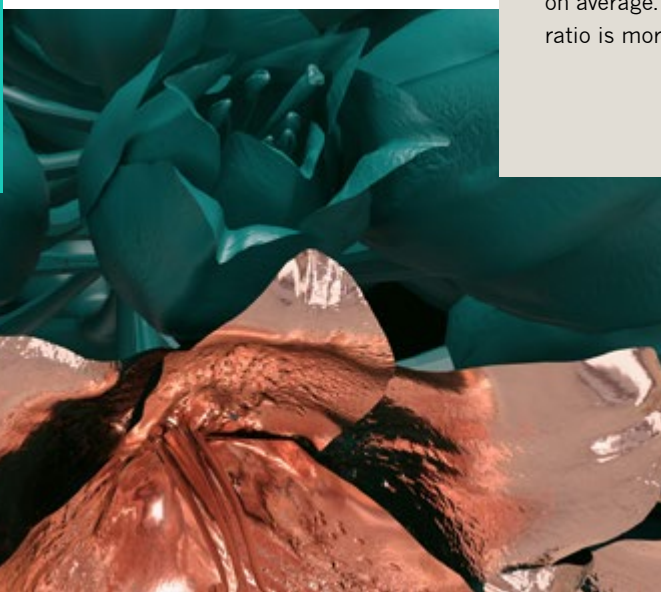


CapMan concentrates own investments in private assets

In line with its strategy, CapMan allocates more of its investments from its own balance sheet to private assets, mainly its own funds. At the end of 2018 49% of the invested capital was in the private equity asset class. The objective is to hold 80% in private assets.

AVERAGE NUMBER
OF EMPLOYEES

113 (2017) → **117**



DIVIDEND PROPOSAL FOR 2018
(€0.11/share (2017)) →
€0.12/share


PRIVATE EQUITY: GROWTH

Flexible minority investments

Within a short time frame, the five-strong Growth team has developed its growth company-focused fund into a core constituent of CapMan's product portfolio and investment business income.

CapMan's growth investment story began as direct growth investments became part of CapMan's portfolio following the acquisition of Norvestia. At the end of 2017, operations continued following the establishment of an €86 million Growth fund. The fund has made minority investments in growth companies with excellent results: In 2018, the value of the portfolio had increased by more than 27%. The overall success of all Growth investments across the board has been a particularly positive development over the fund's lifespan.

The Growth team's strategy was tested in the successful exit of Fluido. Fluido's accomplishments were underpinned by the growth in Salesforce technology combined with a rapidly established market leadership position in the Nordics and an excellent management team. The exit returned invested capital to investors approximately fivefold.



Investment Manager Anna Tynkkynen and Analyst Robin Tallberg participate in portfolio value creation.

Growth investments occupy the zone between Venture and Buyout

The Growth team focuses on companies, which have evolved beyond the high-risk start-up phase and require capital and expertise in their next growth stage.

– *Our activities spur strong growth and know-how for the benefit of the society as a whole: nine of our portfolio companies have recruited more than 4,000 employees in the past five years*, says Juha Mikkola, Managing Partner of Growth.

The portfolio companies of the Growth fund represent the finest of Finnish growth-driven entrepreneurship. Last year, the fund completed three new investments

in Arctic Security, a cyber security specialist; RealMachinery, a full-service machinery company; and Avidly, Europe's leading HubSpot service provider. In addition, the Growth fund made a significant add-on investment in Digital Workforce, an Intelligent Process Automation services and AI solutions developer.

In contrast with Venture investors, Growth does not take on technology risk, but instead invests in tested products and services with an established customer base and significant turnover. Although Growth is a minority investor, the team is capable of making larger investments with equity stakes ranging between €15 million and €2 million. Generally, the amounts grow larger if Growth acquires shares from existing owners.

Juha continues: – *Our portfolio companies currently generate everything between €120 million and less than €5 million in turnover. Although they vary significantly in size, the common denominator for all of them is a desire to continue rapid growth also in the future.*

Focus on growth, co-operation and culture

Growth follows a well-rounded recipe for success with three main ingredients: growth, co-operation and culture. Growth opportunities and ambitions are central when assessing potential investments. The company must operate in a sufficiently large market in order to develop services and solutions in its home markets as well as internationally. The growth strategy can be implemented either organically or through acquisitions. Industry or size is of secondary importance as the most critical factor is the Growth team's ability to grow the company into a category leading business.

A second important aspect for success is co-operation. All investors work in a slightly different manner and while the company assesses its investors, Growth also assesses the company management and their expertise. The skilled investor and advisory network, which includes successful entrepreneurs and investment professionals with vast experience from developing similar growth companies, supports the Growth team in its analysis. Growth is an active minority investor working through the Board of

Directors of its portfolio companies, but the most critical value-add is created outside the boardroom.

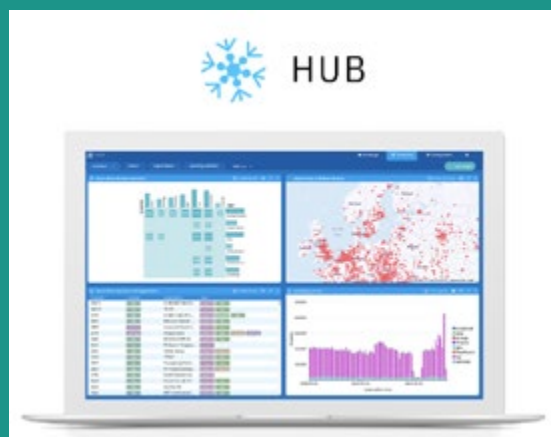
Juha explains: – *Our team and network are prepared to invest our combined know-how into securing the success of the company, although we leave the decision-making to the entrepreneur.*

The third ingredient is culture, comprising portfolio company culture, investment team culture and fund investor culture. A healthy company culture is an enormous asset, which helps steer the entire organisation towards common goals. Analysing the team of a potential portfolio company is especially important when selecting investments, as functioning businesses are built around good teams. Culture that fosters growth and development is built from within, which emphasises the role of the entrepreneur.

– *If the team is selected correctly, it is easy to trust the entrepreneur's vision and instinct*, says Juha.

Although the building blocks are similar, every growth company is unique. Therefore, flexibility is important when assessing investment options. Entrepreneurs can conduct a partial exit and realisation of already created value by selling shares held by current owners, issuing new shares, or combining these options based on needs. At the same time, the Growth team provides an opportunity for the company to start a new growth phase together with a strong partner.

The Growth fund made a minority investment in Arctic Security, a company focusing on cyber security.





CapMan Buyout's portfolio company Harvia was listed on Nasdaq Helsinki in March 2018. The initial public offering was oversubscribed.

PRIVATE EQUITY: BUYOUT

Expert in majority investments

2018 has been a successful year for Buyout. In the renewed Buyout team, solid experience meets the new generation.

CapMan is best known for majority investments, in other words buyouts, that the company has executed in the Nordic countries for 30 years. During the past year, the Buyout team has gone through a generational change. The team has renewed its profile and developed its expertise internally. Professionals with long experience have handed over opportunities to new talents and key team members have been made into new partners. The collective experience of these professionals gives rise to new initiatives in the field of buyouts.

Extensive experience combined with new leadership is demonstrated in Buyout's way of creating value for portfolio companies. Pia Káll, Managing Partner in charge of Buyout for two years, comments: – *The focus has shifted from transactions towards value creation, in which the strategy development and its implementation in portfolio companies plays a key role. We are even more focused on operational expertise, and our team has experience from various sectors.*

“The focus has shifted from transactions towards value creation”

The new profile is also strongly visible in the results of portfolio companies. During the past year, portfolio company turnover in the newest Buyout fund has increased 21% and gross profit has grown 15%. Recent exits from the fund exits have more than doubled the capital returned to the investors and the internal rate of return was 27% for exits made in 2018.

Strong business culture as a key to success

Buyout has emphasised the importance of business culture over the years. A successful business culture is customer and sales focused, embraces a strong entrepreneurial spirit and values a goal oriented approach. This manifests in the selection of portfolio companies as well as in the value creation phase of the company during the investment period. An excellent example of a

strong business culture is Buyout's portfolio company Forenom, which is a leading serviced apartment provider in the Nordic region. Forenom's positive and proactively customer-oriented approach is also reflected in the result of the company.

The new generation of leaders recognises business culture as a key component in value creation and also measures its effects. The Buyout team has analysed the significance of culture on value creation in portfolio companies, and the impact has been substantial. In the latest 30 investments, a successful business culture combined with solid growth in the gross margin increased gross income by 55% compared to all investments. By comparison, investments that demonstrated a steady gross margin growth but lacked a strategy supporting a strong business culture, ended up with lower results on average.

Creating Nordic prosperity

Investments in portfolio companies are also investments in the growth of society and jobs. During the last 10 years, every one million euros invested in a Buyout fund has generated 10 full-time jobs.

The Buyout team operates locally in Helsinki and Stockholm, which enables the utilisation of local networks, sourcing of new portfolio companies and recruitment of key professionals. The Nordic network also provides support with the internationalisation of target companies.

– Our Nordic heritage is an important part of our identity but also a differentiating factor, Pia says.

Buyout supports internationalisation

During 2018 the Buyout funds exited five target companies. The most noteworthy transaction was the listing of the Finnish sauna and spa company Harvia on the Helsinki Stock Exchange. Harvia's domestic growth story is an excellent example of how the Buyout team facilitates the internationalisation of operations. In addition to being an essential part of Finnish everyday life and culture, the sauna experience is receiv-

ing a lot of international attention. Wellness products and concepts related to sauna are in high demand around the world, and thanks to private equity Harvia has been able to meet this demand.

Other exits during the year were Walki, a technical packaging material and laminate manufacturer; The North Alliance, a consortium of Nordic communications and advertising agencies; Infocare, a Nordic ICT producer; and MPT, which serves clients in the welding, steel and foundry industries.

The Buyout team is assembled, the tenth Buyout fund portfolio is in a good value creation and exit stage and the team's focus is clear. The outlook for 2019 is promising.



CapMan Buyout exited five portfolio companies in 2018, among others the Pan-Scandinavian design, communications, and technology consortium The North Alliance.



REAL ESTATE Value creation through hands-on asset management

CapMan Real Estate is a Nordic real estate investor that counts on local expertise and market knowledge. The entrepreneurial team endorses open dialogue, which creates a solid foundation for strong performance over market cycles.

Real Estate is an active asset manager that adds value to its investments through hands-on asset management such as targeted redevelopment, change of use, leasing, repositioning, and optimising the expense and capital structure of an asset.

The Nordic property market is highly heterogenic and cyclical requiring in depth market knowledge from an investor. Having a thorough understanding of the local property market such as knowing the characteristics and key value drivers of each market segment is a prerequisite for making realistic underwriting assumptions for new investments. Accordingly, Real Estate has offices in its core markets in Finland, Sweden and Denmark.

CapMan's team of more than 30 real estate professionals is one of the largest investing in real estate in the Nordic countries.

Funds focused on active value creation

Real Estate's value-add funds provide strong risk-adjusted returns to investors by investing in assets that typically provide both in-place income and significant capital appreciation potential obtainable through active asset management.

CapMan Real Estate's first Pan Nordic value-add fund was launched in 2013. The €273 million fund made 22 investments across the four Nordic countries. By the end of 2018, 10 investments had already been exited returning 71% of the total invested capital. Mika is extremely pleased with the fund's performance: – *CapMan Nordic Real Estate I is outperforming its original targets with a clear margin both on a mark-to-market and forecast basis. There are still some ongoing value-add works to be finished up in the remaining assets, but we expect the fund to be fully divested by the end of 2022.*

Real Estate launched its second Pan-Nordic value-add fund in August 2017. The €425 million CapMan Nordic Real Estate II was oversubscribed 1.5 times over its original target size, demonstrating the trust institutional investors have in the team. By the year-end 2018, the fund had done more than 10 investments in Sweden, Denmark, and Finland. 68% of fund's equity has already been committed providing the investors with a good visibility of the portfolio composition at an early stage of the fund. Fundraising for the third value-add fund will

commence once 75% of equity raised for the previous fund has been called.

– *If the current investment pace continues, we expect to start raising funds for the next value-add fund by the end of 2019, says Mika.*

Cash flow is king in income strategies

Real Estate also manages funds that invest in assets with a lower risk profile where yields are based mainly on strong and predictable rental income. The latest new investment product in this fund category is a 2017-established Nordic Property Income Fund, which is an open-ended fund (non-UCITS) investing in income generating commercial properties in the largest and



CapMan Nordic Real Estate II fund acquired a former light industrial property in the Carlsberg Redevelopment District to be converted into modern office space.

most liquid Nordic cities. The fund made four new investments across the Nordics during 2018, and the team believes that the size of the fund will exceed €200 million of equity in the coming year.

Another income focused fund is CapMan Hotels Real Estate, which was established in 2008. The €333 million fund has 32 assets in Finland and Sweden. The fund's lease portfolio is very strong based on long-term co-operation with tenants and properties. Real Estate has recently prolonged 11 leases in the fund with Scandic Hotels Group and Lapland Hotels, thereby extending the weighted average lease length of the portfolio to over 19 years. In addition, all leases now include a turnover-based rent component, in addition to the fixed mini-

imum rent. Real Estate continues adding value to the assets through targeted investments, seeking additional building rights enabling redevelopment of existing sites, and pursuing new hotel concepts with operators. The fund sold seven non-core assets in 2018 in accordance with its updated strategy.

Mandates as a service concept

In addition to discretionary funds with multiple investors, Real Estate serves institutional investors through segregated investment mandates. In 2016 Real Estate won a mandate from Bayerische Ver-

sorgungskammer (BVK), Germany's largest pension scheme group, to invest in residential real estate across the Nordics. The fund's gross asset value increased to over €800 million when it acquired a 37-asset, residential portfolio in Finland at the end of 2018. Real Estate continues to seek suitable investments to the mandate across the largest cities in the Nordics. Mika sees future potential in expanding the mandate with BVK, or signing new investment mandates in the future: – *Our institutional approach to making and managing investments coupled with our local market knowledge and expertise is something that our clients really value. As a Pan-Nordic core residential mandate did not overlap with any of our existing fund products, we were able to take on this mandate with BVK. Furthermore, we are continuously looking for new ways to serve our growing, global customer base, and we believe that the number of segregated investment mandates will grow in the future.*

Real Estate's investment themes and geographic focus are supported by prevailing megatrends, such as accelerating urbanisation and changing demographics.

– *The capital regions in Nordic countries continue to benefit from increasing urbanisation and net migration. Also, many large infrastructure projects are currently moulding the capitals and creating attractive opportunities for investors. The Nordic property market is full of value creation opportunities for an active real estate investor, Mika concludes.*



INFRA

Responsible ownership in Nordic infrastructure

2018 was a pivotal year for Infra, the most recent investment area at CapMan. The core investment team was formed, the business made its first investments and the team celebrated a first close for the maiden infrastructure fund.

Infra invests in essential energy, transportation and telecommunication infrastructure in the Nordic countries. Essential infrastructure could, for example, mean energy generation and distribution infrastructure, i.e. district heating networks, electricity networks, heat or electricity generation plants. Ville Poukka, Managing Partner at Infra and a recent addition to CapMan's management team, explains: – *The common denominator for our investments is that they are asset heavy companies with stable cash flow and monopolistic characteristics in their business, which often means captive demand in certain geographic regions or sites where client relationships are based on long-term contracts, concessions or regulation. So far, we have invested in district heating and electricity distribution networks in Finland and wind parks in Sweden.*

CapMan Infra completed its second investment on behalf of Korean investors in a large onshore wind farm in Sweden.

Strong interest from international investors

CapMan is a leading Nordic private assets house with a strong midcap and value creation focus in its home markets. This is also the vision for Infra and highlighted by the fundraising of the midcap infrastructure fund, CapMan Nordic Infrastructure I, focusing on core / core+ brownfield infrastructure investments in energy, transportation and telecommunication in the Nordic countries. The fund reached its first close in October and received more than €140 million in investor commitments by the end of 2018. The fundraising process to reach the first closing was relatively quick and based on strong investor interest for the local and active value creation strategy. The strongest investor interest initially came from CapMan's

core investor base of Finnish institutional and pension investors. Ville is optimistic regarding fundraising going forward: – *Fundraising will continue for most of 2019 with an expected increasing appetite from international institutional investors and family offices. A niche midcap strategy focusing on infrastructure investing in the stable Nordic countries with strong local presence and sector knowledge seems to be especially appealing to many European and Asian investors.*

An active year

Last year was extremely exciting in terms of development and growth also beyond the establishment of the fund. The team made its first investment, which was a mandate deal to invest €70 million in the leading Finnish electricity network and district heating

Infra recognises its responsibility of being a trustworthy and ethical owner:

“Our ambition is to improve and create value for society, including investors and customers.”

company Elenia. The team also worked on the investment in a major wind park development in Sweden in a mandate deal for Korean NHIS and NH-Amundi, which was closed and announced in early 2019. Besides working on occasional mandates, the team was busy developing a strong deal pipeline for the midcap infrastructure fund, expecting the first investments for the fund to materialise in 2019.

Infra is present in its core markets with a Nordic investment team located in Stockholm and Helsinki. The team consists of infrastructure professionals with experience from Nordic leading investment banks, international infrastructure investors and senior operational experts from energy and transportation sectors. Operational experience from team members that have led successful infrastructure businesses in the energy and transportation sectors also counts.

Responsible practices at the core of operations

Infra strives to support the development and growth of Nordic infrastructure companies through channelling private capital from institutional investors to situations where asset owners want to reallocate their resources to their other businesses or sectors. This could mean a company focusing its investments to its core manufacturing operations instead of passive infrastructure in the industrial site, or a municipality releasing capital from its energy company holdings to finance a new school or a nursing home.

Infrastructure companies in energy, transportation and telecommunications are deeply embedded in the local society, regulated and under strict public scrutiny – often also with municipal or governmental ownership. Infra recognises its overriding responsibility of being a trustworthy and ethical owner to these critical infrastructure assets. In practice this means careful scrutiny of all investments from a financial, environmental and societal perspective.

Ville describes his team's mission: – *Our ambition, together with the employees in our portfolio companies, is to improve and create value for society including our investors and our customers. In practice, this might mean sustainable and high-quality heating, electricity distribution or transportation services to the public, for example.*

CapMan Infra lead a Finnish investor consortium to invest €70 million in a managed account solution in Elenia.





Procurement best practices are achieved through co-operation and a constant drive to excel.

SERVICES: CAPS

Procurement as a service concept

Product and service procurement outside the core business and indirect spend are a necessary evil in many companies. It is usually carried out alongside more strategic operations without further passion and objective. This very challenge was noticed in CapMan's portfolio companies. But what happens if efficient and resolute procurement becomes a service?

This discovery is crystallised in the business idea of CapMan's CaPS Procurement Services. Maximilian Marschan, the founder of CaPS, noted a weak link in many businesses and started to create a procurement-centred service concept. Maximilian has highlighted the importance of providing a value-add service since the beginning: – *The members, our customers, are central to our concept. It is not just about achieving cost advantages but also easing the whole procurement process and making it more efficient.*

In practice, CaPS consolidates the member companies' indirect procurement (e.g. IT services, transportation and travelling) and carries out tenders. At the end of a tender CaPS selects one supplier together with its member companies to serve all

members. There are over 90 recognised indirect procurement sectors and 82 tendered categories in Finland and 53 in Sweden. High volumes generate favourable pricing and delivery terms that otherwise would be out of reach for an individual company. For the supplier partners, in turn, the network brings new customers and a chance to offer service and product concepts to a wider customer base in an exclusive and secure environment.

CaPS and the community around it have grown fast in recent years. At the end of the year, there were 80 member companies in Finland and 51 in Sweden. The procurement volumes increased 22% in 2018 to reach €180 million in total, which is impressive because the business was built from scratch nine years ago. In addition to solid domestic growth, CaPS has focused on growth in Sweden during the last year. The Swedish market still offers many possibilities, and the team is considering launching the successful service concept to other Nordic countries.

Broad service offering as a competitive advantage

Besides remarkable savings, a CaPS member company receives a tool kit for comprehensive contract management and savings monitoring, as well as a turnkey Employee Benefit Scheme to develop member companies' employee satisfaction. Every CaPS member has access to all available

contracts with price and delivery terms. The service also includes a summary of potential savings that a company can achieve by introducing new contracts. CaPS has invested a lot in the development of the new reporting tool in order to serve its members and suppliers as comprehensively as possible and in a user-friendly manner.

Networking, development of best practices and exchanging ideas is a big part of the CaPS concept. The members meet each other in events organised by CaPS. Maximilian highlights the power of having a strong network: – *While we pool procurement for member companies, we can also utilise the network for philanthropic efforts. For the fifth year in a row, together with our network, we have raised funds for children and young people at risk of social exclusion through the Tukikummit Foundation. Over the years, donations through CaPS have exceeded 600,000 euros! In 2018, the campaign raised more than 110,000 euros from a total of 75 companies in our network.*

Environmental responsibility

Due to high procurement volumes, CaPS provides its members with solutions that help companies reduce their environmental load. A new project of CaPS is to map and report suppliers' carbon emissions. So far, we have compiled information from about 20 suppliers and the member companies are finding the increased transparency very positive. Maximilian sees the new reporting as merely the beginning: – *Our goal is to pro-*

vide our suppliers with the correct tools to track and calculate their carbon footprint, follow the development of emissions as a service to our member companies and utilise suppliers' data as a part of procurement criteria. By creating the demand, we can together encourage our partners towards lowering emissions and developing environmentally friendly solutions.

CaPS relies on teamwork

Successful fast-paced services are a result of a carefully constructed team. CaPS team members share a common value system, internally referred to as the right mental attitude, which means that all decisions are always made from the customers' and suppliers' points of view and that the service is as responsive and comprehensive as possible. The customer satisfaction surveys speak for themselves, as CaPS constantly reach over 9 points on a 10-point scale.

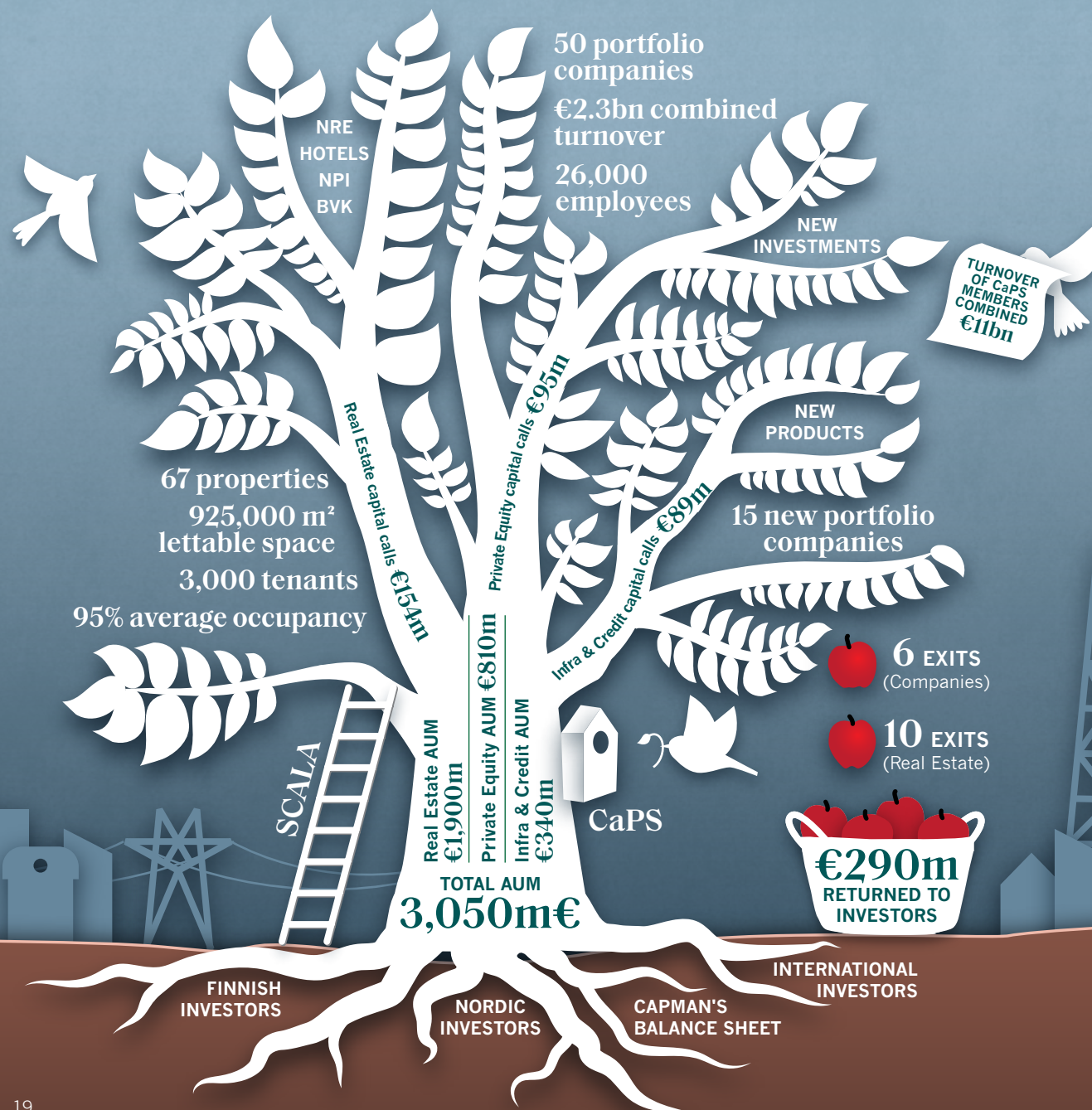
All team members in this high-performance team have a background in competitive sports. The pace is fast and the profits are gained through helping customers and suppliers.

The shared values lead everyone to speak the same language and understand the importance of co-operation in achieving goals. Together, the team has built the CaPS concept and its various components systematically through an iterative process. Every new team member gets their own CaPS guidebook on their first day of work, which strengthens their best practices and encourages their responsibility and ability to take initiative. Through coaching and continuous challenging, the team constantly achieves goals that first seemed impossible.

– *In our team, we want every day to be better than yesterday,* Maximilian sums up.



CaPS and its member companies and partners raised more than €110,000 for underprivileged youth. The donation was handed to Sauli Niinistö, the President of the Republic of Finland and the Honorary Chair of the Tukikummit Foundation. Photo: Matti Porre/Office of the President of the Republic of Finland.



CAPMAN'S 2018 Societal footprint

	BUYOUT	GROWTH	REAL ESTATE
Average exit multiple*	2.4x	5x	1.7x
Average holding period	6.7 YEARS	2.6 YEARS	5.8 YEARS

*average value at exit compared to entry multiple.

The figures include returns over the entire investment history (Buyout exits since 2000).

CAPMAN AS AN ACTIVE OWNER:

Sustainable value creation

At CapMan, our mission is to build value for the enrichment of the society. We recognise our role as active owners to promote sustainable practices and consider environmental, social and governance (ESG) issues in all our activities.

CapMan Buyout implements a proprietary ESG framework for all investments. ESG aspects are included as part of the transaction screening and due diligence process through checklists and by including ESG issues as a separate stream in the 100-day plan. The team follows up proactively on any

“At CapMan, our mission is to build value for the enrichment of the society.”

findings, conducts surveys related to ESG performance and reports to investors.

CapMan Real Estate is committed to implementing and performing sustainable business practices in its investments and asset management activities. ESG management has a positive material impact on the competitiveness of investments as well as controls ESG risks and helps to enhance long-term revenue and reduce costs.

CapMan Infra has adopted an ESG policy that flags potential issues in the screening and due diligence processes. Such issues may prevent an investment. Through its involvement, CapMan Infra can also be an agent for change and help drive a shift in environmental policies, particularly in energy investments, where it can help existing companies shift away from fossil-based resources to more renewable energy.

CaPS has started to build a framework for assessing the environmental footprint of its purchasing service. The first step is to report greenhouse gas emissions of its



CapMan presented the Vita Nuova sculpture by Pekka Jylhä as a thank you to all donors that enabled the New Children's Hospital. The sculpture was previously situated in CapMan's office premises.

vendors in order to provide an additional dimension for decision making in tender processes.

CapMan became one of the first private equity firms in the Nordic region to sign the UN PRI (UN Principles of Responsible Investing) in 2012. The initiative is an international network of investors working together to put the principles for responsi-

ble investment into practice. The principles guide our investment activities and the work to improve our performance also from an ESG perspective continues in 2019.

CapMan Plc

Corporate Governance Statement 2018

1 Applicable rules and regulations

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

The Statement is reviewed by the Audit Committee of CapMan's Board of Directors (the "Board") and it is issued separate from the report by the Board. CapMan's auditor Ernst & Young Oy has checked that the Statement has been issued and that the description of the main features of the internal control and risk management systems

pertaining to the financial reporting process contained in the Statement is consistent with the Financial Statements.

For further information regarding CapMan's corporate governance, please visit the company's website at <https://www.capman.com/shareholders/governance/>

2 General Meeting of the shareholders and the Articles of Association

The ultimate decision-making power at CapMan lies with the General Meeting of the shareholders. Among other things, the General Meeting adopts the financial statements, decides on distribution of profits based on the proposal of the Board of Directors, elects the members of the Board of Directors and the auditor, decides on the discharge from liability and on amendments to the Articles of Association. The notice to the General Meeting is published on the company's webpages and as a stock exchange release. Proposals for the General Meeting are available on the company's webpage before the meeting.

CapMan's Articles of Association and material related to the General Meeting are available on the company's webpage at the address: <https://www.capman.com/shareholders/governance/>

3 Shareholders' Nomination Board

CapMan Plc's 2018 AGM decided to establish a Shareholders' Nomination Board to prepare future proposals concerning the election and remuneration of the members of the Board of Directors to the General Meeting. The AGM also adopted a Charter for the Nomination Board. The Shareholders' Nomination Board shall serve until further notice. The term of office of the members of the Shareholders' Nomination Board expires annually after the new Shareholders' Nomination Board has been nominated.

The Shareholders' Nomination Board consists of representatives nominated by the four largest shareholders of the company and the Chairman of CapMan Plc's Board of Directors, serving as an expert member. As an expert member the Chair-

man of the Board of Directors of CapMan Plc does not take part in the decision-making of the Shareholders' Nomination Board.

The following members were nominated to the Shareholders' Nomination Board in September 2018: Patrick Lapveteläinen (Member of the Board of Directors of Mandatum Life Insurance Company Limited), Mikko Mursula (Chief Investment Officer of Ilmarinen Mutual Pension Insurance Company), Ari Tolppanen (Chairman of the Board of Oy Inventiainvest Ab) and Mikko Kalervo Laakkonen. Additionally, Andreas Tallberg, the Chairman of the Board of Directors of CapMan Plc, served as the expert member on the Shareholders' Nomination Board. Patrick Lapveteläinen was the Chairman of the Shareholders Nomination Board.

The Nomination Board has convened three times during its term. Board member nominees were also interviewed between the meetings. The Nomination Board discussed the size, composition and diversity of the Board of Directors and the areas of expertise that are most beneficial for the company. The Nomination Board also reviewed the remuneration of the Board and gave its

proposals to the General Meeting on 25 January 2019. The proposals were published as a stock exchange release.

The Charter of the Shareholders' Nomination Board is available on CapMan's website at: https://www.capman.com/wp-content/uploads/2018/12/Shareholders_Nomination_Board_Charter_FINAL.pdf

4 Board of Directors

4.1 Composition and diversity of the Board of Directors

All members of the Board are elected by the General Meeting. There is no specific order for the appointment of Board members in the articles of association. According to the articles of association, the Board comprises at least three and at most nine members, who do not have deputies. Members are elected for a term of office of one year, which starts at the close of the General Meeting at which they were elected and ends at the close of the AGM following their election. The Board elects a Chairman and a Vice Chairman from among its members. The Shareholders' Nomination Board, which was initially established at the 2018 AGM and which replaced the Board's Nomination Committee, makes the proposals on the composition of the Board of Directors and the remuneration for the Board and Committee Members to the AGM. The Shareholders' Nomination Board's proposals are typically published as a separate stock

exchange release and are also included in the notice to convene the AGM.

The AGM held on 14 March 2018 elected five members to the Board of Directors, who were all present at the meeting. Ms. Mammu Kaario, Mr. Andreas Tallberg and Mr. Ari Tolppanen, were re-elected to the Board. Ms. Catarina Fagerholm and Mr. Eero Heliövaara were elected to the Board of Directors as new members. At its organizing meeting 14 March 2018, the Board elected from among its members Andreas Tallberg as the Chairman of the Board and Mammu Kaario as the Vice Chairman of the Board.

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

The biographical details of the directors are presented in the table on page 6.

4.2 Independence of the Board members

The Board has in its organizing meeting on 14 March 2018 assessed its members'

independence of the company and of its significant shareholders., Catarina Fagerholm, Eero Heliövaara, Mammu Kaario and Andreas Tallberg were independent of both the company and its significant shareholders. Ari Tolppanen was non-independent of the company but independent of its significant shareholders.

Shares and share-based rights of each director and corporations over which he/she exercises control in the company and its group companies are presented in the table on page 6.

4.3 Duties and responsibilities of the Board

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

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

- to appoint and dismiss the CEO
- to supervise management
- to approve strategic goals

- to decide on the establishment of new CapMan funds and the level of CapMan's own commitments therein
 - to decide on fund investments to other than CapMan funds exceeding EUR 5 million and also direct investments exceeding EUR 5 million
 - to decide on any major changes in the business portfolio
 - to ensure that the company has a proper organisation
 - to ensure the proper operation of the management system
 - to approve annual financial statements and interim reports
 - to ensure that the supervision of the accounting and financial management is properly organised
 - to ensure that the business of the group complies with relevant rules and regulations
 - to approve the principles of corporate governance, internal control, risk management and other essential policies and practices
 - to decide on the CEO's remuneration and on the remuneration policy to be followed for other executives and CapMan's key employees
 - to confirm the central duties and operating principles of the Board committees
- The Chairman of the Board ensures and monitors that the Board fulfils the tasks appointed to it under legislation and by the company's articles of association.

4.4 Work of the Board in 2018

In 2018, the Board of Directors met eight times. The Board had seven meetings in the composition as elected by the 2018 AGM and one meeting in the composition as elected by the 2017 AGM.

The table on page 6 presents Board members' attendance at the meetings in 2018.

5 Board Committees

The Board may establish Committees to ensure efficient preparation of the matters under its responsibility. The Committees are established and their members are elected from among the members of the Board in the Board's organizing meeting to be held after the AGM for the same term as the Board. According to Recommendation 15 (Appointment of Members to Committees) of the Code, at least three members will be elected to the Committees. The charters for each committee shall be confirmed by the Board and the minutes of the meetings shall be delivered to the Board for information. The committees do not have autonomous decision-making power, but the Board makes the decisions within its competence collectively.

In its organizing meeting held on 14 March 2018, CapMan's Board of Directors established an Audit and Remuneration Committee. A Nomination Committee was not established since the AGM decided to establish the Shareholders' Nomination Board.

Board of Directors in 2018

Name	Personal information	Shares and share-based rights as of 31 Dec 2018	Attendance at the Board meetings	Attendance at the Committee meetings
Andreas Tallberg	Chairman of the Board since 15 March 2017. Member of the Board since 2017 Born: 1963 Education: M.Sc. (Econ.). Main occupation: CEO of Oy G.W. Sohlberg Ab Chairman of the Nomination Committee (2017) and the Remuneration Committee. Independent of the company and significant shareholders.	804,530	8/8	Remuneration Committee: 1/1 Nomination committee 1/1
Catarina Fagerholm¹⁾	Member of the board since 2018, Born: 1963 Education: M. Sc. (Econ.) Main occupation: Board professional Member of the audit and remuneration committee. Independent of the company and significant shareholders.	40,000	7/7	Audit committee: 4/4
Eero Heliövaara¹⁾	Member of the board since 2018 Born: 1956 Education: M.Sc. (Eng.), M.Sc. (Business Admin.) Main occupation: Board professional Member of the audit committee. Independent of the company and significant shareholders.	29,000	7/7	Audit committee: 4/4
Mammu Kaario	Member of the Board since 2017 Born 1963 Education: LL.M., MBA Main occupation: Board professional Chairman of the Audit Committee. Independent of the company and significant shareholders.	38,071	8/8	Audit committee: 5/5
Karri Kaitue²⁾	Chairman of the Board during 7 August 2013 – 15 March 2017. Vice Chairman of the Board during 20 March – 7 August 2013 and since 15 March 2017 Member of the Board since 2012. Born: 1964 Education: LL. Lic. Main occupation: Board professional. Member of the Nomination Committee, Remuneration Committee, and Audit Committee. Independent of the company and significant shareholders.	9,224	1/1	Audit committee: 1/1 Nomination Committee: 1/1 Remuneration Committee: 1/1
Nora Kerppola²⁾	Vice Chairman of the Board during 7 August 2013 - 15 March 2017. Member of the Board since 2011. Born: 1964 Education: MBA. Main occupation: CEO of Nordic Investment Group Oy. Chairman of the Audit Committee. Independent of the company and significant shareholders.	0	1/1	Audit committee: 1/1
Ari Tolppanen	Member of the Board since 2013. Born: 1953 Education: M.Sc. (Tech.). Main occupation: Board professional. Member of the Nomination Committee and Remuneration Committee. Independent of the significant shareholders but non-independent of the company.	7,032,865	4/8	Nomination Committee: 1/1 Remuneration Committee: 1/1

¹⁾ Was elected as a new member at the AGM held on 14 March 2018. ²⁾ A member of the Board of Directors until the AGM held on 14 March 2018.

5.1 Audit Committee

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

The duties of the Audit Committee include:

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

The Board has in its organizing meeting on 14 March 2018 elected Mammu Kaario (chairman), Catarina Fagerholm and Eero Heliövaara as members of the Audit Committee. In 2018, the Committee met four times in this new composition and once in the composition elected by the Board of Directors in 2017. The table on page 6 presents the Committee members' attendance at the meetings.

Management Group in 2018

Name	Responsibilities	Personal information	Shares and share-based rights on 31 Dec 2018
Joakim Frimodig	CEO	Born: 1978 Education: BA (Oxon)	Shares: 650,000 2013C-options: 120,000 2016A-options: 100,000
Anna Berglind (since 9 August 2018)	Head of People and Culture	Born: 1974 Education: M.Sc. (Soc.)	Shares: 0
Niko Haavisto	CFO	Born: 1972 Education: M. Sc. (Business)	Shares: 243,817 2013C-options: 200,000 2016A-options: 100,000
Pia Käll	Head of CapMan Buyout	Born: 1980 Education: M.Sc. (Tech.)	Shares: 30,000
Mika Matikainen	Head of CapMan Real Estate	Born: 1975 Education: M. Sc. (Econ), M.Soc.Sc	Shares: 45,000
Juha Mikkola	Head of CapMan Growth Equity	Born: 1961 Education: M.Sc. (Econ.)	Shares: 30,000 2016A-options: 100,000
Ville Poukka (since 1 November 2018)	Head of CapMan Infra	Born: 1981 Education: M.Sc. (Econ)	Shares: 59,916
Mari Simula	Head of Fund Investor Relations	Born: 1982 Education: M.Sc. (Tech.)	Shares: 50,249 2013B-options: 100,000 2013C-options: 100,000 2016A-options: 12,500

5.2 Nomination Committee

A Nomination Committee was not established in the organizing meeting on 14 March 2018, since the AGM decided to establish the Shareholders' Nomination Board.

The Nomination Committee established at the AGM 2017 comprising Karri Kaitue (Chairman), Andreas Tallberg and Ari Tolppanen met once before the AGM of 2018. The table on page 6 presents the Committee members' attendance at the meeting.

5.3 Remuneration Committee

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

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

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

The Committee shall further contribute to:

- securing the objectivity and transparency of the decision-making regarding remuneration issues in the company

- the systematic alignment of remuneration principles and practice with company strategy and its long-term and short-term goals
- the appointment of the executives of the company.

The Board has in its organizing meeting on 14 March 2018 elected Andreas Tallberg (Chairman), Catarina Fagerholm and Ari Tolppanen as members of the Remuneration Committee. The Committee did not convene in its new composition during 2018 but convened once with the composition elected in 2017. The table below on page 6 presents the Committee members' attendance at the meetings.

6 Chief Executive Officer (CEO)

The Board elects the company's CEO. The CEO's service terms and conditions are specified in writing in the CEO's service contract, which is approved by the Board. The CEO manages and supervises the company's business operations according to the Finnish Companies Act and in compliance with the instructions and authorisations issued by the Board. The CEO shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner. Generally, the CEO is independently responsible for the operational activities of the company and for day-to-day decisions on business activities and the implementation of these decisions. The CEO appoints

the heads of business areas. The Board approves the recruitment of the CEO's immediate subordinates. The CEO cannot be elected as Chairman of the Board.

In 2018, CapMan's CEO was Joakim Frimodig (born 1978, BA (Oxon)). Frimodig's shares and share-based rights and those of the corporations over which he exercises control are presented in the table on page 8.

7 Management Group

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

8 Internal control and risk management pertaining to the financial reporting

The internal control and risk management pertaining to the financial reporting process is part of CapMan's overall internal control framework. The key roles and responsi-

bilities for internal control and risk management have been defined in the group's internal guidelines which are approved and updated by the management and/or the Board of Directors of the company.

CapMan's internal control and risk management concerning financial reporting is designed to provide reasonable assurance concerning the reliability, comprehensiveness and timeliness of the financial reporting and the preparation of financial statements in accordance with applicable laws and regulations, generally accepted accounting principles and other requirements for listed companies. The objective is also to promote ethical values, good corporate governance and risk management practices and to ensure the compliance with laws, regulation and CapMan's internal policies.

8.1 General description of the financial reporting process

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

Financial information is assembled, captured, analysed, and distributed in accordance with existing processes and procedures. The group has a common reporting and consolidation system that facilitates compliance with a set of common control requirements.

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

8.2 Control and risk management of the financial reporting process

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

The management of the group is responsible for the implementation of internal control and risk management processes and

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

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

8.3 Risk assessment and control activities

CapMan has defined financial reporting objectives in order to identify risks related to the financial reporting process. The risk assessment process is designed to identify financial reporting risks and to determine how these risks should be managed.

The control activities are linked to risk assessment and specific actions are taken to address risks and achieve financial reporting objectives. Financial reporting risks are managed through control activities

performed at all levels of the organisation. These activities include guidelines and instructions, approvals, authorisations, verifications, reconciliations, analytical reviews, and segregation of duties.

In the annual strategy process of the group, the identified risks are reviewed, the risk management control activities are audited and effects of potential new identified risks on the strategy are evaluated. The objectives and responsibilities of the risk management process as well as the determination of the risk-appetite were updated during 2018.

8.4 Information and communication pertaining to the financial reporting

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

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

8.5 The organisation and monitoring of internal control activities

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

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

The monitoring team, which is independent from the investment teams, is responsible for the quarterly valuation process, monitoring and forecasting fair value movements and preparing the models for and calculating carried interest income for the funds under the management of the Group.

CapMan's subsidiaries CapMan Real Estate Ltd and CapMan AIFM Ltd both hold a license to act as alternative investment fund manager granted by the Finnish Financial Supervisory Authority. For these companies CapMan has arranged separate risk management and internal audit functions as required by applicable laws.

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

9 Other information

9.1 Procedures related to insider administration

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

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

CapMan has defined the Board and Management Group members (including the CEO) as 'persons discharging managerial responsibilities' pursuant to the Market Abuse Regulation and publishes the transactions by managers and their closely associated persons with the financial instruments issued by CapMan in case the total value of all transactions exceeds EUR 5,000 within a calendar year. The total owning of CapMan's shares and share-based rights of each manager will be published as a part of the Annual Report as required in the the Code. CapMan maintains a non-public listing of the managers and their closely associated persons. CapMan's managers have been instructed to inform their closely associated persons on the duty to disclose transactions.

CapMan's managers and the employees of CapMan Group are not permitted to trade CapMan's shares, option rights or other

financial instruments issued by CapMan without a pre-approval of the person responsible for insider management (compliance officer).

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

The Compliance Officer of the Group supervises the compliance with the internal insider guidelines in accordance with the guidelines for insiders issued by Nasdaq Helsinki through reminding personnel of trading restrictions, maintaining insider lists and training personnel on insider issues and disclosure obligations.

9.2 Principles regarding Related Party Transactions

The company does not customarily enter into transactions with its related parties which would be significant for the company and deviating from the ordinary course of business or would be conducted in deviation

from customary market terms. No such transactions were made in 2018. Possible significant and out of ordinary transaction deviating from market terms would be discussed in the Board meeting. The company maintains a list of its related parties.

9.3 Audit fees

In 2018, the audit fees paid to the auditor amounted to 307,000 euros (257,000 euros in 2017) and the fees related to other non-audit related services amounted to 38,000 euros (165 000 euros in 2017).

9.4 Internal audit

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

Board of Directors



Andreas Tallberg

Chairman of the Board of Directors since 2017
Independent Board Member
Chairman of the Remuneration Committee
Holdings in CapMan (as of 31 December 2018): 804,530 shares

Born 1963

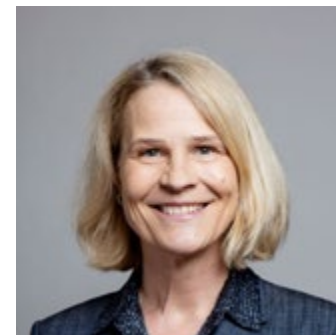
Education M.Sc. (Econ.)

Main occupation CEO, Oy G.W. Sohlberg AB

Key Board memberships CapMan Plc (Chairman), Nissala Oy (Chairman), Mehiläinen (Chairman), Rothschild Nordic AB (Member)

Key employment history

Andreas Tallberg has served as the CEO of Finnish investment company Oy G.W. Sohlberg Ab since 2007. Between 1996 and 2006 he was a senior partner at EQT. Before this, he has worked in business development for Nokia Corporation, Wilson Sporting Goods and Amer Group. Tallberg also has extensive experience from board work. He has been Chairman of the Board of Glaston Oyj, Detection Technology Oyj, Staffpoint, Perlos Oyj, TG Group and Wulff Oyj. Tallberg was also the Deputy Chairman of the Board of Lite-On Mobile and a member of the Board of Directors at Handelbanken Finland Branch.



Mammu Kaario

Deputy Chairman of the Board of Directors since 2018
Independent Board Member since 2017
Chairman of the Audit Committee
Holdings in CapMan (as of 31 December 2018): 38,071 shares

Born 1963

Education LL.M., MBA

Main occupation Board professional

Key Board memberships CapMan Plc (Deputy Chairman), Ponsse Oyj, Aspo Oyj, Robit Oyj, Lapti Oy, PerusTerveys Suomi Oy

Key employment history

Mammu Kaario has more than 25 years of experience from the finance industry. She was CEO of Partnera Oy between 2016 and 2017 and an investment manager at Korona Invest between 2011 and 2016. Further, Kaario was a partner at Unicus Ltd between 2005 and 2010 and has held several financial advisory positions between 2004 and 2010. Before this, Kaario was an investment banker for 15 years at Conventum Oyj, among others.



Catarina Fagerholm

Member of the Board of Directors since 2018
Independent Board Member
Member of the Audit Committee, Member of the Remuneration Committee
Holdings in CapMan (as of 31 December 2018): 40,000 shares

Born 1963

Education M.Sc. (Econ.)

Main occupation Board professional

Key Board memberships CapMan Plc, Attendo Plc, Restel Ltd

Key employment history

Catarina Fagerholm served as CEO for Instru Optiikka Ltd from 2007 to 2018. She was Member of the Board, Deputy Chairman of the Board in Altia between 2008 and 2015. She was Member of the Board in Kaupan liitto during 2013-2018 and Atasun Optik during 2012-2014. During 1998-2006 she was CEO of BSH Kodinkoneet Ltd (Finland and Baltics) as well as member of the Management Group in BSH Hausgeräte Northern Europe. Between 1996-1998 Fagerholm was Country and Brand Director in Electrolux/AEG (Finland, Russia, Baltics). She has had several managerial positions in Amer Group Ltd in 1987-1996.



Eero Heliövaara

Member of the Board of Directors since 2018
Independent Board Member
Member of the Audit Committee
Holdings in CapMan (as of 31 December 2018): 29,000 shares

Born 1956

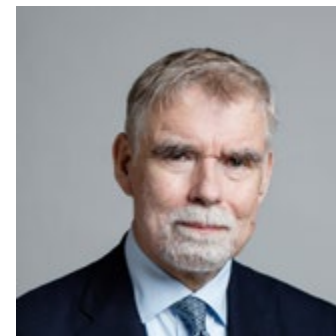
Education M.Sc. (Eng.), M.Sc. (Business Admin.)

Main occupation Board professional

Key Board memberships CapMan Plc, YIT Oyj (Deputy Chairman), Finnish Foundation of Economic Education, Lympha Touch Ltd, Foundation of the Finnish Cancer Institute, Saastamoinen Foundation, DIF – Directors Institute of Finland

Key employment history

Eero Heliövaara was Director General in the Prime Minister's Office during 2013-2017. He served as Board professional and angel investor in 2010-2012. He was President and CEO of SRV Group Plc and of Pohjola Group Plc during 2006-2009 and 2001-2005, respectively. In 1998-2001 he was Executive Vice President and Chief Investment Officer in Mutual Pension Insurance Company Ilmarinen. He worked as Managing Director of Merita Asset Management Ltd during 1996-1998 and as First Vice President in Merita Pankki, Private Banking in 1994-1996. Heliövaara served as Managing Director of Union Bank of Luxembourg International S.A. in 1991-1994. He served as Managing Director of Arctos Capital Ltd in 1987-1991, Financial Director of Spontel Ltd in 1985-1987 and as Financial Analyst in Industrialisation Fund of Finland Ltd in 1982-1985.



Ari Tolppanen

Member of the Board of Directors since 2013
Independent of major shareholders, non-independent of the company
Member of the Remuneration Committee
Holdings in CapMan (as of 31 December 2018): 7,032,865 shares

Born 1953

Education M.Sc. (Eng.)

Main occupation Board professional

Key Board memberships CapMan Plc, Kämp Group Oy (Chairman), Bright Group Oy

Key employment history

Ari Tolppanen has 30 years of experience in private equity. Tolppanen is one of the founders of CapMan and acted as the CEO of CapMan during 1989-2005. He was also the Chairman of the European Venture Capital Association (EVCA) in 2000-2001. During 2005-2010, Tolppanen was the Chairman of CapMan Plc's Board of Directors. Previously, Tolppanen was the CEO of Huurre Oy and before that the CEO of Nordfilm Oy.

Management Group



Joakim Frimodig

CEO

Education: BA, Oxon

In Management Group since 2016

Holdings in CapMan Plc (31 December 2018): 650,000 shares, 220,000 2013C and 2016A options

Joakim Frimodig has been the CEO of CapMan since September 2017 and a Management Group member since 2016. He joined CapMan from Summa Capital, where he worked for the past 12 years, most recently as Deputy Managing Partner. Prior to that, he worked for Alfred Berg and ABN Amro Corporate Finance.



Anna Berglind

Head of People and Culture

Education: M.Sc. (Soc.)

In Management Group since 2018

Holdings in CapMan Plc (31 December 2018): -

Anna Berglind has been Head of People and Culture and member of the Management Group in CapMan from August 2018. She was Vice President, Human Resources during 2013-2018 and HR Manager during 2010-2013 at Mandatum Life.



Niko Haavisto

CFO
Education: M.Sc. (Business)
In Management Group since 2010
Holdings in CapMan Plc (31 December 2018): 243,817 shares, 300,000 2013C and 2016A options

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



Pia Käll

Managing Partner, Buyout
Education: M.Sc. (Eng.)
In Management Group since 2017
Holdings in CapMan Plc (31 December 2018): 30,000 shares

Pia Käll joined CapMan Buyout in 2016 as a partner and was designated managing partner in 2017. Before joining CapMan, Käll was on the Executive Board of Outotec, where she was responsible for Strategy, M&A, Marketing and Operational Excellence. Previously she worked eight years at McKinsey&Company where she was an Associate Principal.



Mika Matikainen

Managing Partner, Real Estate
Education: M.Sc. (Econ.), M.Sc. (Soc.)
In Management Group since 2010
Holdings in CapMan Plc (31 December 2018): 45,000 shares

Mika Matikainen joined CapMan in 2006, one year after the inception of CapMan Real Estate, and became the head of CapMan Real Estate and a management group member of CapMan in 2010. Matikainen has been responsible for the expansion of CapMan Real Estate from a local Finnish player into a pan-Nordic asset manager with operations in Finland, Sweden, Denmark and Norway. He also had an active role in establishing the CapMan Hotels Real Estate fund including the acquisition of its seed portfolio of 39 hotels in 2008. Prior to CapMan, he worked for UBS Investment Bank in London.



Juha Mikkola

Managing Partner, Growth

Education: MBA

In Management Group since 2017

Holdings in CapMan Plc (31 December 2018): 30,000 shares,
100,000 2016A options

Juha Mikkola has over 25 years of experience in private equity. During his career he has raised several private equity funds and helped build dozens of successful companies. Before heading the Growth team at CapMan, Mikkola was responsible for successfully managing Norvestia's Growth investments since 2011. Prior to that, he was responsible for the Venture team at Ekvitec. He has also been involved in starting the operations of Finland Industry Investment Ltd.



Ville Poukka

Managing Partner, Infra

Education: M.Sc. (Econ.)

In Management Group since 2018

Holdings in CapMan Plc (31 December 2018): 59,916 shares

Ville Poukka has 13 years of experience in investment banking and private equity. Poukka has extensive and unique track record of energy and infrastructure transactions. During his career, he has worked as leading advisor and originator in several infrastructure transactions across Nordic and Baltic countries. Before CapMan Poukka worked at Danske Bank as Managing Director and was responsible for Nordic Energy and Infrastructure sector team in M&A advisory.



Mari Simula

Head of Fund Investor Relations

Education: M.Sc.(Eng.)

In Management Group since 2017

Holdings in CapMan Plc (31 December 2018): 50,249 shares,
212,500 2013B, 2013C and 2016A options

Mari Simula has held several roles at CapMan since 2007 and before her current position, she worked as a Partner at Scala Fund Advisory. Simula has long experience from private equity fundraising, as well as business development and strategy projects. In her current role, she is responsible for group-level fundraising and fund investor relations. Prior to joining CapMan, she did research on the private equity industry at the Research Institute of the Finnish Economy, Etla.

Report of the Board of Directors

Group turnover and result in 2018

The Group's turnover totalled MEUR 36.0 (Jan-Dec 2017: MEUR 34.8). The growth in turnover was mainly due to the increase in management fees and fees from services, which were MEUR 32.5 (MEUR 26.7) combined and grew by 22 per cent from the comparison year.

Operating expenses were MEUR 29.1 (MEUR 33.0). Excluding MEUR 4.2 in items affecting comparability in 2017, expenses were stable.

Fair value changes of investments were MEUR 5.1 (MEUR 17.6). The smaller change compared to the comparison period was mainly due to the MEUR 5.7 decrease in the fair value of the trading portfolio especially in the last quarter of the year.

The Group's operating profit was MEUR 12.0 (MEUR 19.5).

Financial income and expenses amounted to MEUR -2.7 (MEUR -3.2) and it included an arrangement fee of MEUR 0.2 related to the pay back of MEUR 30 bond. Financial expenses decreased due to the repayment of the bond in Q4 2017 and the repayment of the bond and the bank loan in Q2 2018.

Profit before taxes was MEUR 9.3

(MEUR 16.2) and profit after taxes was MEUR 8.5 (MEUR 15.5). Profit before taxes and profit after taxes for the comparison period were significantly affected by the exit from Idean, which contributed a total of MEUR 9.4 before taxes and MEUR 7.5 after taxes.

Earnings per share were 5.5 (10.4) cents. Diluted earnings per share were 5.4 (10.2) cents. Accrued interest payable on the hybrid bond, net of taxes, as well as penalties related to the early redemption for the corresponding period last year has been deducted when calculating earnings per share.

Turnover and results per quarter and turnover, operating profit and results per segment are described in the Notes to the Financial Statements in section 2 Segment information.

Management Company business

Turnover generated by the Management Company business for the review period totalled MEUR 24.2 (MEUR 25.1).

Management fees totalled MEUR 22.1 (MEUR 19.5). The growth in management fees consisted mainly of management fees from CapMan Nordic Infrastructure I, CapMan Nordic Property Income, CapMan

Nordic Real Estate II and CapMan Growth funds. In addition, the fees from CapMan Infra's first investment, Elenia, were included in turnover.

Carried interest income for the review period totalled MEUR 1.0 (MEUR 4.4) and was mainly received from the exit from InfoCare as well as from Access Capital funds. In the comparison period, CapMan received carried interest income from Access Capital funds as well as CapMan Equity VII fund.

Operating expenses of the Management Company business amounted to MEUR 21.4 (MEUR 22.4). Operating profit of the Management company business totalled MEUR 2.8 (MEUR 2.7). Profit for the review period was MEUR 2.3 (MEUR 2.2).

Service business

Turnover generated by Service business totalled MEUR 8.7 (MEUR 5.6) and the growth consisted mainly of the success fees of Scala Fund Advisory offering fundraising and advisory services and the continued strong growth in net sales of procurement service CaPS. A significant part of the fees for Scala are success fees, which were recognised especially in the first half of the year. Success fees may vary from one period to the next.

Operating expenses of the Service business amounted to MEUR 4.8 (MEUR 3.6). The operating profit of the Service business was MEUR 4.4 (MEUR 2.3). The profit for the review period was MEUR 3.4 (MEUR 1.8). The improved profit for the segment was due to the success fees recorded for the review period and the overall increase in fee income.

Investment business

Turnover of the Investment business was MEUR 2.5 in 2018 (MEUR 3.7 in 2017) and comprised dividend and interest income from financial assets held for trading. Turnover decreased due to disposal of assets from the trading portfolio during the review period.

Operating profit for the Investment business was MEUR 6.5 (MEUR 17.3). Profit for the Investment business was MEUR 4.2 (MEUR 13.7). The significantly lower profit of the Investment business compared to the previous year was mainly due to the MEUR 5.7 decrease in fair value of the trading portfolio during the last quarter of the year in line with general market development. In 2017, the exit from Idean contributed MEUR 9.4 to operating profit and MEUR 7.5 to profit.

Table 1: CapMan's investments booked at fair value as at 31 December 2018

ME	Fair value 31 Dec 2018 (MEUR)
Fund investments	80.6
Investments in joint ventures	4.5
Other financial assets	2.5
Trading portfolio	39.0
Total	126.6

Fair value of **fund investments** was MEUR 80.6 on 31 December 2018 (MEUR 58.3). Fair value changes of fund investments were MEUR 8.1 (MEUR 3.4) in 2018, representing a 9.0% increase in value (2017: +6.6%). The positive change in the fair value of fund investments during the year was mainly due to exits completed during 2018 as well as positive development in the valuation of portfolio companies and real estate. Fund investments also include investments in funds not managed by CapMan.

CapMan invested a total of MEUR 31.9 (MEUR 10.5) in funds in 2018. CapMan made investments, among others, into CapMan Growth-, CapMan Nordic Real Estate II- and CapMan Nordic Property- funds and into Elenia, the first investment of CapMan Infra. CapMan received distributions from funds totalling MEUR 17.4 (MEUR 7.2). The majority of the distributions came from CapMan Growth fund's exit from Fluido and Buyout VIII fund's exit from Walki. The

amount of remaining commitments that have not yet been called totalled MEUR 98.0 as at 31 December 2018 (31 December 2017: MEUR 67.1). The commitments include approx. MEUR 30 into CapMan Nordic Infrastructure I fund.

The fair value of the **trading portfolio**, which invests in market instruments, was MEUR 39.0 on 31 December 2018 (MEUR 77.1 on 31 December 2017). The fair value of the trading portfolio decreased by MEUR 5.7 during the last quarter of the year and approx. MEUR 15 was divested during the quarter. In 2018, a total of approx. MEUR 35.0 of the assets in trading portfolio were allocated to CapMan's funds and other investments, as well as cash instruments.

Investments in portfolio companies are valued at fair value in accordance with the International Private Equity and Venture Capital Valuation Guidelines (IPEVG). Fair values of investments, sensitivity analysis by investment area and remaining commitments are presented in sections 29 and 32.

Balance sheet and financial position as at 31 December 2018

CapMan's balance sheet totalled MEUR 206.0 as at 31 December 2018 (31 December 2017: MEUR 211.3). Non-current assets amounted to MEUR 99.8 (MEUR 102.1), of which goodwill totalled MEUR 4.7 (MEUR 4.5).

As at 31 December 2018, fund investments booked at fair value totalled MEUR 80.6 (MEUR 58.3 as at 31 December 2017).

Other financial assets booked at fair value were MEUR 2.5 (MEUR 0.1). The fair value of investments in joint ventures was MEUR 4.5 (MEUR 4.9).

Long-term receivables amounted to MEUR 5.1 (MEUR 3.1).

Current assets amounted to MEUR 106.2 (MEUR 109.2). Financial assets booked at fair value, i.e. current investments, were MEUR 39.0 (MEUR 77.1) and included the trading portfolio. Cash in hand and at banks amounted to MEUR 54.5 (MEUR 23.3).

CapMan's interest-bearing net debt amounted to MEUR 5.2 as at 31 December 2018 (MEUR 24.6). CapMan's total interest-bearing debt as at 31 December 2018 is outlined in Table 2.

CapMan Plc's 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 31 December 2018.

Trade and other payables totalled MEUR 16.8 (MEUR 26.8).

The Group's cash flow from operations totalled MEUR -4.7 for the review period (MEUR -3.6). 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 +39.6 (MEUR +33.7) and includes, inter alia, investments and repaid capital received by the Group.

Cash flow before financing totalled MEUR +34.9 (MEUR +30.1) and reflects the development in the Management Company business, Service business and Investment

Table 2: CapMan's interest bearing debt

	Debt amount 31 Dec 2018 (MEUR)	Matures latest	Annual interest (%)	Debt amount 31 Dec 2017 (MEUR)
Bank financing	-	-	-	8.5
Multi-issuer bond (issued in 2014)	10	Q2 2019	1.85	10
Senior bond (issued in 2015)	-	-	-	30
Senior bond (issued in 2018)	50	Q2 2023	4.13	-
Long-term credit facility (available)	(20)	-	-	(10)

business. Cash flow from financing was MEUR -3.7 (MEUR -51.8), due to the new bond issued in April 2018 with the principal amount of MEUR 50.

Board's proposal for distribution of profit

CapMan Plc's objective is to distribute an annually growing dividend to shareholders. CapMan Plc's Board of Directors will propose to the Annual General Meeting to be held on 13 March 2019 that a dividend of EUR 0.12 per share will be paid to shareholders, equivalent to a total of approx. MEUR 17.7. A dividend of EUR 0.11 per share, totalling MEUR 16.1, was paid for 2017. CapMan Plc's distributable earnings amounted to MEUR 90.3 on 31 December 2018 (MEUR 111.9 on 31 December 2017).

CapMan Plc's Board of Directors and Management Group

The members of CapMan Plc's Board of Directors as of the end of 2018 were Andreas Tallberg (Chairman), Mammu Kaario (Deputy Chairman), Catarina Fagerholm, Eero Heliövaara and Ari Tolppanen.

The members of CapMan Plc's Management Group as of the end of 2018 were Joakim Frimodig (CEO), Niko Haavisto (CFO), Anna Berglind (Head of People and Culture), Pia Käll (Managing Partner, Buyout), Mika Matikainen (Managing Partner, Real Estate), Juha Mikkola (Managing Partner, Growth), Ville Poukka (Managing

Partner, Infra) and Mari Simula (Head of Fund Investor Relations).

Capital under management as at 31 December 2018

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

Capital under management was MEUR 3,043 as at 31 December 2018 (31 December 2017: MEUR 2,924). The increase in capital under management was mainly due to the establishment of CapMan Nordic Infrastructure I fund and the growth in the mandate from BVK, and in the last quarter of the year, capital under management grew by MEUR 362, or 14 per cent. Capital under management per fund type is displayed in Table 3.

Capital under management as of 31 December 2018 does not include the Infra mandate that was completed after the end of the financial year.

In June 2018, CapMan has clarified the calculation method of capital under management in order to better reflect the amount of the assets at the reporting date.

Due to this, the figures in the comparison period differ from figures reported earlier.

Key figures 31 December 2018

CapMan's return on equity was 6.5 per cent (31 December 2017: 11.5 per cent) and return on investment 6.7 per cent (10.1 per cent). Equity ratio was 58.7 per cent (60.0 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 p.a.

Decisions of the 2018 AGM and the Board's Come to Order Meeting

The decisions of the 2018 AGM and the Board's Come to Order Meeting are described in detail in stock exchange releases issued on 14 March 2018.

Table 3: Capital under management

ME	31 Dec 2018	31 Dec 2017
Real Estate funds	1,896	1,758
Private Equity funds	809	1,032
Infra and Credit funds	338	134
Total capital under management	3,043	2,924

Table 4: CapMan's key figures

	31 Dec 2018	31 Dec 2017
Earnings per share, cents	5.5	10.4
Diluted, cents	5.4	10.2
Shareholders' equity / share, cents	82.6	87.3
Share issue adjusted number of shares	146,521,760	145,179,460
Number of shares at the end of period	147,142,163	145,625,985
Number of shares outstanding	147,115,864	145,599,686
Company's possession of its own shares, end of period	26,299	26,299
Return on equity, %, p.a.	6.5	11.5
Return on investment, %, p.a.	6.7	10.1
Equity ratio, %	58.7	60.0
Net gearing, %	4.3	19.4

Authorisations given to the Board by the AGM

The AGM authorised the Board of Directors to decide on the repurchase and/or on the acceptance as pledges of the company's shares. The number of shares concerned shall not exceed 14,000,000, which corresponds to approx. 9.6 per cent of all shares in the company. The authorisation shall remain in force until the end of the following AGM and 30 June 2019 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 14,000,000 shares, which corresponds to approx. 9.6 per cent of all shares in the company. The authorisation shall remain in force until the end of the following AGM and 30 June 2019 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 14 March 2018.

Publication of the Financial Statements and the Report of the Board of Directors, and the AGM for 2019

CapMan Group's Financial Statements and the Report of the Board of Directors for 2018 will be published as part of the company's Annual Report for 2018 in February 2019 during week 8. CapMan Plc's 2019 Annual General Meeting will be held on Wednesday 13 March 2019 at 10:00 a.m. in Helsinki.

The Notice to the Annual General Meeting and other proposals of the Board of Directors to the Annual General Meeting are published by 20 February 2019 the latest.

Complete financial statements, as required under the terms of the Finnish Companies Act, will be available on CapMan's website by 20 February 2019 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 2018 during week 8 and will be available on the company's website by 20 February 2019 the latest.

Shares and shareholders

Shares and share capital

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

Share capital totalled EUR 771,586.98 as at 31 December 2018. CapMan had 147,142,163 shares outstanding as at 31 December 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 31 December 2018, CapMan Plc held a total of 26,299 CapMan shares, representing 0.02 % of shares and voting rights. The mar-

ket value of own shares held by CapMan was EUR 38,660 as at 31 December 2018 (31 December 2017: EUR 46,549). 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 1.47 on 31 December 2018 (31 December 2017: EUR 1.77). The trade-weighted average price for the review period was EUR 1.60 (EUR 1.58). The highest price paid was EUR 1.81 (EUR 1.80) and the lowest EUR 1.39 (EUR 1.24). The number of CapMan Plc shares traded totalled 29.4 million (49.7 million), valued at MEUR 46.9 (MEUR 78.1).

The market capitalisation of CapMan Plc shares as at 31 December 2018 was MEUR 216.6 (31 December 2017: MEUR 257.8).

Shareholders

The number of CapMan Plc shareholders increased by 13 per cent from the corresponding period last year and totalled 18,278 as at 31 December 2018 (31 December 2017: 16,237). There were no flagging notices issued in 2018.

As at 31 December 2018, Members of the Board of Directors and the CEO owned, directly or indirectly as beneficiary holders, a total of 9,931,865 shares, which represented 6.7 per cent of all shares and votes. In addition, the CEO owned a total of 220,000 2013C and 2016A options, which entitle to the subscription of the equal amount of shares and represent 0.12 per cent of the shares and votes as at 31 December 2018.

Details on CapMan Plc's owners by sector and size, together with the company's major shareholders, nominee-registered shares, and redemption obligation clauses covering company shares are presented in section 24 Own capital and shares.

Personnel

CapMan employed 117 people in average during 2018 (2017 average: 113), of whom 77 (71) worked in Finland and the remainder in the other Nordic countries, Russia, Luxembourg and the United Kingdom. A breakdown of personnel by country is presented in section 5 Employee benefit expenses.

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 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 will commence on 1 April 2018 and end on 31

March 2021. The participants may earn a matching reward and 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 2021. 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.

At the end of the reporting period, CapMan Plc had two stock option programmes, Option Programme 2013 and Stock Option Programme 2016, in place as part of its incentive and commitment arrangements for key personnel. Following the decision of the new long-term incentive plan, CapMan will not grant new options from the ongoing option plans 2013 and 2016. The terms of the option programmes can be found on CapMan's website at www.capman.com.

Significant events during the financial year

CapMan Real Estate's Nordic investment mandate from BVK grew to MEUR 820 following a significant transaction in the end of

2018. Following the acquisition, the mandate is fully invested and generates long-term advisory and performance fees for CapMan.

In October, CapMan Nordic Infrastructure I fund held its first close and by the end of the year, it had received commitments of MEUR 141. The funds target size is more than MEUR 300. The fund pays CapMan management fees and carried interest in line with industry standards.

CapMan announced a new dividend policy and updated long-term financial objectives in August. The company's objective is to pay an annually increasing dividend to its shareholders. The combined growth objective for Management Company and Service business is more than 10 per cent p.a. on average. The return on equity target is more than 20 per cent p.a. on average. The objective for the equity ratio is more than 60 per cent.

In April, CapMan issued senior unsecured notes in the principal amount of EUR 50 million. The Notes will mature on 16 April 2023 and carry fixed interest at a rate of 4.125 per cent per annum.

In March, CapMan Group changed its structure of reportable segments.

In February, CapMan's Board of Directors resolved on a new investment-based long-term incentive plan for key employees.

Events after the review period

CapMan has announced that it will acquire 60 per cent of Finnish analysis, reporting and wealth management company JAM Ad-

visors Oy. The acquisition provides CapMan with significant new and technologically advanced service business and wealth management services and expands CapMan's networks among new customer segments. The acquisition will be completed with a directed issue of 5,110,000 new CapMan shares to the owners of JAM Advisors. The acquisition is expected to be completed in February 2019.

CapMan Infra completed its second investment based on a mandate from NHIS and NH-Amundi, leading Korean financial institutions. The investment was made into an onshore wind park in Sweden.

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 general risks are heightened in CapMan's operations in Russia, which may impair CapMan's goodwill.

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, including its trading portfolio.

Changes in the equity markets also influence the valuation of unlisted portfolio companies because the valuation methods used by funds include the share values of suitable listed companies. Economic uncertainty may have a direct impact on the success of the funds administered by CapMan, on the success of CapMan's investment activities, and also on the assets available for investment or solvency of the current and potential investors of the funds.

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 other 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.

Group companies managing a fund may in certain circumstances, pursuant to the terms of the fund agreement, have to return carried interest income they have received (so-called clawback). The obligation to return carried interest income applies typically when, according to the final distribution of funds, the carried interest income

received by the fund management company exceeds the carried interest it is entitled to when the fund expires.

CapMan recognises revenue from carried interest, to the extent carried interest is based on realised cash flows and repayment risk is estimated to be very low, CapMan is entitled to carried interest, a confirmation on the amount has been received and CapMan is relatively close to receiving it in cash. Returned carried interest income based on clawback conditions would in turn have a negative impact on CapMan's result as a potential clawback provision may not be sufficient. CapMan has recorded a EUR 7.6 million clawback provision for the CapMan Real Estate I KY fund. The sufficiency of the provision is reviewed quarterly by the management but its actual amount will only be known after all target investments of the fund have been liquidated. One real estate investment remains in the fund. 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.

Financial objectives and outlook estimate for 2019

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

The combined growth objective for Management Company and Service business is more than 10 per cent p.a. on average. The objective for return on equity is more than 20 per cent p.a. on average. CapMan's equity ratio target is more than 60 per cent.

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 2019. Our objective is to improve the aggregate profitability of Management Company and Service businesses before carried interest income and any

possible items affecting comparability.

The return on CapMan's investments have a substantial impact on CapMan's overall result. The development of industries and local economies, market instrument and inflation development, valuation multiples of peer companies, exchange rates and various other factors outside of CapMan's control, as well as the combined effect of the aforementioned factors, influence fair value development of CapMan's overall investments in addition to portfolio company and asset-specific development.

CapMan's objective is to improve results in the longer term, taking into account annual fluctuations affecting the business. For these and other above-mentioned reasons, CapMan does not provide numeric estimates for 2019.

Items affecting comparability are described in conjunction with section 2: Segment information the Tables section of this report.

Helsinki 31 January 2019

CAPMAN PLC
Board of Directors

Key Figures

Key Performance Indicators for CapMan Group

M€	2014	2015	2016	2017	2018
Turnover	39.5	31.8	26.7	34.8	36.0
Fees	28.7	27.4	26.7	19.6	22.1
Sales of services				7.1	10.3
Carried interest	10.8	4.4	0.0	4.4	1.0
Dividend and interest income from financial assets held for trading				3.7	2.5
Other operating income	0.2	0.3	0.1	0.0	0.0
Operating expenses	-30.2	-28.0	-30.7	-33.0	-29.1
Fair value gains/losses of investments	-3.2	5.2	22.6	17.6	5.1
Operating profit	6.3	9.3	18.7	19.5	12.0
Financial income and expenses	-1.4	-2.9	-3.1	-3.2	-2.7
Profit before taxes	4.9	6.5	15.6	16.2	9.3
Profit for the financial year	4.0	6.1	15.3	15.5	8.5
Return on equity (ROE), %	6.1	9.3	14.7	11.5	6.5
Return on investment (ROI), %	7.0	8.0	10.9	10.1	6.7
Equity ratio, %	57.8	43.7	56.6	60.0	58.7
Net gearing, %	5.0	72.9	14.5	19.4	4.3
Dividend paid *)	5.2	6.0	13.0	16.1	17.7
Personnel (at year-end 2014–2016, average 2017–2018)	106	101	108	113	117

*) Proposal of the Board of Directors to the Annual General Meeting for year 2018.

Key Ratios Per Share

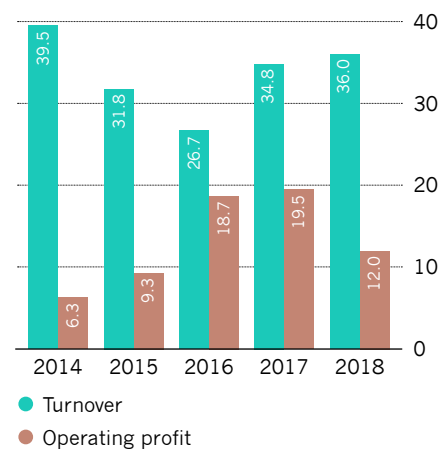
	2014	2015	2016	2017	2018
Earnings/share, cents	3.4	5.9	16.2	10.4	5.5
Diluted, cents	3.4	5.8	16.1	10.2	5.4
Shareholders' equity/share, cents	76.1	75.5	98.6	87.3	82.6
Dividend/share, cents *)	6.0	7.0	9.0	11.0	12.0
Average share issue adjusted number of shares during the financial year, EUR 1,000	86,164	86,291	88,383	145,179	146,522
Share issue adjusted number of shares at year-end, EUR 1,000	86,317	86,317	143,313	145,626	147,142
Number of shares outstanding, EUR 1,000	86,291	86,291	143,287	145,600	147,116
Own shares, EUR 1,000	26	26	26	26	26

*) Proposal of the Board of Directors to the Annual General Meeting for year 2018.

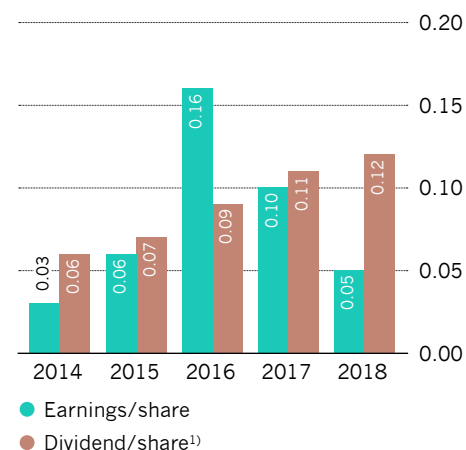
Hybrid bond of EUR 15 million is recognised to equity until its repayment date March 17, 2017. Interest on the hybrid bond (net of tax) for the financial year has been deducted when calculating earnings per share.

Key Figures – Group

Turnover and operating profit, M€

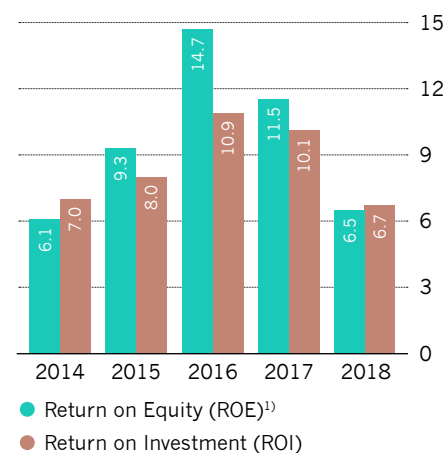


Earnings/share and dividend/share, €



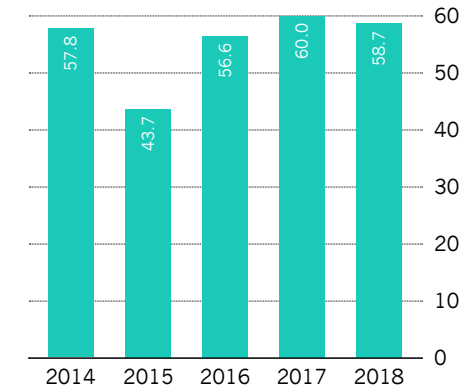
¹⁾ CapMan's objective is to pay an annually increasing dividend. CapMan Board of Directors proposes to the AGM that a dividend of EUR 0.12 per share be paid for 2018.

ROI and ROE, %



¹⁾ The objective for return on equity is more than 20 per cent p.a. on average.

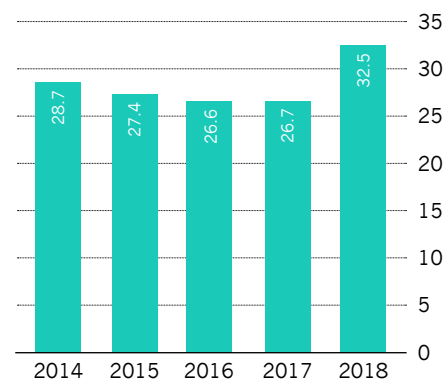
Equity ratio, %¹⁾



¹⁾ The objective for equity ratio is more than 60 per cent.

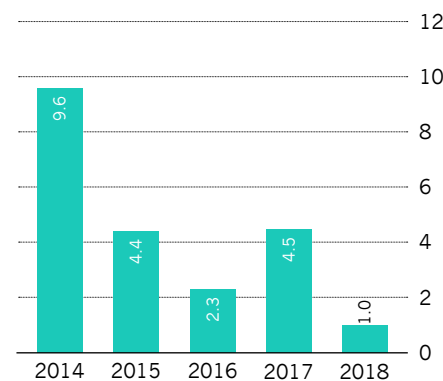
Management Company and Services Business

Fees, M€¹⁾



¹⁾ In addition to management fees, fees recorded also include fees generated by CapMan's Procurement Services (CaPS), fund advisory services (Scala Fund Advisory) and other services (e.g fees from property management)."

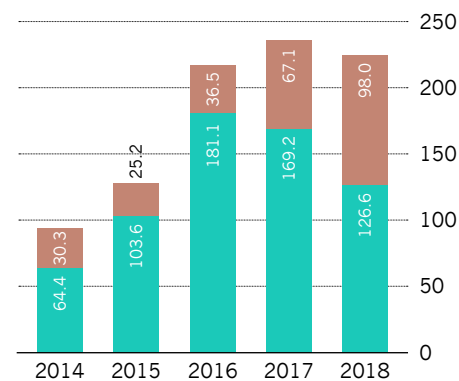
Adjusted carried interest income, M€¹⁾



¹⁾ Adjustments to carried interest income as well as items affecting comparability for 2017 are described in Note 2: Segment information. Carried interest income for 2016 and 2014 have been adjusted for a MEUR 2.3 increase and MEUR 1.2 release of provision for the potential repayment risk of carried interests to the fund, respectively.

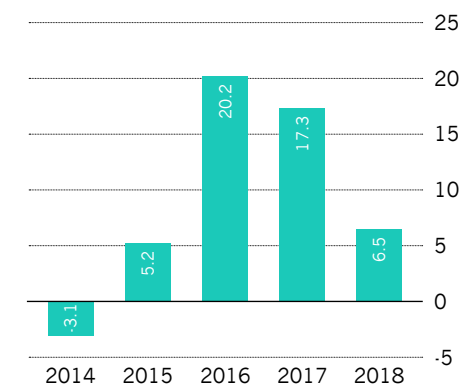
Investment Business

Investments and commitments, M€

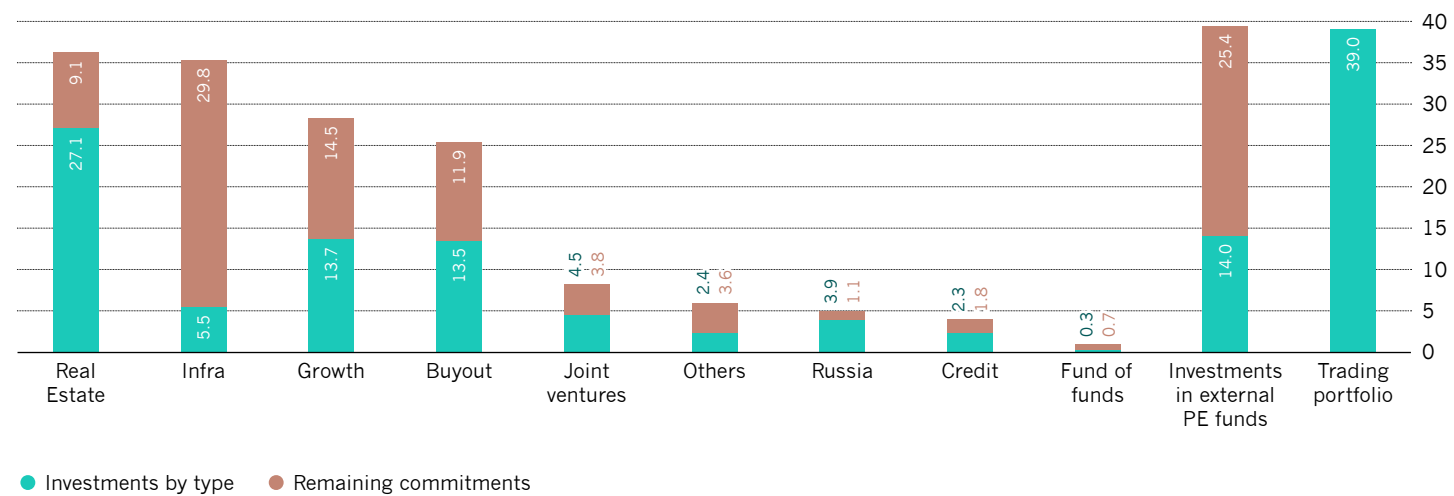


● Investments at fair value
● Remaining commitments

Result impact from own investments, M€



Investments and commitments by type, M€



Calculation of Key Ratios

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

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

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

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

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

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

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

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

Financial Statements

Group Statement of Comprehensive Income (IFRS)	46
Group Balance Sheet (IFRS)	47
Group Statement of Changes in Equity (IFRS).....	48
Group Cash Flow Statement (IFRS).....	49
Notes to the Consolidated Financial Statements	50
1. Accounting policies	50
2. Segment information	60
3. Turnover.....	64
4. Other operating income	64
5. Employee benefit expenses.....	64
6. Depreciation	65
7. Other operating expenses.....	65
8. Adjustments to cash flow statement.....	66
9. Fair value gains/losses of investments.....	66
10. Finance income and costs	66
11. Share of the income of investments accounted for using the equity method	66
12. Income taxes	67
13. Earnings per share.....	67
14. Tangible assets	68
15. Goodwill.....	68

16. Other intangible assets.....	69
17. Investments accounted for using the equity method.....	69
18. Investments at fair value through profit or loss	69
19. Receivables - Non-current.....	70
20. Deferred tax assets and liabilities	71
21. Trade and other receivables.....	72
22. Financial assets at fair value through profit or loss	72
23. Cash and bank.....	73
24. Share capital and shares.....	73
25. Interest-bearing loans and borrowings - Non-current.....	75
26. Trade and other payables - Current.....	75
27. Interest-bearing loans and borrowings - Current.....	76
28. Financial assets and liabilities	76
29. Commitments and contingent liabilities.....	77
30. Share-based payments.....	78
31. Related party disclosures	81
32. Financial risk management	83
Parent Company Income Statement (FAS).....	93
Parent Company Balance Sheet (FAS).....	94
Parent Company Cash Flow Statement (FAS).....	95
Notes to the Parent Company Financial Statements (FAS)	96
Signatures to the report of the Board of Directors and financial statements	103
The Auditor's Note.....	103
Auditor's Report	104
Shares and shareholders	108
Information for shareholders	110

Group Statement of Comprehensive Income (IFRS)

EUR 1,000	Note	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Management fees		22,123	19,583
Sale of services		10,337	7,108
Carried interest		1,022	4,418
Dividend and interest income from financial assets held for trading		2,510	3,735
Turnover	2,3	35,992	34,843
Other operating income	4	4	15
Employee benefit expenses	5	-19,863	-21,366
Depreciation	6	-171	-1,716
Other operating expenses	7	-9,102	-9,876
Fair value gains/losses of investments	9	5,092	17,582
Operating profit		11,951	19,482
Finance income	10	490	289
Finance costs	10	-3,159	-3,460
Share of the income of investments accounted for using the equity method	11	0	-87
Profit before taxes		9,282	16,224
Income taxes	12	-801	-757
Profit for the financial year		8,481	15,467
Other comprehensive income:			
Items that may be subsequently reclassified to profit or loss			
Translation difference		71	-256
Total comprehensive income		8,552	15,211
Profit attributable to:			
Equity holders of the Company		8,064	15,472
Non-controlling interest		418	-5
Total comprehensive income attributable to:			
Equity holders of the Company		8,134	15,216
Non-controlling interest		418	-5
Earnings per share for profit attributable to the equity holders of the Company:			
Earnings per share (basic), cents	13	5.5	10.4
Earnings per share (diluted), cents	13	5.4	10.2

The Notes are an integral part of the Financial Statements.

Group Balance Sheet (IFRS)

EUR 1,000	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
Tangible assets	14	317	287
Goodwill	15	4,704	4,547
Other intangible assets	16	85	208
Investments at fair value through profit and loss	18		
Investments in funds		80,583	58,264
Growth equity investments		0	28,840
Other financial assets		2,548	142
Investments in joint ventures		4,470	4,917
Receivables	19	5,075	3,143
Deferred tax assets	20	2,026	1,752
		99,808	102,100
Current assets			
Trade and other receivables	21	12,646	8,725
Financial assets at fair value through profit and loss	22	39,006	77,144
Cash and bank	23	54,544	23,291
		106,196	109,160
Total assets		206,003	211,259

EUR 1,000	Note	31 Dec 2018	31 Dec 2017
EQUITY AND LIABILITIES			
Capital attributable to the Company's equity holders			
Share capital	24	772	772
Share premium account		38,968	38,968
Other reserves		83,812	82,550
Translation difference		-286	-357
Retained earnings		-2,728	4,766
Total capital attributable to the Company's equity holders		120,537	126,699
Non-controlling interests		433	-5
Total equity		120,970	126,694
Non-current liabilities			
Deferred tax liabilities	20	3,285	8,573
Interest-bearing loans and borrowings	25	49,705	45,215
Other non-current liabilities		167	124
		53,157	53,912
Current liabilities			
Trade and other payables	26	16,808	26,837
Interest-bearing loans and borrowings	27	9,989	3,000
Current income tax liabilities		5,078	816
		31,875	30,653
Total liabilities		85,032	84,565
Total equity and liabilities		206,003	211,259

The Notes are an integral part of the Financial Statements.

Group Statement of Changes in Equity (IFRS)

EUR 1,000	Note	Attributable to the equity holders of the Parent Company						Non-controlling interests
		Share capital	Share premium account	Other reserves	Translation difference	Retained earnings	Total	
Equity on 31 December 2017	24	772	38,968	97,111	-101	6,229	142,979	
Profit for the year						15,473	15,473	-5
Other comprehensive income for the year								
Currency translation differences					-256		-256	
Total comprehensive income for the year					-256	15,473	15,217	-5
Share subscriptions with options				421			421	
Options				96		61	157	
Dividends						-13,047	-13,047	
Share issue				-78			-78	
Repayment of hybrid bond				-15,000		-3,950	-18,950	
Equity on 31 December 2017	24	772	38,968	82,550	-357	4,766	126,699	-5
Profit for the year						8,064	8,064	418
Other comprehensive income for the year								
Currency translation differences					71		71	
Total comprehensive income for the year					71	8,064	8,135	418
Share issue of non-controlling interests								20
Share subscriptions with options				1,139			1,139	
Options and Performance Share Plan				116		520	636	
Dividends						-16,079	-16,079	
Other changes				7			7	
Equity on 31 December 2018	24	772	38,968	83,812	-286	-2,728	120,537	433

The Notes are an integral part of the Financial Statements.

Group Cash Flow Statement (IFRS)

EUR 1,000	Note	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Cash flow from operations			
Profit for the financial year		8,481	15,468
Adjustments on cash flow statement	8	-766	-11,810
Change in working capital:			
Change in current non-interest-bearing receivables*		-5,853	-1,812
Change in current trade payables and other non-interest-bearing liabilities		-1,031	19
Interest paid		-2,438	-3,864
Taxes paid		-3,078	-1,624
Cash flow from operations		-4,686	-3,623
Cash flow from investing activities			
Acquisition of subsidiaries		-8,399	-1,173
Investments in tangible and intangible assets		-77	-260
Investments at fair value through profit and loss		47,204	32,560
Long-term loan receivables granted		-155	-236
Receivables from long-term receivables		972	2,304
Dividends received		0	210
Interest received		67	286
Cash flow from investing activities		39,612	33,690

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

EUR 1,000	Note	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Cash flow from financing activities			
Share issue		1,146	421
Proceeds from borrowings		49,748	9,000
Repayment of borrowings	25	-38,489	-42,000
Paid withheld tax on dividends		0	-6,151
Dividends paid		-16,079	-13,047
Cash flow from financing activities		-3,674	-51,777
Change in cash and cash equivalents		31,253	-21,710
Cash and cash equivalents at start of year		23,291	45,001
Cash and cash equivalents at end of year	23	54,544	23,291

The Notes are an integral part of the Financial Statements.

Notes to the Consolidated Financial Statements

Group information

CapMan's business comprise of private equity fund management and advisory services, as well as investment business. The funds managed by CapMan make investments in Nordic and Russian companies and in real estate and infrastructure assets in the Nordic countries. The service business includes private equity advisory and fundraising services to fund managers and procurement services to companies. Through its investment business, CapMan invests in the private equity asset class, mainly in its own funds, and listed markets in a diversified manner.

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

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

The Consolidated Financial Statements for 2018 have been approved for publication by CapMan Plc's Board of Directors on January 30, 2019. Pursuant to the Finnish Companies Act, shareholders may adopt or reject the financial statements and make decisions on amendments to them at the Annual General Meeting.

1. Accounting policies

Basis of preparation

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) in force at December 31, 2018 as adopted by the European Union. International Financial Reporting Standards, referred to in the Finnish Accounting Act and in ordinances issued based on the provisions of this Act, are standards and their interpretations adopted in accordance with the procedure laid down in regulation (EC) No 1606/2002 of the European Parliament and of the Council. The notes to the consolidated financial statements have been prepared in accordance with the Finnish accounting standards as and where they supplement IFRS requirements.

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

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

sum of individual figures can deviate from the presented sum figure.

New and amended standards applied in financial year ended

As from January 1, 2018, the Group has applied the following new or amended standards that have come into effect:

IFRS 9 Financial instruments

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

The adoption of the new standard caused changes primarily to accounting principles related to financial assets measured at amortised cost, such as trade and loan receivables. The objective of the Group's trade receivables is the possession of financial assets to collect cash flows based on agreements. The Group evalu-

ates the expected credit loss of the trade receivables of the management company and service business by using the simplified approach allowed by IFRS 9. Based on the standard, the Group has established a provision matrix, based on the historical credit losses and forward-looking information regarding general economic indicators. In addition, the group has evaluated the valuation of materially overdue receivables on a client basis. The adoption of the new standard did not result in significant changes to the valuation of trade receivables, because credit losses have been historically low and are not expected to increase in the future.

In addition, the Group has loan receivables relating to management company and service business. The cash flows of these receivables consist of instalments and accumulated interest. The group uses the IFRS 9 based general approach for evaluating the expected credit losses for these loan receivables. The group evaluates the credit risk of the borrowers by estimating the delay of the repayments and borrower's future economic development. Depending on the estimated credit risk, the group measures the loss allowance at an amount equal to 12-month expected credit losses or lifetime expected credit losses. The adoption of the new standard did not result in significant changes to the valuation of loan receivables.

The adoption of IFRS 9 did not result in changes to the classification of financial assets, because under the earlier standard,

the Group's financial assets were classified either at fair value through profit or loss or as loans and receivables. Therefore, loans and receivables under IAS 39 were reclassified to financial assets at amortised cost, and adoption of the new standard did not impact the classification of financial assets at fair value through profit or loss. Changes to the hedge accounting rules do not have an impact, because the Group does not apply hedge accounting.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer. Adoption of the new standard did not have an impact on the Group's result or financial position, and the impact analysis acting as a basis for this conclusion is presented below. However, based on the requirements of the new standard, CapMan disaggregated its revenue from contracts with customers to categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. This resulted in disclosing management fees, service fees, carried interest and income from financial assets held for trading separately from one another.

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

management service fees.

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

Management fee income

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

Carried interest income

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

Carried interest is earned based on the same performance obligation as the management fee, i.e. fund management, and is a variable consideration, which is subject to

the highly probable constraint under IFRS 15. Potential repayment (clawback) risk is measured by using the expected value method, i.e. by estimating a weighted average of all possible outcomes. The fair value of the remaining portfolio companies is determined, which CapMan uses as a basis to assess the repayment risk in case CapMan has a contractual obligation to return part of the received carried interest back to the fund. Adoption of the IFRS 15 did not result in a difference in revenue recognition of carried interest income compared to the superseded standard IAS 18.

Fundraising fee of Scala Fund Advisory

Scala Fund Advisory earns fundraising fee from its services provided to private equity fund managers and professional investors globally. Fundraising fee typically includes two components: a success fee and a retainer. Success fee is earned when the targeted amount of funds has been raised. Retainer is earned over time, during the fundraising process, and is typically a fixed amount per month. Retainer is recognised monthly as earned and success fee only after the investors have been committed to invest by signing the fund agreement. A fundraising contract is a single contract including both success fee and retainer, and includes only one performance obligation, which is to raise the targeted amount of capital. Transaction price comprises the success fee, being a variable consideration, and a retainer, being a fixed consideration. As the retainer is a fixed amount, earned monthly and

irrevocable after being received, recognising it over time is compliant with both IFRS 15 and IAS 18. With regards to the success fee, earlier approach under IAS 18 was also compliant with the IFRS 15, because the constraint highly probable is not reached before the investors have signed and committed to providing the capital reaching the fundraising target, thus entitling CapMan to a success fee as agreed. As long as the fundraising target has not been reached, collecting the remaining minimum amount of commitments is seen strongly dependent on factors outside CapMan's influence and thus constraining CapMan from recognising the revenue in an earlier point in time.

Secondary services of Scala Fund Advisory

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

Revenue streams of CapMan Procurement Services

CapMan Procurement Services (CaPS) combines service providers (suppliers) of non-strategic services and companies that buy or outsource these services. CapMan negotiates favourable prices with the service providers and earns a monthly commission of the supplier's sales to CaPS member companies. This means CapMan receives the commission fee income as an agent, as the supplier is responsible for providing the service or product and CapMan is not exposed to any credit risk regarding the services provided by the suppliers. Recognition of the commission fee income over time is compliant with both IFRS 15 and IAS 18.

CapMan Procurement Services also earns a yearly fixed fee from certain CaPS member companies. In these contracts, there is one performance obligation, which is providing the customer a membership in CaPS and maintaining CaPS. The transaction price is the fixed yearly fee received for a fixed period, and it is not subject to reimbursement. Recognition of yearly fee related revenue evenly over time is compliant with both IFRS 15 and IAS 18.

CapMan Procurement Services also maintain an Employee Benefit Program (EBP), where a company can, by participating in the program, buy services for its employees, at negotiated prices. The membership is based on a yearly fixed fee, which is not subject to reimbursement. The EBP service is run by a third-party service provider that in most cases also collects the yearly fees and pays them forward to CapMan as

such. As the third-party service provider does not control the service, it is considered an agent to CapMan, and therefore CapMan – controlling the service – has an agreement with the customer using the service. CapMan's only performance obligation is to provide membership in and maintain the EBP service. The transaction price is the fixed yearly fee, which is recognised evenly over time, which is compliant with both IFRS 15 and IAS 18.

IFRS 2 Share-based payment (amendments)

Amendments to IFRS 2 are related to classification and measurement of share-based payment transactions. The amendments clarify the accounting for certain types of arrangements with regards to the following accounting areas: measurement of cash-settled share-based payments, classification of share-based payments settled net of tax withholdings and accounting for a modification of a share-based payment from cash-settled to equity-settled. As the Group's share-based long-term incentive plan contains no such features nor cash-settled payments, the amendments to IFRS 2 did not have an impact on the Group's financial statements.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies the accounting treatment for foreign currency transactions that include a receipt or payment of advance consideration. According to the inter-

pretation, a non-monetary asset or liability related to an advance payment is measured using the exchange rate prevailing on the payment date. This interpretation did not have an impact on the consolidated financial statements, as the Group's accounting treatment of such transactions was already compliant with this interpretation.

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

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

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

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

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

IFRS 16 will replace the current standard IAS 17 Leases. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – lease of low-value assets and short-term leases.

The Group will adopt IFRS 16 using the simplified approach, also known as the modified retrospective approach or the cumulative catch-up method, and within that approach, choose the forward-looking alternative. This means, the right-of-use asset will be an equal to the lease liability, however adjusted for possible prepaid or accrued lease payments, and therefore no adjustment to retained earnings is made on the transition date January 1, 2019. The Group will also elect to use the exemptions allowed by the standard on lease contracts for which the lease term ends within 12 months as of the initial application, and lease contracts for which the underlying asset is of low value. Exemptions will be applied to some of the leased premises and to all laptops, printers and copying machines, among others.

The Group has performed a detailed impact assessment of IFRS 16. The following sets forth the impact of IFRS 16 adoption as expected at the moment:

Impact on the statement of financial position as at December 31, 2018:

	EUR 1,000
ASSETS	
Tangible assets (right-of-use assets)	3,173
LIABILITIES	
Lease liabilities	3,173
Net impact on equity	-

Impact on the statement of profit or loss for 2019 based on the lease contracts effective as at December 31, 2018:

	EUR 1,000
Depreciation, amortisation and impairments	-844
Other operating expenses (lease expenses)	+871
Operating profit	+27
Finance costs	-61
Income taxes	+7
Profit for the year	-27

IFRIC 23 Uncertainty over Income Tax Treatments (effective for financial years beginning on or after January 1, 2019)

Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this interpretation. The Group does not expect the standard to have a significant impact on its financial statements.

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

Consolidation principles

As CapMan has determined it meets the definition of an investment entity, its subsidiaries are classified either as operating

subsidiaries, that are considered to be an extension of the Parent's operations, and as such, they are consolidated or investment entity subsidiaries, that are fair valued through profit or loss. The types of subsidiaries and their treatment in CapMan's consolidated accounts are as follows:

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

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

Management has determined that CapMan qualifies as an investment entity as defined by IFRS 10 through the fulfillment of the investment entity criteria, irrespective of the direct investments brought along by the

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

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

One of the most significant judgments management made in preparing the Company's consolidated financial statements is the determination that Company does not have control over the funds under its management. Control is presumed to exist when

a parent has power over the investee, has exposure to variable returns from the fund and is able to use its power to affect the level of returns.

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

In the investment management mandate the investors have set detailed instructions in all circumstances relating to the management of the fund limiting the actual influence of the general partner at very low. In general, having a qualified majority, investors have a right to replace the general partner and/or fund manager. The remuneration CapMan is entitled to is commensurate with the services it provides and corresponds to remuneration customarily present in arrangements for similar services on an arm's length basis. CapMan's direct investment (typically between of 1% to 5%) in the funds and thus the share of the variability of the returns compared with the other investors is relatively small. As an investor in the fund CapMan has no representation nor voting rights as it has been specifically excluded in the investment management mandate.

Therefore, management has concluded that despite it from formal perspective exercises power over the funds by controlling the general partner of the fund, its actual

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

Subsidiaries

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

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

Associates

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

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

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

Joint ventures

CapMan has assessed the nature of its investment in Maneq Luxembourg S.a.r.l. and classified it as joint venture since based on contractual agreement, CapMan has right to net assets of the arrangement. The investment is made through several separate instruments and their values are co-dependent. As an investment entity CapMan

measures its investment in the joint venture at fair value through profit or loss. In the balance sheet, the investment is presented as part of Investments at fair value through profit or loss as a separate line item "Investments in joint ventures". Changes in the fair value of the investment are recognised in the group statement of comprehensive income in line item "Fair value changes of investments".

Segment reporting

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

Translation differences

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

Transactions in foreign currencies have been recorded in the parent company's functional currency at the rates of exchange prevailing on the date of the transactions; in practice a reasonable approximation of the actual rate of exchange on the date of the transaction is often used. Foreign exchange differences for operating business items are

recorded in the appropriate income statement account before operating profit and, for financial items, are recorded in financial income and expenses. The Group's foreign currency items have not been hedged.

In the consolidated financial statements, the income statements of subsidiaries that use a functional currency other than the euro are translated into euros using the average rates for the accounting period. Their balance sheets are translated using the closing rate on the balance sheet date. All resulting exchange differences are recognised in other comprehensive income. Translation differences caused by changes in exchange rates for the cumulative shareholders' equity of foreign subsidiaries have been recognised in other comprehensive income.

Tangible non-current assets

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

The estimated useful lives are as follows:

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

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

Intangible assets

Goodwill

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

Other intangible assets

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

Agreements and trademarks acquired in business mergers are booked at fair value at the time of acquisition. As they have a limited life, they are booked in the balance sheet at acquisition cost minus accumulated

write-offs. IT systems are expensed on the basis of the costs associated with acquiring and installing the software concerned. Depreciation is spread across the financial life of the relevant software licences. Impairment is tested whenever there is an indication that the book value of intangible assets may exceed the recoverable amount of these assets.

The estimated useful lives are:

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

Impairment of assets

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

The need for impairment is assessed on the level of cash-generating units, in other words at the smallest identifiable group of assets that is largely independent of other units and cash inflows from other assets. The recoverable amount is the fair value of an asset, less costs to sell or value in use. Value in use refers to the expected future net cash flow projections, which are discounted to the present value, received from the asset in question or the cash-generating unit. The discount rate used in measuring

value in use is the rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment is recorded in the income statement as an expense. The recoverable amount for financial assets is either the fair value or the present value of expected future cash flows discounted by the initial effective interest rate.

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

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

Financial assets

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

1. financial assets at fair value through profit or loss
2. financial assets at amortised cost

Investments in equity instruments are always measured at fair value through profit or loss. Classification of debt instruments, such as trade and loan receivables, is based on the business model for managing and for the contractual cash flow characteristics of these financial assets. Debt instruments of the Management Company Business and Service Business are classified as financial assets at amortised cost, because they are held solely in order to collect contractual cash flows, which are solely payments of principal and interest. Current debt instruments, included in the market portfolio of the Investment Business, are classified as at fair value through profit or loss, because they are held for trading. Non-current debt instruments included in the Investment Business are held for both selling purposes and collecting contractual cash flows (principal and interest), and the Group designates these assets as measured at fair value through profit or loss, in order to reduce inconsistency with regards to recognizing gains and losses of financial assets within the Investment Business, because the Group as an investment entity manages and mon-

itors the performance of these investments based on fair values according to group's investment strategy.

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

Financial assets at fair value through profit or loss

Fair value through profit or loss class comprises of financial assets that are equity instruments or acquired as held for trading, in which case they can be either equity or debt instruments. Debt instruments are also classified to this class, if they are held for both selling purposes and collecting contractual cash flows and which CapMan as an investment entity designates as financial assets at fair value through profit or loss at initial recognition in order to reduce inconsistency with regards to recognizing gains and losses of financial assets within the Investment Business.

Fund investments, investments in joint ventures and other investments in non-current assets are classified as financial assets at fair value through profit or loss and their

fair value change is presented on the line item "Fair value changes of investments" in the statement of comprehensive income. Fair value information of the non-current fund investments is provided quarterly to Company's management and to other investors in the investment funds management by CapMan. The valuation of CapMan's funds' investment is based on International Private Equity and Venture Capital Valuation Guidelines (IPEVG) and IFRS 13. The investments in joint ventures mainly consists of investment in Maneq Luxembourg S.a.r.l. As an investment entity CapMan measures its investments in joint ventures at fair value through profit or loss. The investment is made through several separate instruments and their values are co-dependent. The investment is thus valued as one entity based on discounted cash flows.

Investments in listed shares, funds and interest-bearing securities as well as those derivative instruments that do not meet the hedge accounting criteria or for which hedge accounting is not applied in current assets are held for trading and therefore classified as at fair value through profit or loss. Listed shares and derivative contracts in current assets are measured at fair value by the last trade price on active markets on the balance sheet date. The fair value of current investments in funds is determined as the funds' net asset value at the balance sheet date. The fair value of current investments in interest-bearing securities is based on the last trade price on the balance sheet date or, in an illiquid market, on values determined by the counterparty. The change in fair value

of current financial assets measured at fair value through profit or loss is presented on the line item "Fair value changes of investments" in the statement of comprehensive income. Dividend and interest income from short-term investments in listed shares and interest-bearing securities is recognised as turnover.

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

Financial assets at amortised cost

Financial assets at amortised cost mainly include non-interest-bearing trade receivables and interest-bearing loan receivables of the Management Company Business and Service Business. These financial assets are held solely in order to collect contractual cash flows, and whose payments are fixed or determinable and which are not quoted in an active market. They are included in

current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets.

Expected credit loss of the trade receivables is evaluated by using the simplified approach allowed by IFRS 9, under which a provision matrix is maintained, based on the historical credit losses and forward-looking information regarding general economic indicators. In addition, materially overdue receivables are evaluated on a client basis.

Expected credit losses of loan receivables is evaluated based on the general approach under IFRS 9. The group evaluates the credit risk of the borrowers by estimating the delay of the repayments and borrower's future economic development. Depending on the estimated credit risk the group measures the loss allowance at an amount equal to 12-month expected credit losses or lifetime expected credit losses. Inputs used for the measurement of expected credit losses include, among others, available statistics on default risk based on credit risk rating grades and the historical credit losses the group has incurred.

Credit risk of a loan receivable is assumed low on initial recognition in case the contractual payments of principal and interest are dependent on the cash proceeds the borrower receives from the underlying investments. In these cases, the borrower is considered to have a strong capacity to meet its contractual cash flow obligations in the near term. It is considered that there has been a significant increase in the credit risk, if the contractual payments have

become more than 30 days past due, and a default event has occurred, if the payment is more than 90 days past due, unless resulting from an administrative oversight.

Cash and cash equivalents

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

Financial liabilities

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

Equity

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

subject to decision by the Annual General Meeting, such as decision to pay dividend. The interest on the hybrid bond is deducted from equity as interest is paid.

Dividend payment

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

Leases

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

Provisions

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

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

Employee benefits

Pension obligations

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

Share-based payments

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

Revenue recognition

Revenue from contracts with customers is recognised by first allocating the transaction price to performance obligations, and when the performance obligation is satisfied by transferring the control of the underlying service to the customer, the revenue related to this performance obligation is recognised. Performance obligation can be satisfied either at a point in time or over time.

Management fees

As a fund manager, CapMan receives management fees during a fund's entire period of operations. Management fee is a variable consideration and is typically based on the fund's original size during its investment period, which is usually five years. Thereafter the fee is typically based on the acquisition cost of the fund's remaining portfolio. Annual management fees are usually 0.5-2.0% of a fund's total commitments, depending whether the fund is a real estate fund, a mezzanine fund, or an equity fund. In the case of real estate funds, management fees are also paid on committed debt capital. The average management fee percentage paid by CapMan-managed funds is approx. 1%.

Management fees paid by the funds are recognised as income over time, because the fund management service is the only performance obligation in the contract and it is satisfied over time.

Sale of services

CapMan's service business includes fund advisory and fund management services to external funds and fees from CapMan Procurement services (CaPS). Fee from a service is recognised over time, when the service is provided and the control is transferred to the customer, except for success fees, which are recognised as income at a point in time, because the underlying performance obligation is satisfied and the control of the related service is transferred to the customer at a point in time.

Some of the contracts with customers related to the service business includes a significant financing component. When determining the transaction price in these cases, the promised amount of consideration is adjusted for the effects of the time value of money and customer's credit characteristics.

Carried interest income

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

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

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

To transfer to carry, a fund must return its paid-in capital to investors and pay

a preferential annual return on this. The preferential annual return is known as a hurdle rate, which is typically set between 7-10% IRR p.a. When a fund has transferred to carry, the remainder of its cash flows is distributed between investors and the fund manager. Investors typically receive 80% of the cash flows and the fund manager 20%. When a fund is generating carried interest, the fund manager receives carried interest income from all of the fund's cash flows, even if an exit is made at below the original acquisition cost.

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

Potential repayment risk of carried interest to the funds (clawback)

Potential repayment risk to the funds (clawback) is considered when assessing whether revenue recognition criteria have been fulfilled. Clawback risk relates to a situation when, in conjunction with the liquidation of a fund, it is recognised that the General Partner has received more carried interest than agreed in the fund agreement. These situations can occur, for example, if there are recallable distributions or if representations and warranties have been given by the vendor

in the sale and purchase agreement when the fund is towards the end of its lifecycle.

Potential repayment risk to the funds (clawback) is estimated by the management at each reporting date. The management judgment includes significant estimates relating to investment exit timing, exit probability and realisable fair value. The clawback risk is measured by using the expected value method, i.e. by calculating a probability weighted average of estimated alternative investment exit outcomes. The clawback is an adjustment to the related revenue recognised and is included in the current accrued liabilities in the consolidated balance sheet.

Income taxes

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

Deferred taxes are calculated on temporary differences between the carrying

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

Items affecting comparability and alternative performance measures

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

Items affecting comparability are, among others, material items related to mergers and acquisitions or major development projects, material gains or losses related to the acquisition or disposals of business units, material gains or losses related to the acquisition or disposal of intangible assets, material expenses related

to decisions by authorities and material gains or losses related to reassessment of potential repayment risk to the funds.

Use of estimates

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

Valuation of fund investments

The determination of the fair value of fund investments using the International Private Equity and Venture Capital Valuation Guidelines (IPEVG) takes into account a range of factors, including the price at which an investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected operating

performance, and financing transactions subsequent to the acquisition of the investment. These valuation methodologies involve a significant degree of management judgement. Because there is significant uncertainty in the valuation of, or in the stability of, the value of illiquid investments, the fair values of such investments as reflected in a fund's net asset value do not necessarily reflect the prices that would actually be obtained when such investments are realised.

Valuation of growth equity investments

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

Fair value measurement of other investments

Before acquiring the control in Norvestia Oyj, other investments comprised mainly of investments in CapMan's associated company, Norvestia Oyj. The investment in the associate company was measured at fair value through profit or loss, since CapMan has been classified as an investment entity as defined in IFRS 10. The fair value of the

Norvestia investment in CapMan's consolidated balance sheet was based on the net asset value (NAV) as reported by Norvestia Oyj. Management had used judgement in assessing that the NAV reported by Norvestia Oyj represents the best available estimate of the fair value of Norvestia Oyj.

Fair value measurement of the investment in the joint venture

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

Valuation of goodwill

Impairment testing for goodwill is performed annually. The most significant management assumptions related to the recoverable amount of an asset are linked to the timing and size of new funds to be established and the accrual of potential carried interest income. The management fees received by funds are based on agree-

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

2. Segment information

CapMan has 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 and investors through Scala Fund Advisory. Income from the Services business include fees from CapMan Procurement Services (CaPS) and fundraising advisory services (Scala).

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.

2018

EUR 1,000	Management company business	Service business	Investment business	Other	Total
Management fees	22,123				22,123
Service fees	1,054	8,680		603	10,337
Carried interest	1,022				1,022
Dividend and interest income from financial assets held for trading			2,510		2,510
Turnover, external	24,199	8,680	2,510	603	35,992
Turnover, internal		442		-442	
Other operating income	2			1	4
Personnel expenses, of which	-12,569	-2,417	-229	-4,647	-19,863
Salaries and bonuses	-12,569	-2,417	-229	-4,011	-19,226
Share-based payment				-636	-636
Depreciation, amortisation and impairment	-118	-7		-46	-171
Other operating expenses	-5,104	-1,086	-236	-2,677	-9,102
Internal service fees	-3,569	-1,240	-687	5,496	
Fair value changes of investments			5,092		5,092
Operating profit	2,842	4,372	6,450	-1,712	11,951
Financial items			-2,669		-2,669
Income taxes	-568	-963	387	342	-801
Profit for the period	2,274	3,409	4,168	-1,369	8,481
Earnings per share, cents					5.5
Earnings per share, diluted, cents					5.4
Non-current assets	7,255	2,338	92,159	-1,944	99,808
Total assets include:					
Investments in joint ventures			4,470		4,470
Geographical distribution of turnover:					
Finland					21,507
Other countries					14,485
Total					35,992

2017

EUR 1,000	Management company business	Service business	Investment business	Other	Total
Management fees	19,549			34	19,583
Sale of services	1,098	5,563		447	7,108
Carried interest	4,418				4,418
Dividend and interest income from financial assets held for trading			3,735		3,735
Turnover, external	25,065	5,563	3,735	480	34,843
Turnover, internal		252		-252	
Items affecting comparability					
Reassessment of potential repayment risk to the funds	117				117
Items affecting comparability, total	117				117
Adjusted turnover	25,182	5,815	3,735	229	34,960
Other operating income			3	12	15
Personnel expenses, of which	-11,301	-2,346	-2,177	-5,543	-21,366
Salaries and bonuses	-11,301	-2,346	-2,177	-5,387	-21,210
Share-based payment				-156	-156
Depreciation, amortisation and impairment	-1,666	-4	-13	-34	-1,716
Other operating expenses	-5,436	-818	-1,127	-2,494	-9,876
Overhead costs	-3,982	-390	-743	5,115	
Fair value changes of investments			17,582		17,582
Operating profit	2,680	2,258	17,259	-2,716	19,482
Items affecting comparability					
Reassessment of potential repayment risk to the funds	117				117
Norvestia acquisition related costs			645		645
Norvestia integration related costs			1,204		1,204
Reorganisation costs	956				956
Goodwill impairment	1,500				1,500
Items affecting comparability, total	2,573		1,849		4,422
Adjusted operating profit	5,253	2,258	19,108	-2,717	23,903
Financial items			-3,171		-3,171

EUR 1,000	Management company business	Service business	Investment business	Other	Total
Share of the income of investments accounted for using the equity method			.87		.87
Income taxes	-543	-452	-295	534	-757
Profit for the period	2,137	1,806	13,706	-2,183	15,467
Items affecting comparability					
Reassessment of potential repayment risk to the funds	94				94
Norvestia acquisition related costs			653		653
Norvestia integration related costs			1,025		1,025
Reorganisation costs	759				759
Goodwill impairment	1,500				1,500
Items affecting comparability, total	2,352		1,678		4,031
Adjusted profit for the period	4,489	1,806	15,385	-2,182	19,498
Earnings per share, cents					10.4
Items affecting comparability, cents					2.8
Adjusted earnings per share, cents					13.1
Earnings per share, diluted, cents					10.2
Items affecting comparability, cents					2.7
Adjusted earnings per share, diluted, cents					13.0
Non-current assets	4,702		96,920	478	102,100
Total assets include:					
Investments accounted for using the equity method					
Investments in joint ventures			4,917		4,917
Geographical distribution of turnover:					
Finland					21,109
Other countries					13,734
Total					34,843

3. Turnover

Revenue from contracts with customers include management fees, service fees and carried interest, and they have been presented separately from dividend and interest income from financial assets held for trading included in turnover.

In addition to the segment information (see Note 2), information presented here depict how the nature, amount, timing and uncertainty of revenue are affected by economic factors and how this disaggregation reconciles with the revenue of each reportable segment. Management and service fee as well as carried interest in the Management company business is primarily related to long-term contracts. Management and service fee is typically recorded over time, whereas carried interest is recognised at a point in time. Revenue from the Service business is mainly based on short-term contracts and includes both success fees recognised at a point in time and service fees recognised over time.

The below table disaggregates timing of revenue recognition by reportable segment into services transferred over time and at a point in time. The below table also reconciles revenue from customer contracts to external turnover by reportable segment.

EUR 1,000	Management company business	Service business	Invest- ment business	Other	Total
Timing of revenue recognition:					
Services transferred over time	23,177	5,713		603	29,493
Services transferred at a point in time	1,022	2,967			3,989
Revenue from customer contracts, external	24,199	8,680		603	33,482
Revenue from other sources than customer contracts			2,510		2,510
Turnover, external	24,199	8,680	2,510	603	35,992

4. Other operating income

	2018	2017
Other items	4	15
Total	4	15

5. Employee benefit expenses

	2018	2017
Salaries and wages	16,198	18,969
Pension expenses - defined contribution plans	2,716	1,786
Share-based payments	636	156
Other personnel expenses	311	455
Total	19,861	21,366

Remuneration of the management is presented in Note 31. Related party disclosures.

Cost for the stock options granted and investment-based incentive plan is based on the fair value of the instrument. The counter-entry to the expenses recognised in the income statement is in retained earnings, and thus has no effect on total equity. More information on the share-based payments is disclosed in Note 30.

Average number of people employed

	2018	2017*
By country		
Finland	77	71
Sweden	19	20
Denmark	4	3
Russia	11	13
Luxembourg	1	1
United Kingdom	5	5
In total	117	113
By segment		
Management company business	74	73
Service business	13	12
Investment business and other	30	28
In total	117	113

*Figures for the comparison period have been restated to correspond average number of people employed.

6. Depreciation

EUR 1,000	2018	2017
Depreciation by asset type		
Intangible assets		
Other intangible assets	143	187
Total	143	187
Tangible assets		
Machinery and equipment	28	29
Total	28	29
Total depreciation	171	216
Impairment by asset type		
Goodwill	0	1,500
Total impairments	0	1,500

7. Other operating expenses

EUR 1,000	2018	2017
Included in other operating expenses:		
Other personnel expenses	978	884
Office expenses	1,443	1,478
Travelling and entertainment	1,172	1,171
External services	3,513	4,461
Other operating expenses	1,997	1,882
Total	9,103	9,876
Yhteensä	9 103	9 876

Audit fees

Ernst & Young chain of companies:

EUR 1,000	2018	2017
Audit fees	176	
Tax advices	15	
Other fees and services	44	
Total	235	

The other fees and services performed by Ernst & Young in 2018 was 59 thousand euros (0) in total. The services consisted of tax advisory services (15 thousand euros) and other services (44 thousand euros).

PricewaterhouseCoopers chain of companies:

EUR 1,000	2018	2017
Audit fees	131	257
Tax advices		135
Other fees and services		18
Fees under Auditing Act chapter 1, section 1, paragraph 2		11
Total	131	421

The other fees and services performed by PricewaterhouseCoopers in 2018 was 0 euros (164 thousand euros) in total.

8. Adjustments to cash flow statement

EUR 1,000	2018	2017
Personnel expenses	636	156
Depreciation	171	1,716
Unrealized fair value gains/losses of investments	-5,092	-17,582
Finance income and costs	2,669	3,171
Share of the income of investments accounted for using the equity method	0	87
Taxes	801	757
Other adjustments	48	-114
Total	-766	-11,809

9. Fair value gains/losses of investments

EUR 1,000	2018	2017
Investments at fair value through profit and loss		
Investments in funds	8,041	4,013
Growth equity investments	1,336	11,749
Market portfolio	-4,740	2,302
Investments in joint ventures	280	-358
Other investments*	175	-124
Total	5,092	17,582

*Includes a net gain of EUR 0.2 million from financial assets designated at fair value through profit or loss.

10. Finance income and costs

EUR 1,000	2018	2017
Finance income		
Interest income, loan receivables	123	214
Other interest income	4	5
Exchange gains	363	70
Total	490	289
Finance costs		
Interest expenses/loans	-2,381	-2,726
Other interest and finance expenses	-401	-560
Exchange losses	-378	-174
Total	-3,160	-3,460

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

EUR 1,000	2018	2017
Associates	0	-87
Total	0	-87

12. Income taxes

EUR 1,000	2018	2017
Current income tax	5,150	960
Taxes for previous years	1,066	1,274
Deferred taxes		
Temporary differences	-5,415	-1,477
Total	801	757

Income tax reconciliation

EUR 1,000	2018	2017
Profit before taxes	9,282	16,224
Tax calculated at the domestic corporation tax rate of 20%	1,856	3,245
Effect of different tax rates outside Finland	43	-60
Tax exempt income	-1,841	-1,118
Non-deductible expenses	215	44
The use of previous years' tax losses	-280	-1,706
Taxes for previous years	410	1,267
Change of deferred tax expense liability concerning taxes for previous years	383	-1,224
Impairment of goodwill	0	300
Other direct taxes	15	10
Income taxes in the Group Income Statement	801	757

13. Earnings per share

Basic earnings per share is calculated by dividing the distributable retained profit for the financial year by the average share issue adjusted number of shares, excluding shares that have been purchased by the Company and are presented as the Company's own shares.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	2018	2017
Attributable to the equity holders of the Company, €, EUR 1,000	8,064	15,473
Interest expense on hybrid bond (net of tax)		-435
Profit/loss used determine diluted earnings per share	8,064	15,038
Weighted average number of shares, EUR 1,000	146,522	145,179
Own shares, EUR 1,000	-26	-26
Weighted average number of shares, EUR 1,000	146,495	145,153
Effect of options, EUR 1,000	1,630	1,845
Weighted average number of shares adjusted for the effect of dilution, EUR 1,000	148,125	146,998
Earnings per share (basic), cents	5.5	10.4
Earnings per share (diluted), cents	5.4	10.2

14. Tangible assets

EUR 1,000	2018	2017
Machinery and equipment		
Acquisition cost at 1 January	2,148	1,989
Additions	77	159
Acquisition cost at 31 December	2,225	2,148
Accumulated depreciation at 1 January	-1,980	-1,940
Accumulated depreciation in changes	0	0
Depreciation for the financial year	-48	-40
Accumulated depreciation at 31 December	-2,028	-1,980
Book value on 31 December	197	168
Other tangible assets		
Acquisition cost at 1 January	120	120
Book value on 31 December	120	120
Tangible assets total	317	288

15. Goodwill

EUR 1,000	2018	2017
Acquisition cost at 1 January	13,169	13,169
Acquisition cost at 31 December	13,169	13,169
Accumulated impairment at 1 January	-8,622	-6,965
Impairment	-	-1,500
Translation difference	157	-157
Accumulated impairment at 31 December	-8,465	-8,622
Book value on 31 December	4,704	4,547

Impairment testing of goodwill

The majority of goodwill consists of CapMan's acquisition on 27 August 2008 of private equity house Norum, whose goodwill was €4.2 million (€4.1 million) as at 31 December 2018.

The management of the Russian funds form a cash generating unit. Cash flow projections have been prepared for ten years with no residual value consideration. The cash flow is based on a long term contract, whereby the cash flows for the current fund can be reasonably reliable estimated. In addition, cash flow projections include new fee income, for which an agreement is not yet made. The discount rate used is 15.7% (2017: 14.6%), except for carried interest, whose discount rate is 18.0% (2017: 18.0%). There is no significant country risk attached to these cash flows, as they relate to management fees received from international investors.

A sensitivity analysis for the valuation of goodwill allocated to the Russian fund management business has been carried out, by making downside scenarios for the key parameters used in the impairment test. Recoverable amount of the cash-generating unit is currently exceeding its carrying amount by EUR 0.6 million. According to the sensitivity analysis, an increase of 3.8 percent points in the pre-tax discount rate, 21% decrease in the estimated fee income, 17% decrease in the estimated carried interest or 50% decrease in the estimated fee income from agreements not yet made, would result in the recoverable amount being lower than the carrying amount.

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

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

16. Other intangible assets

EUR 1,000	2018	2017
Acquisition cost at 1 January	5,330	5,223
Additions	-	107
Acquisition cost at 31 December	5,330	5,330
Accumulated depreciation at 1 January	-5,122	-4,946
Depreciation for the financial year	-123	-176
Accumulated depreciation at 31 December	-5,245	-5,122
Book value on 31 December	85	208

17. Investments accounted for using the equity method

EUR 1,000	2018	2017
Associates	0	87
Share of the income of investments accounted for using the equity method	0	-87
Total	0	0

Nature of investments in associates

2018

EUR 1,000		Assets	Liabilities	Turnover	Profit/loss	Owner-ship %
BIF Management Ltd	Jersey	1	6	0	-44	33.33%
Baltic SME Management B.V.	The Netherlands	3	53	0	-9	33.33%
Total		4	59	0	-53	

2017

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

18. Investments at fair value through profit or loss

Investments in funds

EUR 1,000	2018	2017
Investments in funds at 1 January	58,264	51,394
Additions	31,868	10,543
Disposals	0	-35
Distributions	-17,435	-7,157
Fair value gains/losses of investments	8,073	3,422
Transfers	-187	97
Investments in funds at 31 December	80,583	58,264
Investments in funds by investment area at the end of period		
Buyout	13,456	22,020
Credit	2,299	1,749
Russia	3,917	4,505
Real Estate	27,069	17,885
Other investment areas	13,655	2,795
Funds of funds	340	511
External private equity funds	14,318	8,799
Infra	5,529	
Total	80,583	58,264

Investments in funds include the subsidiary, CapMan Fund Investments SICAV-SIF, with a fair value of EUR 42.9 million.

Growth equity investments

EUR 1,000	2018	2017
Other investments at 1 January	28,840	37,856
Additions		1,856
Disposals*	-26,626	-20,920
Fair value gains/losses of investments		9,959
Transfers	-2,214	89
Other investments at 31 December	0	28,840

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

Other financial assets

EUR 1,000	2018	2017
Other investments at 1 January	142	179
Additions	42	0
Disposals		-5
Transfers	2,213	
Fair value gains/losses of investments	151	-32
Other investments at 31 December	2,548	142

Investments in joint ventures

EUR 1,000	2018	2017
Investments in joint ventures at 1 January	4,917	5,376
Additions	106	172
Disposals	-832	-63
Distributions	0	-210
Fair value gains/losses of investments	280	-358
Investments in joint ventures at 31 December	4,470	4,917

Nature of investments in joint ventures

2018

EUR 1,000		Assets	Liabilities	Turnover	Profit/ loss	Owner- ship %
Maneq Investments Luxembourg S.a.r.l.	Luxembourg	5,788	1,997	0	447	18.18%
Maneq 2004 AB	Sweden	53	1	0	0	41.90%
Yewtree Holding AB	Sweden	12	1	0	-9	35.00%

2017

EUR 1,000		Assets	Liabilities	Turnover	Profit/ loss	Owner- ship %
Maneq Investments Luxembourg S.a.r.l.	Luxembourg	5,968	2,968	0	3	18.18%
Maneq 2004 AB	Sweden	76	-1	2	11	41.90%
Yewtree Holding AB	Sweden	69	1	2	-4	35.00%

The Group's share of the Maneq funds is approx. EUR 4.5 million. As an investment entity, CapMan measures its investments in joint ventures as at fair value through profit or loss.

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

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

The valuation principles are presented in Note 32. Financial risk management g) Determining fair values.

19. Receivables - Non-current

EUR 1,000	2018	2017
Trade receivables	2,309	
Loan receivables	2,766	3,143
Total	5,075	3,143

Non-current trade receivables are related to Scala's fundraising and advisory services. Because of the significant financing component related to these receivables, the promised amount of consideration has been adjusted for the effects of the time value of money and the credit characteristics of the customer. However, no contract assets are related to these customer contracts, as the Group's right to the amount of consideration is unconditional and subject only to the passage of time.

Loan receivables include EUR 1.5 million from Norum Russia Co-Investment Ltd, EUR 0.4 million from NEP Priedvidza S.a.r.l., EUR 0.4 million from NRE Cream Oy, EUR 0.2 million from CapMan Russia Team Guernsey Ltd and EUR 0.3 million related to other co-investments.

Non-current receivables' fair value equals their book value. Loan receivables do not include credit-impaired financial assets. Allowance for expected credit losses of loan receivables is presented in the table on the right.

EUR 1,000	2018	2017
Loan receivables, gross	2,781	3,143
Loss allowance	-16	-
Loan receivables, net	2,766	3,143

20. Deferred tax assets and liabilities

Changes in deferred taxes during 2018:

EUR 1,000	31 Dec 2017	Charged to Income Statement	Translation difference	Charged in equity	31 Dec 2018
Deferred tax assets					
Accrued differences	1,751	273	2	0	2,026
Total	1,751	273	2	0	2,026
Deferred tax liabilities					
Accrued differences	1,139	319	-6	0	1,452
Unrealised fair value changes	7,434	-5,601		0	1,833
Total	8,573	-5,282	-6	0	3,285

Changes in deferred taxes during 2017:

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

21. Trade and other receivables

EUR 1,000	2018	2017
Trade receivables	1,473	3,052
Loan receivables	102	455
Accrued income	3,617	2,255
Other receivables	7,455	2,963
Total	12,647	8,725

Loss allowance for the expected credit losses of trade receivables, based on a provision matrix, is presented below.

EUR 1,000	2018	2017
Trade receivables, gross	1,512	3,052
Loss allowance	-39	-
Trade receivables, net	1,473	3,052

Expected credit losses of other receivables measured at amortised cost is insignificant, and other receivables at amortised cost do not contain credit-impaired items.

With regards to contracts with customers, the Group's right to the amount of consideration is unconditional. Therefore, they are presented as receivables and no separate contract asset is presented.

Loan receivables include mainly current loan receivables from related parties and other employees.

Accrued income includes mainly prepayments.

Other receivables mainly include unvoiced sale of services, costs to be re-invoiced, income tax receivables and receivables related to sold financial assets.

Trade and other receivables by currency at end of year

Trade and other receivables	Amount in foreign currency	Amount in euros	proportion
EUR		9,228	73%
USD	2,560	2,236	18%
SEK	6,061	591	5%
GBP	529	591	5%

22. Financial assets at fair value through profit or loss

EUR 1,000	2018	2017
Financial assets held for trading	38,706	76,841
Other financial assets at fair value through profit or loss	300	303
Total	39,006	77,144

Financial assets held for trading include investments to listed shares, derivative contracts and investments in hedge and interest funds. Listed shares and derivative contracts are measured at fair value by the last trade price on active markets on the balance sheet date. Their fair value amounted to EUR 21.0 million as at December 31, 2018.

The fair value of investments in funds is determined as the funds' net asset value at the balance sheet date. The fair value of fund investments totaled EUR 6.3 million, of which hedge funds and equity funds totaled EUR 1.1 million and EUR 5.2 million, respectively.

The fair value of interest-bearing securities on the balance sheet date was EUR 11.3 million, of which bonds and bond funds totaled EUR 8.9 million and EUR 2.4 million, respectively. The fair value of bonds is based on the last trade price on the balance sheet date or, in an illiquid market, on values determined by the counterparty. The fair value of investments in bond funds is determined as the funds' net asset value at the balance sheet date.

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

Derivative contracts

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

EUR 1,000	2018	2017
Index derivatives, bought call options and sold futures		
Fair value	-50	37
Underlying value	-21,207	-21,962

23. Cash and bank

EUR 1,000	2018	2017
Bank accounts	54,544	23,291
Total	54,544	23,291

Cash and bank includes bank accounts.

24. Share capital and shares

1,000 shares	Number of A shares	Number of B shares	Total
31 Dec 2014	5,750	80,567	86,317
31 Dec 2015	5,750	80,567	86,317
A-shares converted into B-shares	-5,750	5,750	
Share subscriptions with options		29	29
Share issue		56,967	56,967
31 Dec 2016		143,313	143,313
Share subscriptions with options		636	636
Share issue		1,677	1,677
31 Dec 2017		145,626	145,626
Share subscriptions with options		1,490	1,490
31 Dec 2018		147,116	147,116

EUR 1,000	Share capital	Share premium account	Other reserves	Total
31 Dec 2014	772	38,968	27,175	66,915
Options			222	222
31 Dec 2015	772	38,968	27,397	67,137
Share subscriptions with options			22	22
Options			64	64
Share issue			69,628	69,628
31 Dec 2016	772	38,968	97,111	136,851
Share subscriptions with options			421	421
Options			96	96
Share issue			-78	-78
Hybrid bond repayment			-15,000	-15,000
31 Dec 2017	772	38,968	82,550	122,290
Share subscriptions with options			1,139	1,139
Options			116	116
Other changes			7	7
31 Dec 2018	772	38,968	83,812	123,552

Other reserves

During the financial year 2018, granted stock option subscription rights and subscribed shares were recorded to unrestricted equity fund. During the financial year 2017, in addition to the beforementioned options, the share issue costs relating to the acquisition of Norvestia and repaid hybrid bond of EUR 15 million were deducted from the unrestricted equity fund.

The stock option programs are presented in Table 30. Share-based payments.

Translation difference

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

Dividends paid and proposal for profit distribution

The Board of Directors will propose to the Annual General Meeting to be held on 13 March 2019 that a dividend of EUR 0.12 per share will be paid to shareholders, equivalent to a total of approx. EUR 17.7 million.

A dividend of EUR 0.11 per share, total EUR 16.0 million, was paid for the year 2017. The dividend was paid to the shareholders on 23 March 2018.

Redemption obligation clause

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

Ownership and voting rights agreements

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

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

Shareholding	Number of holdings	%	Number of shares and votes	%
1–100	2,045	11.19%	105,281	0.07%
101–1 000	7,694	42.09%	3,994,906	2.72%
1 001–10 000	7,280	39.83%	24,789,619	16.85%
10 001–100 000	1,159	6.34%	28,214,255	19.18%
100 001–1 000 000	82	0.45%	20,810,697	14.14%
1 000 001–	18	0.10%	69,208,696	47.04%
Total	18,278	99.95%	147,123,454	100.00%
of which Nominee registered	10	0.06%	8,854,297	6.02%
On the book-entry register joint account				
			18,709	0.00%
Total shares outstanding			147,142,163	100.00%

Sector	Number of shares and votes	%
Corporations	31,708,549	22.90%
Households	70,522,671	51.00%
Non-profit and public sector institutions	18,756,252	13.60%
Financial and insurance corporations	17,017,041	12.30%
Non-Finnish holders	264,644	0.20%
Total	147,123,454	100.00%
Nominee registered	8,854,297	6.00%
On the book-entry register joint account		
	18,709	0.00%
Total shares outstanding	147,142,163	100.00%

Source: EuroClear Finland Ltd, as at 31 December 2018. Figures are based on the total number of shares 147 142 163 and total number of shareholders 18,278. CapMan Plc had 26,299 shares as at 31 December 2018.

CapMan's largest shareholders as at 31 December 2017

	Number of shares and votes	Proportion of shares, %
Mandatum Henkivakuutusosakeyhtiö	10,737,228	7.30
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	10,464,415	7.11
OY Inventiainvest AB²⁾ + Ari Tolppanen¹⁾	7,032,865	4.78
OY Inventiainvest AB ²⁾	7,024,794	4.77
Tolppanen Ari ¹⁾	8,071	0.01
Laakkonen Mikko Kalervo	6,378,320	4.34
Keskinäinen työeläkevakuutusyhtiö Varma	3,675,215	2.50
Joensuun Kauppa Ja Kone Oy	3,511,853	2.39
Vesasco Oy	3,088,469	2.10
Valtion Eläkerahasto	2,500,000	1.70
Winsome Oy²⁾ + Tuomo Raasio¹⁾	2,130,043	1.45
Winsome Oy ²⁾	2,076,299	1.41
Raasio Tuomo ¹⁾	53,744	0.04
Heiwes Oy	2,094,480	1.42
Momea Invest Oy	2,079,222	1.41
Laakkonen Hannu	1,992,742	1.35
Sijoitusrahasto Taaleritehdas Mikro Markka	1,500,000	1.02
Oy G.W.Sohlberg Ab	1,356,000	0.92
Laine Capital Oy	1,287,995	0.88
Keskinäinen Vakuutusyhtiö Kaleva	1,138,200	0.77
K. Hartwall Invest Oy Ab	1,000,000	0.68
Immonen Jukka Kalevi	974,544	0.66
Mandatum Life	867,958	0.59
Oy Nissala Ab²⁾ + Andreas Tallberg¹⁾	804,530	0.55
Oy Nissala Ab ²⁾	793,000	0.54
Tallberg Andreas ¹⁾	11,530	0.01
Total	64,614,079	43.92%
Nominee registered³⁾	8,854,297	6.02%
Shareholdings of management and employees³⁾	4,725,964	3.21%

CapMan has not received any flagging notifications during year 2018. An up-date information of all flagging notifications can be found at www.capman.com.

¹⁾ Employed by CapMan.

²⁾ CapMan employee who exercises controlling power in the aforementioned company but who does not own CapMan shares directly.

³⁾ Shareholders among the 200 largest shareholders of the Company.

25. Interest-bearing loans and borrowings - Non-current

EUR 1,000	2018	2017
Bank loans	-	5,489
Senior bond	49,705	29,737
Multi-issuer bond	-	9,989
Total	49,705	45,215

The bank loan was fully repaid in 2018.

CapMan issued a EUR 30 million fixed-rate unsecured senior bond to institutional investors in October 2015. The bond was originally scheduled to mature in four years on 15 October 2019 and had a fixed coupon interest rate of 4.2% per annum, but an early redemption was made in April 2018. At the same time, CapMan issued senior unsecured notes in the principal amount of EUR 50 million, which will mature on 16 April 2013 and carry a fixed annual interest of 4.125%. The coupon interest is paid semi-annually.

The multi-issuer bond, EUR 10 million guaranteed by Garantia Insurance Company Ltd matures in 18 June 2019 and has been transferred to current interest-bearing loans and borrowings.

26. Trade and other payables - Current

EUR 1,000	2018	2017
Trade payables	1,247	635
Advance payments received	26	170
Accrued expenses	13,784	15,879
Other liabilities	1,751	10,153
Total	16,808	26,837

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

Advance payments received are liabilities based on customer contracts.

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

Trade and other liabilities by currency at end of year

Trade and other liabilities	Amount in foreign currency	Amount in euros	Proportion
EUR		15,606	93%
SEK	12,004	1,171	7%
GBP	28	31	0%

27. Interest-bearing loans and borrowings - Current

EUR 1,000	2018	2017
Bank loans	0	3,000
Multi-issuer bond	9,989	0
Total	9,989	3,000

The bank loan was fully repaid in 2018. The multi-issuer bond, EUR 10 million guaranteed by Garantia Insurance Company Ltd, has an annual coupon interest rate of 1.85% and it matures in 18 June 2019.

28. Financial assets and liabilities

Financial assets

2018

EUR 1,000	Note	Balance sheet value	Fair value
Investments at fair value through profit or loss			
Investments in funds	18	80,583	80,583
Growth equity investments	18	0	0
Other financial assets*	18	2,548	2,548
Investments in joint ventures	18	4,470	4,470
Loan receivables	19	5,075	5,075
Trade and other receivables	21	12,647	12,647
Financial assets at fair value	22	39,006	39,006
Cash and bank	23	54,544	54,544
Total		198,873	198,873

*Other financial assets consists of financial assets that are specifically classified as investments at fair value through profit and loss

2017

EUR 1,000	Note	Balance sheet value	Fair value
Investments at fair value through profit or loss			
Investments in funds	18	58,264	58,264
Growth equity investments	18	28,840	28,840
Other financial assets	18	142	142
Investments in joint ventures	18	4,917	4,917
Loan receivables	19	3,143	3,143
Trade and other receivables	21	8,725	8,725
Financial assets at fair value	22	77,144	77,144
Cash and bank	23	23,291	23,291
Total		204,466	204,466

Financial liabilities

2018

EUR 1,000	Note	Balance sheet value	Fair value
Non-current liabilities	25	49,705	49,705
Trade and other liabilities	26	16,808	16,808
Current liabilities		9,989	9,989
Total		76,502	76,502

2017

EUR 1,000	Note	Balance sheet value	Fair value
Non-current liabilities	26	45,215	45,215
Trade and other liabilities	27	26,837	27,651
Current liabilities		3,000	3,000
Total		75,052	75,052

Net debt

EUR 1,000	2018	2017
Cash and cash equivalents	54,544	23,594
Borrowings - repayable within one year	-9,989	-3,000
Borrowings - repayable after one year	-49,705	-45,215
Net debt	-5,150	-24,621
Cash and cash equivalents	54,544	23,594
Gross debt - variable interest rates	0	-8,489
Gross debt - fixed interest rates	-59,694	-39,726
Net debt	-5,150	-24,621

EUR 1,000	Cash	Borrow due within 1 year	Borrow due after 1 year	Total
Net debt as at 1 Jan 2018	23,594	-3,000	-45,215	-24,621
Cash flows	30,950	-6,989	-4,490	19,471
Net debt as at 31 Dec 2018	54,544	-9,989	-49,705	-5,150

29. Commitments and contingent liabilities

Leasing agreements - CapMan Group as lessee

EUR 1,000	2018	2017
Other hire purchase commitments		
Within one year		
After one but not more than five years	919	1,027
After five years	2,213	2,483
Total	40	502
Yhteensä	3,172	4,012

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

Securities and other contingent liabilities

EUR 1,000	2018	2017
Contingencies for own commitment		
Pledged deposit for own commitment		32,120
Business mortgage	30,000	
Pledged securities	2,460	2,799
Pledged cash and bank	5,499	846
Other contingent liabilities		
Bank guarantee counter-obligation		10,500
Remaining commitments to funds by investment area		
Buyout	11,883	13,178
Credit	1,846	2,316
Russia	1,123	1,477
Real Estate	9,130	10,584
Other investment areas	3,610	3,272
Funds of funds	713	717
Growth Equity*	14,500	26,626
Infra	29,829	
External private equity funds	25,409	8,911
Total	98,043	67,081

CapMan estimates that EUR 75-85 million of the remaining commitments will be called in the next 4 years, particularly due to unused investment capacity of the older funds.

30. Share-based payments

CapMan has an investment based long-term share-based incentive plan and two stock option programs, the stock option program 2013 and the stock option program 2016. These programs are used to commit key individuals and executives to the company and reinforce the alignment of interests of key individuals and executives and CapMan shareholders. 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 2018 and will end on 31 March 2021. The participants may earn a matching reward and 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 2021 and the plan is thus equity-settled. 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

The fair value of the investment-based incentive plan has been measured at the grant date and is expensed on a straight-line basis over the vesting period. Expected dividends and forfeiture rate have been incorporated into the measurement of the fair value as decreasing factors.

The fair value of the stock option programs has been measured at the grant date and is expensed on a straight-line basis over the vesting period. Fair value of options at the grant date is determined in accordance with the Black&Scholes option pricing model.

The total expense recognised for the period arising from share-based payment transactions amounted to EUR 0.6 million. There were no liabilities arising from share-based payment transactions.

Key information on the incentive-based incentive plan and stock option programs is presented in the following tables.

Investment-based incentive plan

Grant date	27 Apr 2018
Vesting period starts	27 Apr 2018
Vesting period ends	31 Aug 2021
Maximum number of shares granted	5 232 500
Grant date share price, EUR	1.5872
Assumption for the Total Shareholder Return, per annum	8%
Present value of the expected dividends, EUR	0.33
Forfeiture rate assumption	10%
Fair value of the plan as at the grant date, EUR million	2.2
Expense recorded during the financial year, EUR million	0.5
Number of participants in the plan	16

Stock option programs effective during the financial year

Stock option program 2016			
	Stock option 2016A	Stock option 2016B	Stock option 2016C
Stock options, number	1,410,000	1,410,000	1,410,000
Entitlement to subscribe for B shares	1,410,000	1,410,000	1,410,000
Share subscription period begins	01 May 2019	01 May 2020	01 May 2021
Share subscription period ends	30 Apr 2021	30 Apr 2022	30 Apr 2023
Share subscription price	Trade volume weighted average price of the B share on the Nasdaq OMX Helsinki 1.4.-31.5.2016 with an addition of ten (10) per cent less dividends i.e. €0.84	Trade volume weighted average price of the B share on the Nasdaq OMX Helsinki 1.4.-31.5.2017 with an addition of ten (10) per cent less dividends	Trade volume weighted average price of the B share on the Nasdaq OMX Helsinki 1.4.-31.5.2018 with an addition of ten (10) per cent less dividends
Assumptions used in the Black&Scholes model			
Expected volatility	21.56%	-	-
Risk-free interest	0.0 %	-	-

Stock option program 2013			
	Stock option 2013A	Stock option 2013B	Stock option 2013C
Stock options, number	1,410,000	1,410,000	1,410,000
Entitlement to subscribe for B shares	1,410,000	1,410,000	1,410,000
Share subscription period begins	01 May 2016	01 May 2017	01 May 2018
Share subscription period ends	30 Apr 2018	30 Apr 2019	30 Apr 2020
Share subscription price	-	Trade volume weighted average price of the B share on the Nasdaq OMX Helsinki 1.4.-31.5.2014 with an addition of ten (10) per cent less dividends i.e. €0.83	Trade volume weighted average price of the B share on the Nasdaq OMX Helsinki 1.4.-31.5.2015 with an addition of ten (10) per cent less dividends i.e. €0.85
Assumptions used in the Black&Scholes model			
Expected volatility	18.7 %	20.5 %	20.5 %
Risk-free interest	0.0 %	0.0 %	0.0 %

Changes in option rights during the financial year

	Stock option 2013A	Stock option 2013B	Stock option 2013C	Stock option 2016A	Stock option 2016B	Stock option 2016C
Initial amount of option rights, pcs	1,410,000	1,410,000	1,410,000	1,410,000	1,410,000	1,410,000
Amount of granted option rights, pcs	1,325,000	1,268,334	1,277,291	673,958	0	0
Outstanding at the beginning of the reporting period, pcs	544,420	1,185,358	1,227,291	623,958	-	-
Changes during the period:						
Granted	0	50,000	50,000	50,000	-	-
Exercised	544,419	633,413	189,995	0	-	-
Weighted average subscription price, €	0.62	0.85	0.85	-	-	-
Weighted-average share price during the subscription period in the financial year	1.64	1.60	1.54	-	-	-
Outstanding at the end of the reporting period, pcs	0	601,945	1,087,296	673,958	-	-
Exercised by the end of the reporting period, pcs	1,324,599	666,389	189,995	0	-	-
Option rights, % of shares and votes, if all outstanding granted stock options would be exercised	0.0 %	0.4 %	0.7 %	0.5 %	-	-

31. Related party disclosures

Group companies		Group ownership of shares, %	Parent company ownership of shares, %
CapMan Plc, parent company	Finland		
CapMan Capital Management Oy	Finland	100%	100%
CapMan Sweden AB	Sweden	100%	100%
CapMan AB	Sweden	100%	100%
CapMan (Guernsey) Limited	Guernsey	100%	100%
CapMan Mezzanine (Guernsey) Limited	Guernsey	100%	100%
CapMan (Guernsey) Buyout VIII GP Limited	Guernsey	100%	100%
CapMan (Sweden) Buyout VIII GP AB	Sweden	100%	100%
CapMan Classic GP Oy	Finland	100%	100%
CapMan Real Estate Oy	Finland	100%	100%
Dividum Oy	Finland	100%	100%
CapMan RE I GP Oy	Finland	100%	100%
CapMan RE II GP Oy	Finland	100%	100%
CapMan (Guernsey) Life Science IV GP Limited	Guernsey	100%	100%
CapMan (Guernsey) Technology 2007 GP Limited	Guernsey	100%	100%
CapMan (Sweden) Technology Fund 2007 GP AB	Sweden	100%	100%
CapMan Hotels RE GP Oy	Finland	100%	100%
CapMan Public Market Manager S.A.	Luxembourg	100%	100%
CapMan Private Equity Advisors Limited	Cyprus	100%	100%
CapMan (Guernsey) Russia GP Limited	Guernsey	100%	100%
CapMan (Guernsey) Investment Limited	Guernsey	100%	100%
CapMan (Guernsey) Buyout IX GP Limited	Guernsey	100%	100%
CapMan Fund Investments SICAV-SIF	Luxembourg	100%	100%
CapMan Mezzanine V Manager S.A.	Luxembourg	100%	100%
CapMan (Guernsey) Buyout X GP Limited	Guernsey	100%	100%
CapMan (Guernsey) Russia II GP Limited	Guernsey	100%	100%
Maneq 2012 AB	Sweden	100%	100%
CapMan Nordic Real Estate Manager S.A.	Luxembourg	100%	100%
CapMan Buyout X GP Oy	Finland	100%	100%

Group companies		Group ownership of shares, %	Parent company ownership of shares, %
CapMan Endowment GP Oy	Finland	100%	100%
CapMan Collection Oy	Finland	100%	100%
CapMan Real Estate UK Limited	United Kingdom	100%	
Nest Capital 2015 GP Oy	Finland	100%	100%
Dividum AB	Sweden	100%	
Valo Advisors Oy	Finland	100%	100%
Valo Fund Management Oy	Finland	100%	
Kokoelmakeskus GP Oy	Finland	100%	100%
Norventures Oy	Finland	100%	
CapMan Growth Equity Oy	Finland	100%	
CapMan Nordic Real Estate Manager II S.A.	Luxembourg	100%	100%
CapMan Infra Management Oy	Finland	70%	70%
CapMan Infra Lux Management S.á.r.l.	Luxembourg	70%	
CapMan Lynx Holding SCA	Luxembourg	70%	
CapMan Lynx S.á.r.l.	Luxembourg	70%	
CapMan Growth Equity 2017 GP Oy	Finland	100%	100%
Scala Fund Advisory Oy	Finland	60%	60%
CapMan Foil S.á.r.l.	Luxembourg	70%	
CapMan Nordic Infrastructure Manager S.á.r.l.	Luxembourg	100%	100%
CapMan Infra Lynx GP Oy	Finland	70%	
CapMan Buyout XI GP S.á.r.l.	Luxembourg	100%	100%
CapMan AIFM Oy	Finland	100%	100%

Investments accounted for using the equity method are presented in Table 17. Investments accounted for using the equity method.

The investments in joint ventures are presented in Table 18. Investments at fair value through profit and loss.

Commitments to related parties

	2018	2017
Commitments to Maneq funds	3,797	3,903

Management remuneration

EUR 1,000	2018	2017
Salaries and other short-term employee benefits	1,287	1,899
Other long-term benefits		344
Share-based payments	261	205
Total*	1,548	2,448
Remuneration and fees		
CEO		
Heikki Westerlund Until 3 May 2017		1,231
Share-based payments		
Joakim Frimodig From 4 May 2017	376	231
Share-based payments	186	105
Total	562	1,567
Members of the Board		
Claes de Neergaard Until 14 March 2017		14
Dirk Beeusaert From 16 March 2016 to 14 March 2017		13
Andreas Tallberg From 15 March 2017	67	55
Karri Kaitue Until 13 March 2018	17	66
Nora Kerppola Until 13 March 2018	18	53
Ari Tolppanen	43	50
Mammu Kaario From 15 March 2017	52	38
Catarina Fagerholm From 14 March 2018	35	
Eero Heliövaara From 14 March 2018	35	

*Excluding the CEO

Pension costs

EUR 1,000	Pension costs		Additional pension costs	
	2018	2017	2018	2017
CEO				
Heikki Westerlund		145		30
Joakim Frimodig	122	58	37	21

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

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

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

In 2018 the Management Group members were granted 0 stock options (2017: 412 500). The stock options granted to the management are subject to the same terms as for stock options granted to employees. The Management Group members have allocated a total of 690 000 shares to the investment based long term incentive plan.

32. Financial risk management

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

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

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

a) Liquidity risk

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

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

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

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

CapMan has made commitments to the funds it manages. As at December 31, 2018, the undrawn commitments to the funds amounted to EUR 98.0 million (67.1) and the financing capacity available (cash and third party financing facilities) amounted to EUR 74.5 million (33.3).

CapMan issued a EUR 30 million fixed-rate unsecured senior bond to institutional investors in October 2015. The bond was originally scheduled to mature in four years on 15 October 2019 and had a fixed coupon interest rate of 4.2% per annum, but an early redemption was made in April 2018. At the same time, CapMan issued senior unsecured notes in the principal amount of EUR 50 million, which will mature on 16 April 2023 and carry a fixed annual interest of 4.125%. The coupon interest is paid semi-annually.

Furthermore, CapMan Plc has a EUR 10 million multi-issuer bond guaranteed by Garantia Insurance Company Ltd. The Bond has an annual coupon interest rate of 1.85% and it matures in 18 June 2019.

CapMan repaid its remaining bank loan of EUR 8.5 million during 2018. CapMan has an unused long-term credit facility of EUR 20 million available.

Maturity analysis

31 December 2018

EUR 1,000	Due within 3 months	Due between 3 and 12 months	Due between 1 and 3 years	Due between 3 and 5 years	Due later
Bonds		9,989		49,705	
Bank loan					
Accounts payable	1,247				
Interests, bonds		2,247	6,188	1,031	
Interests, bank loan					
Commitments to funds	1,428	12,693	1,218	3,482	79,197
Commitments to Maneq -funds			3,797		
Clawback		7,607			

31 December 2017

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

b) Interest rate risk

Interest-bearing liabilities have a fixed interest rate. Exposure to interest rate risk would arise principally from the long-term credit facility of EUR 20 million with a floating interest rate. However, it has not been used during the financial year.

The annual coupon rate of the multi-issuer bond is 1.85%, and the interest is paid annually. The senior bond issued in April 2018 has an annual coupon rate of 4.125%, and the interest is paid semi-annually.

Loans according to interest rate

EUR 1,000	2018	2017
Floating rate	0	8,489
Fixed rate	59,694	39,726
Total	59,694	48,215

c) Credit risk

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

As at December 31, 2018, the group had EUR 8.9 million invested in bonds. The longest maturity of these investments was 3.2 years and the average maturity was 1.7 years. None of the investments were past due.

Group's other credit risks relate to trade, loan and other receivables recognised at amortised cost. The maximum credit loss of these receivables is the carrying amount of the receivable in question. There are no collaterals relating to the receivables and there have been no credit losses in the past. More information on the expected credit losses of receivables is presented in notes 19 and 21.

Group does not have financial guarantee contracts and thus no related credit risk. Group's loan commitments are low and thus also their credit risk is deemed low.

In June 2013, CapMan transferred its ownership in 2005-2011 Maneq funds (including equity and loan receivables) to a Luxembourg company founded by CapMan and sold part of that company for a cash consideration of EUR 14 million. After the transaction, the Group's share of the Maneq funds is approx. EUR 4.5 million at fair value as at December 31, 2018. The Group's holdings in Maneq funds are presented as investments in joint ventures. Following the transaction, CapMan has a loan receivable from the Luxembourg company, but the risk profile of this receivable is like that of an equity investment.

d) Currency risk

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

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

As at December 31, 2018, 81% of the Group's assets were in euros, 10% in Swedish krona, 8% in US dollars and 1% in other currencies. The following table presents the fair values of the foreign currency denominated financial assets.

Fair values of investments denominated in foreign currencies, in euros

EUR 1,000	SEK	USD	Other currencies	Total
2018	8,488	8,343	1,108	17,939
2017	11,762	8,626	672	21,060

e) Capital management

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

The long-term targets and dividend policy of the Group have been confirmed by the Board of Directors of CapMan Plc. The targets are based on profitability (ROE) and balance sheet. The return on equity target is more than 20 per cent p.a. on average, and target for Equity ratio at least 60%. The company's objective is to pay an annually increasing dividend to its shareholders.

CapMan issued a EUR 30 million fixed-rate unsecured senior bond to institutional investors in October 2015. The bond was originally scheduled to mature in four years on 15 October 2019 and had a fixed coupon interest rate of 4.2% per annum, but an early redemption was made in April 2018. At the same time, CapMan issued senior unsecured notes in the principal amount of EUR 50 million, which will mature on 16 April 2023 and carry a fixed annual interest of 4.125%. The coupon interest is paid semi-annually.

Furthermore, CapMan Plc has a EUR 10 million multi-issuer bond guaranteed by Garantia Insurance Company Ltd. The Bond has an annual coupon interest rate of 1.85% and it matures in 18 June 2019.

The EUR 50 million bond issued in April 2018 and the long-term credit facility of EUR 20 million, currently unused, include financing covenants, which are conditional on the company's equity ratio and net gearing.

EUR 1,000	2018	2017
Interest-bearing loans	59,694	48,215
Cash and cash equivalents	-54,544	-23,291
Net debt	5,150	24,924
Equity	120,971	126,694
Net gearing	4.3%	19.7%
Return on equity	6.5%	11.5%
Equity ratio	58.7%	60.0%

f) Price risk of the investments in funds

Investments in funds

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

Financial assets held for trading

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

g) Determining fair values

Fair value hierarchy of financial assets measured at fair value at 31 December 2018

EUR 1,000	Fair value	Level 1	Level 2	Level 3
Investments in funds	80,582	0	0	80,582
Growth equity investments	0	0	0	0
Joint ventures	4,470	0	0	4,471
Other non-current investments	2,548	0	166	2,382
Current financial assets at fair value through profit or loss	39,006	28,960	10,046	0

The different levels have been defined as follows:

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

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

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

EUR 1,000	Fair value	Level 1	Level 2	Level 3
Investments in funds	58,264	0	19	58,245
Growth equity investments	28,840	0	0	28,840
Joint ventures	4,458	0	0	4,917
Other non-current investments	142	0	124	18
Current financial assets at fair value through profit or loss	77,144	66,121	11,023	0

The different levels have been defined as follows:

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

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

Non-current investments at fair value through profit or loss 2018

EUR 1,000	Level 1	Level 2	Level 3	Total
Investments in funds				
at Jan 1		19	58,245	58,264
Additions			31,868	31,868
Disposals			0	0
Distributions		-19	-17,417	-17,436
Fair value gains/losses			8,073	8,073
Transfers			-187	-187
at the end of period		0	80,582	80,582
Growth equity investments				
at Jan 1			28,840	28,840
Disposals			-26,626	-26,626
Transfers			-2,214	-2,214
at the end of period			0	0
Other investments				
at Jan 1		124	18	142
Additions		42		42
Disposals			0	0
Transfers			2,213	2,213
Fair value gains/losses			151	151
at the end of period		166	2 382	2 548
Investments in joint ventures				
at Jan 1			4,917	4,917
Additions			106	106
Disposals			-832	-832
Distributions			0	0
Fair value gains/losses			280	280
at the end of period			4,471	4,471

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

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

Non-current investments at fair value through profit or loss 2017

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

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

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

Sensitivity analysis of Level 3 investments at 31 December 2018

Investment area	Fair value MEUR 31.12.2018	Valuation methodology	Unobservable inputs	Used input value (weighted average)	Fair value sensitivity to a +/- 10% change in input value
Growth investments	13.7	Peer group	Peer group earnings multiples	EV/EBITDA 2018 10.8x	-/+ 0.9 MEUR
			Discount to peer group multiples	26%	-/+ 0.3 MEUR
Buyout	13.5	Peer group	Peer group earnings multiples	EV/EBITDA 2018 8.5x	- 2.5 MEUR / + 2.3 MEUR
			Discount to peer group multiples	20%	+/- 0.6 MEUR
Real Estate	27.1	Valuation by an independent valuer			
Investments in external PE funds	14.3	Reports from PE fund management company			
Investments in joint ventures	4.5	Peer group	Peer group earnings multiples	EV/EBITDA 2018 7.9x	- 0.4 MEUR / + 0.3 MEUR
			Discount to peer group multiples	20%	-/+ 0.1 MEUR
Infrastructure	5.5	Price of recent investment			
Russia	3.9	Peer group	Peer group earnings multiples	EV/EBITDA 2018 10.3x	-/+ 0.3 MEUR
			Discount to peer group multiples	33%	-/+ 0.1 MEUR
Credit	2.3	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	0.3	Reports from PE fund management company			
Other investment areas	2.4	Peer group	Peer group earnings multiples	EV/EBITDA 2018 7.8x	-/+ 0.1 MEUR
			Discount to peer group multiples	10%	-/+ 0.0 MEUR

Sensitivity analysis of Level 3 investments at 31 December 2017

Investment area	Fair value MEUR 31.12.2017	Valuation methodology	Unobservable inputs	Used input value (weighted average)	Fair value sensitivity to a +/- 10% change in input value
Growth investments	28.8	Peer group	Peer group earnings multiples	EV/Sales 2017 1.1x EV/EBITDA 2017 10.9x	+/- 2.1 MEUR
			Discount to peer group multiples	26%	-/+ 0.8 MEUR
Buyout	22.0	Peer group	Peer group earnings multiples	EV/EBITDA 2017 9.4x	+ 3.7 / - 3.8 MEUR
			Discount to peer group multiples	26%	+/- 1.4 MEUR
Real Estate	17.9	Valuation by an independent valuer			
Investments in external PE funds	8.8	Reports from PE fund management company			
Investments in joint ventures	4.9	Peer group	Peer group earnings multiples	EV/EBITDA 2017 9.5x	+/- 0.6 MEUR
			Discount to peer group multiples	29%	-/+ 0.3 MEUR
Russia	4.5	Peer group	Peer group earnings multiples	EV/EBITDA 2017 11.5x	+/- 0.4 MEUR
			Discount to peer group multiples	30%	+/- 0.1 MEUR
Credit	1.7	Discounted cash flows	Discount rate; market rate and risk premium	10%	- 0.1 MEUR / value increase based on a change in the discount rate is not booked
Funds of funds	0.5	Reports from PE fund management company			
Other investment areas	2.4	Peer group	Peer group earnings multiples	EV/EBITDA 2017 8.9x	+/- 0.1 MEUR
			Discount to peer group multiples	15%	-/+ 0.0 MEUR

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 (IP-EVG). 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 the price of recent investments, which is typically applied in the case of new investments, and the earnings multiple valuation technique, whereby public peer group multiples are used to estimate the value of a particular investment. CapMan always applies a discount to peer group multiples, due to e.g. limited liquidity of the investments. Due to 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.

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

Parent Company Income Statement (FAS)

EUR	Note	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Turnover	1	44,843,794.44	10,593,566.00
Raw materials and services	2	-37,283,042.68	0.00
Other operating income	3	0.00	12,222.65
Employee benefit expenses	4	-5,049,602.55	-6,444,178.40
Depreciation	5	-45,416.20	-35,271.17
Other operating expenses	6	-3,605,168.36	-4,805,627.44
Operating loss		-1,139,435.35	-679,288.36
Finance income and costs	7	-15,757,994.31	-11,389,136.86
Profit before appropriations and taxes		-16,897,429.66	-12,068,425.22
Appropriations	8	14,150,000.00	14,217,000.00
Income taxes		-3,873,735.23	-699,636.63
Loss for the financial year		-6,621,164.89	1,448,938.15

Parent Company Balance Sheet (FAS)

EUR	Note	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
ASSETS			
Non-current assets			
Intangible assets	9	168,319.73	203,650.27
Tangible assets	10	189,073.47	151,289.13
Investments	11		
Shares in subsidiaries		90,793,613.53	198,884,614.74
Investments in associated companies		1,108,700.60	1,108,700.60
Other investments		10,681,614.14	6,669,772.75
Investments total		102,583,928.27	206,663,088.09
Non-current assets, total		102,941,321.47	207,018,027.49
Current assets			
Inventories	12	37,855,455.86	
Long-term receivables	13	6,410,006.11	7,298,885.22
Short-term receivables	14	28,187,943.50	23,289,315.86
Cash and bank		41,512,108.94	9,823,794.75
Current assets, total		113,965,514.41	40,411,995.83
Total assets		216,906,835.88	247,430,023.32

EUR	Note	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	15		
Share capital		771,586.98	771,586.98
Share premium account		38,968,186.24	38,968,186.24
Invested unrestricted shareholders' equity		80,766,422.88	79,626,999.28
Retained earnings		16,167,271.44	30,797,652.15
Profit for the financial year		-6,621,164.89	1,448,938.15
Shareholders' equity, total		130,052,302.65	151,613,362.80
Liabilities			
Non-current liabilities	16	51,239,839.69	46,833,734.97
Current liabilities	17	35,614,693.54	48,982,925.55
Liabilities, total		86,854,533.23	95,816,660.52
Total shareholders' equity and liabilities		216,906,835.88	247,430,023.32

Parent Company Cash Flow Statement (FAS)

EUR	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Cash flow from operations		
Profit before extraordinary items	-16,897,430	-12,068,425
Finance income and costs	15,757,994	11,389,137
Adjustments to cash flow statement		
Depreciation, amortisation and impairment	45,416	35,271
Depreciation of merger loss	10,917,044	
Change in net working capital		
Change in current assets, non-interest-bearing	587,706	-1,063,472
Change in inventories	20,908,927	
Change in current liabilities, non-interest-bearing	-1,575,680	-882,494
Interest paid	-2,376,901	-3,857,498
Interest received	47,917	356,233
Dividends received	100,000	5,008,125
Direct taxes paid	-1,287,603	
Cash flow from operations	26,227,391	-1,083,123
Cash flow from investments		
Acquisition of subsidiaries, Norvestia Plc	-8,267,062	
Cash of a merged subsidiary	9,976,738	
Investments in subsidiaries	-23,875,933	-2,759,647
Capital reduction of subsidiaries	12,650,000	
Investments in tangible and intangible assets	-42,601	-227,234
Investments in other placements	-4,911,409	-4,824,234
Long-term loan receivables granted	-4,631,780	-1,374,193
Repayment of long-term loan receivables	1,972,247	3,859,616
Cash flow from investments	-17,129,800	-5,325,692

EUR	1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
Cash flow from financing activities		
Share issue	1,139,424	420,934
Proceeds from short-term debt	26,200,000	30,750,000
Repayment of short-term debt	-4,800,000	-300,000
Proceeds from loans from financial institutions	49,748,000	9,000,000
Repayment of loans from financial institutions	-38,542,747	-42,000,000
Dividends paid	-16,077,266	-13,045,081
Change in group liabilities	2,074,312	-3,994,250
Group contributions received	2,849,000	2,950,000
Cash flow from financing activities	22,590,723	-16,218,397
Change in cash and cash equivalents	31,688,314	-22,627,212
Cash and cash equivalents at beginning of year	9,823,795	32,451,007
Cash and cash equivalents at end of year	41,512,109	9,823,795

Notes to the Parent Company Financial Statements (FAS)

Basis of preparation for parent company financial statements

CapMan Plc's financial statements for 2018 have been prepared in accordance with the Finnish Accounting Act. On March 1, 2018, Norvestia Oyj, subsidiary of CapMan Plc, merged into the parent company, which has an impact on the comparability of the balance sheet.

Foreign currency translation

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

Investments

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

Intangible and tangible assets

Intangible and tangible assets are valued at cost less accumulated depreciation and amortisation according to the plan, except for assets having an indefinite useful life.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on a first-in first-out (FIFO) basis. Listed shares, other securities, funds and bonds are measured at the lower of cost and fair value. Unlisted shares and holdings are recognized at lower of cost and probable realizable value.

Receivables

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

Non-current liabilities

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

Senior bonds maturing later than one year after the balance sheet date are recorded as non-current liabilities at nominal value.

Leases

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

Provisions

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

Pensions

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

Revenue

Revenue includes the sale of services to subsidiaries and revenue from the sale of securities, dividends and other similar income from securities classified as inventories. Revenue from services is recognised, when the service is delivered.

Income taxes

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

Appropriations

Appropriations in the income statement consist of possible given and received group contributions and possible depreciation in excess of plan, and in the balance sheet, possible accumulated depreciation in excess of plan.

1. Turnover by area

EUR	2018	2017
Sale of services		
Finland	5,925,605	4,967,632
Foreign	2,482,026	5,625,934
Sale of securities in inventories	36,436,163	0
Total	44,843,794	10,593,566

2. Raw materials and services

EUR	2018	2017
Purchases during the period	-5,444,149	0
Change in inventories	-20,921,849	0
Depreciation of the merger loss*	-10,917,044	0
Total	-37,283,043	0

* Norvestia Plc, subsidiary of CapMan Plc, merged to CapMan Plc on March 1, 2018. Item includes the depreciation of the merger loss allocated to the carrying amount of the received securities in inventories.

3. Other operating income

EUR	2018	2017
Other	0	12,223
Total	0	12,223

4. Personnel

EUR	2018	2017
Salaries and wages	4,276,459	5,654,460
Pension expenses	939,303	993,340
Other personnel expenses	-166,160	-203,622
Total	5,049,603	6,444,178
Management remuneration		
Salaries and other remuneration of the CEO		
Heikki Westerlund (1 Jan 2017–3 May 2017)	0	560,143
Joakim Frimodig (4 May 2017–)	376,392	335,798
Board members	267,100	154,520
Average number of employees	35	34

Management remuneration is presented in the Group Financial Statements Table 31. Related party disclosures.

5. Depreciation

EUR	2018	2017
Depreciation according to plan		
Other long-term expenditure	37,891	33,019
Machinery and equipment	7,525	2,253
Total	45,416	35,271

6. Other operating expenses

EUR	2018	2017
Other personnel expenses	334,054	290,398
Office expenses	652,455	625,483
Travelling and entertainment	290,288	302,051
External services	2,203,529	3,441,537
Other operating expenses	124,843	146,159
Total	3,605,168	4,805,627
Audit fees		
Audit	93,305	63,478
Tax advices	0	11,256
Other fees and services	20,428	85,375
Total	113,733	160,109

7. Finance income and costs

EUR	2018	2017
Dividend income		
Group companies	1,100,000	4,798,600
Associated companies	0	209,525
Total	1,100,000	5,008,125
Other interest and finance income		
Group companies	229,891	181,432
Others	451,486	239,400
Total	681,377	420,832
Interest and other finance costs		
Impairment of shares and interests	-862,411	-12,631,095
Depreciation of the merger loss*	-13,197,954	
Group companies	-557,620	-284,800
Others	-2,921,386	-3,902,199
Total	-17,539,372	-16,818,094
Finance income and costs total	-15,757,994	-11,389,137

* Norvestia Plc, subsidiary of CapMan Plc, merged to CapMan Plc on March 1, 2018. Item includes the depreciation of the merger loss allocated to the carrying amount of the received shares in subsidiaries.

8. Appropriations

EUR	2018	2017
Group contributions received	14,150,000	14,217,000

9. Intangible assets

EUR	2018	2017
Intangible rights		
Acquisition cost at 1 January	828,188	828,188
Acquisition cost at 31 December	828,188	828,188
Accumulated depreciation at 1 January	-828,188	-828,188
Depreciation for financial year	0	0
Accumulated depreciation at 31 December	-828,188	-828,188
Book value on 31 December	0	0
Other long-term expenditure		
Acquisition cost at 1 January	2,578,449	2,360,280
Transferred in a merger*	44,243	0
Additions	0	218,169
Acquisition cost at 31 December	2,622,692	2,578,449
Accumulated depreciation at 1 January	-2,374,799	-2,341,781
Transferred in a merger*	-41,682	0
Depreciation for the financial period	-37,891	-33,019
Accumulated depreciation at 31 December	-2,454,373	-2,374,799
Book value on 31 December	168,320	203,650
Intangible rights total	168,320	203,650

* Norvestia Plc, subsidiary of CapMan Plc, merged to CapMan Plc on March 1, 2018.

10. Tangible assets

EUR	2018	2017
Machinery and equipment		
Acquisition cost at 1 January	935,958	902,094
Transferred in a merger*	76,976	0
Additions	42,601	33,864
Acquisition cost at 31 December	1,055,535	935,958
Accumulated depreciation at 1 January	-904,347	-902,094
Transferred in a merger*	-74,267	0
Depreciation for the financial period	-7,525	-2,253
Accumulated depreciation at 31 December	-986,139	-904,347
Book value on 31 December	69,396	31,612
Other tangible assets		
Acquisition cost at 1 January	119,677	119,677
Book value on 31 December	119,677	119,677
Tangible assets total	189,073	151,289

* Norvestia Plc, subsidiary of CapMan Plc, merged to CapMan Plc on March 1, 2018.

11. Investments

EUR	2018	2017
Shares in subsidiaries		
Acquisition cost at 1 January	198,884,614	208,724,967
Transferred in a merger*	2,223,988	0
Additions	24,543,665	2,759,647
Merger loss*	2,058,524	0
Disposals*	-137,917,178	-12,600,000
Acquisition cost at 31 December	89,793,613	198,884,614
Shares in associated companies		
Acquisition cost at 1 January	1,108,701	1,171,604
Additions	0	0
Disposals	0	-62,903
Acquisition cost at 31 December	1,108,701	1,108,701
Shares, other		
Acquisition cost at 1 January	6,669,773	1,813,730
Additions	5,000,187	5,006,568
Disposals	-988,346	-150,525
Acquisition cost at 31 December	10,681,614	6,669,773
Investments total	101,583,928	206,663,088

* Norvestia Plc, subsidiary of CapMan Plc, merged to CapMan Plc on March 1, 2018. Merger loss is partially allocated to the carrying amount of the received shares in subsidiaries.

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

12. Inventories

EUR	2018	2017
Shares in listed companies	18,405,864	
Options	44,080	
Bonds	8,631,500	
Funds	5,980,329	
Merger loss*	4,793,683	
Inventories, total	37,855,456	
Market value of financial assets in inventories	38,706,094	
Difference	850,638	

* Norvestia Plc, subsidiary of CapMan Plc, merged to CapMan Plc on March 1, 2018. Merger loss is partially allocated to the carrying amount of the received securities in inventories.

13. Long-term receivables

EUR	2018	2017
Receivables from Group companies		
Loan receivables	1,000,000	0
Receivables from associated companies		
Loan receivables	3,596,767	4,226,540
Other loan receivables	2,456,651	3,072,345
Accounts receivable	356,588	0
Long-term receivables total	7,410,006	7,298,885

14. Short-term receivables

EUR	2018	2017
Accounts receivable	997,564	1,137,291
Receivables from Group companies		
Accounts receivable	43,675	20,785
Dividend receivables	1,000,000	0
Loan receivables	9,557,537	6,065,000
Other receivables	14,916,565	14,857,544
Total	25,517,777	20,943,328
Receivables from associated companies		
Accrued income	14,040	71,544
Total	14,040	71,544
Loan receivables	52,451	7,451
Other receivables	599,489	806,558
Accrued income	1,006,622	323,143
Short-term receivables total	28,187,944	23,289,316

15. Shareholders' equity

EUR	2018	2017
Share capital at 1 January	771,587	771,587
Share capital at 31 December	771,587	771,587
Share premium account at 1 January	38,968,186	38,968,186
Share premium account at 31 December	38,968,186	38,968,186
Invested unrestricted shareholders' equity at 1 January	79,627,000	79,206,066
Share subscriptions with options	1,139,423	420,934
Invested unrestricted shareholders' equity at 31 December	80,766,423	79,627,000
Retained earnings at 1 January	32,246,590	43,844,417
Dividend payment	-16,079,319	-13,046,765
Retained earnings at 31 December	16,167,271	30,797,652
Profit for the financial year	-6,621,165	1,448,938
Shareholders' equity, total	130,052,303	151,613,363

Calculation of distributable funds

EUR	2018	2017
Retained earnings	16,167,271	30,797,652
Profit for the financial year	-6,621,165	1,448,938
Invested unrestricted shareholders' equity	80,766,423	79,627,000
Total	90,312,530	111,873,590

CapMan Plc's share capital is divided as follows:

Number of shares	2018	2017
Series B share (1 vote/share)	147,142,163	145,625,985

16. Non-current liabilities

EUR	2018	2017
Senior bond	49,748,000	29,737,500
Multi-issuer bond	0	9,989,100
Loans from financial institutions	0	5,488,500
Other non-current liabilities	1,491,840	1,618,635
Non-current liabilities total	51,239,840	46,833,735

17. Current liabilities

EUR	2018	2017
Accounts payable	537,820	335,046
Liabilities to Group companies		
Pohjola Bank plc; Group account	4,384,866	2,310,554
Accounts payable	70,941	0
Other liabilities	13,582,000	30,450,000
Accrued interests	421,078	284,800
Accrued expenses	78,846	173,204
Total	18,537,731	33,218,558
Multi-issuer bond	9,989,100	0
Loans from financial institutions	0	3,000,000
Other liabilities	305,611	8,489,634
Accrued expenses	6,244,432	3,939,687
Current liabilities total	35,614,694	48,982,926

18. Contingent liabilities

Leasing agreements

EUR	2018	2017
Operating lease commitments		
Within one year	47,449	57,282
After one but not more than five years	28,562	71,515
Total	76,011	128,797
Other hire purchase commitments		
Within one year	871,245	461,322
After one but not more than five years	2,183,947	1,845,288
After five years	40,445	501,767
Total	3,095,637	2,808,377

Securities and other contingent liabilities

EUR	2018	2017
Contingencies for own commitment		
Enterprise mortgages	30,000,000	
Pledged securities	2,486,892	
Pledged cash and bank	5,499,129	
Loan commitments to Maneq funds	3,797,056	3,903,056
Other contingent liabilities	0	32,119,965
Remaining commitments to funds		
Equity funds	168,967	724,777
Fund of funds	276,221	279,875
Total	445,188	1,004,652

Signatures to the report of the Board of Directors and financial statements

Helsinki, 30 January 2019

Andreas Tallberg
Chairman

Mammu Kaario

Catarina Fagerholm

Eero Heliövaara

Ari Tolppanen

Joakim Frimodig
CEO

The Auditor's Note

Our report has been issued today.

Helsinki, 30 January 2019

Ernst & Young Oy
Audit firm

Ulla Nykky, Authorised Public Accountant

Auditor's Report

(Translation of the Finnish original)

To the Annual General Meeting of CapMan Plc

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of CapMan Plc (business identity code 0922445-7) for the year ended 31 December, 2018. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position as well as its financial perfor-

mance and its cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

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

Basis for Opinion

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

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are

applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in 7 to the consolidated financial statements.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These

matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Revenue recognition and claw back liability</p> <p><i>We refer to the accounting policies in the financial statements and the Notes 3 and 26.</i></p> <p>CapMan's turnover in consolidated group accounts amounted to 36,0 million euros. It consists of management fees, sale of services, carried interest income as well as dividend and interest income. In certain circumstances, pursuant to the terms of the fund agreement, the carried interest income has to be returned (so called claw back). The claw back provision recorded 31.12.2018 amounted to 7,6 million euros.</p> <p>The timing of revenue recognition can be judgmental as revenue may be recognized either over time or at the point in time depending on the circumstances and provided services. The assessment of recognized revenue and claw back includes management assumptions and estimates.</p> <p><i>Revenue recognition and claw back liability was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014 point (c) of Article 10(2) in respect of its timely recognition and at a proper amount.</i></p>	<p>Our audit procedures included, among other things, assessing that the revenue recognition principles comply to applicable accounting standards. We also identified and tested key controls relating to revenue recognition.</p> <p>We tested the sales cutoff with analytical procedures. We supplemented our procedures with test of details on a transaction level in order to ensure that the revenue has been recognized in a correct accounting period and it's based on the corresponding agreements. We also analyzed the basis of assumptions and estimates relating to the defining the amount claw back liability.</p> <p>In addition, we also assessed the adequacy of disclosures relating to the fee and commission income of the group.</p>

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Valuation of non-liquid investments</p> <p><i>We refer to the accounting policies in the financial statements and the Notes 18 and 32.</i></p> <p>The Group's investment portfolio 31.12.2018 amounts to 87,6 million euros. The investment portfolio includes mainly investments to the funds managed by CapMan group companies. Determining the fair value of funds and direct investments to portfolio companies is carried out using International Private Equity and Venture Capital valuation guidelines (IPEV) and IFRS and the fair values are based on estimated cash-flows or peer-group multiples. Fair value measurement includes subjective estimations by management, specifically in areas where fair value is based on a model based valuation. Valuation techniques for private equity funds involve setting various assumptions regarding pricing factors. The use of different valuation techniques and assumptions could lead to different estimates of fair value.</p> <p><i>Valuation of non-liquid investments was determined to be a key audit matter and a significant risk of material misstatement referred to in EU Regulation No 537/2014 point (c) of Article 10(2).</i></p>	<p>Our audit procedures included identifying and testing the controls in place over recording fair values of non-liquid investment.</p> <p>We performed additional procedures for areas of higher risk and estimation, involving our valuation specialists.</p> <p>Our audit procedures included:</p> <ul style="list-style-type: none"> • Developing an understanding of the private equity and real estate portfolios • Reviewing the price of recent transactions and investments • Assessing assumptions used in the valuations and corroborating that the valuation appropriately reflects the risks of the portfolios • Comparing the assumptions against established policies and determining if they have been applied appropriately • Reviewing and assessing the valuations determined by CapMan or other party • Verifying that the International Private Equity and Venture Capital Valuation Guidelines and valuation methodology of IFRS have been applied correctly. <p>In addition, we also assessed the adequacy of disclosures relating to the non-liquid investments.</p>

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

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

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

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting

from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the

audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Requirements

Information on our audit engagement

This has been our first year as CapMan Plc's auditors. We were appointed as auditors by the Annual General Meeting on March 14th, 2018.

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect

to report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

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

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

Helsinki 30. January 2019

Ernst & Young Oy
Authorized Public Accountant Firm

Ulla Nykky
Authorized Public Accountant

Shares and shareholders

CapMan is one of the few listed private equity asset management and investment companies in Europe. CapMan Plc's share has been listed on the Helsinki Stock Exchange (Nasdaq Helsinki) since 2001. CapMan had 18,278 shareholders as of the end of 2018.

CapMan shares

CapMan's shares are quoted on the main list of Nasdaq Helsinki. All shares generate equal voting rights and rights to a dividend and other distribution to shareholders. CapMan had 147,142,163 shares outstanding as of 31 December 2018. CapMan's shares are included in the book-entry securities register and have no nominal value. CapMan's share capital as of 31 December 2018 was 771,586.98.

Nominee-registered shareholders

CapMan Plc's foreign shareholders can register their holdings in nominee-registered book-entry accounts, for which a custodian is registered in the company's list of shareholders rather than the ultimate owner. Foreign and nominee-registered shareholders held a total of 6% of CapMan's shares as of the end of 2018. A breakdown by sector and size of holding can be found on the Notes to the Financial Statements.

Dividend policy and dividend payable for 2018

CapMan's objective is to pay an annually increasing dividend to its shareholders. The Board of Directors will propose to the Annual General Meeting that a dividend of €0.12 per share should be paid to shareholders.

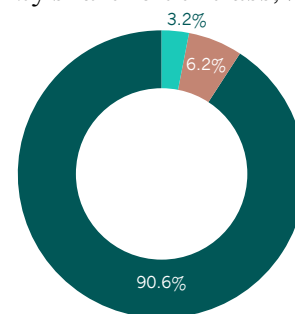
IR contacts

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

Read more

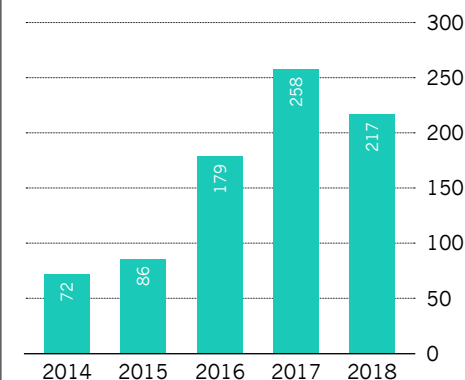
www.capman.com/shareholders/

Holding and voting rights by shareholder class, %

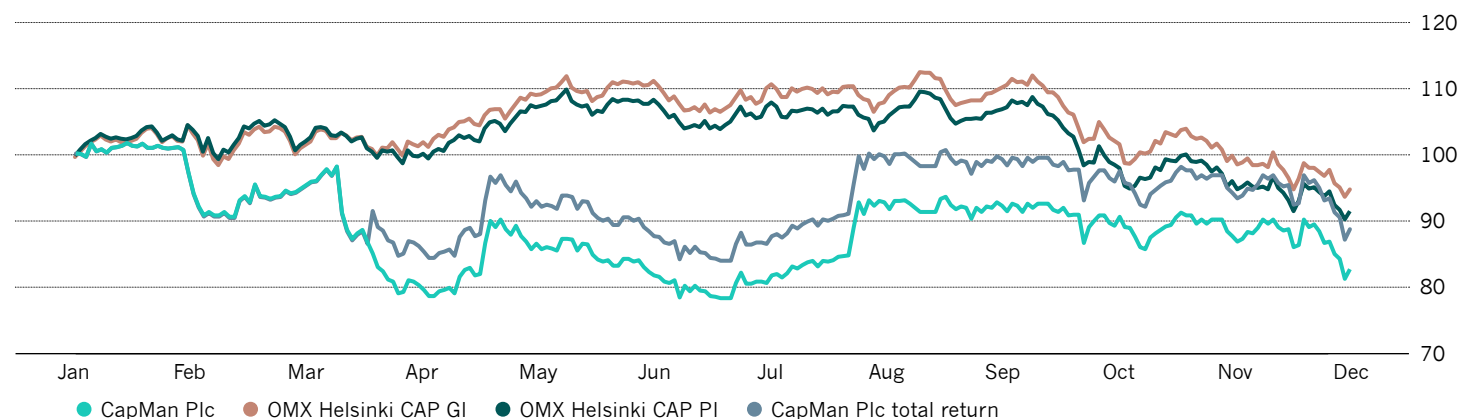


- Management and employees of CapMan
- Nominee registered shareholders and other foreign ownership (non-Finnish owners)
- Finnish institutions and households

Market capitalisation, M€



Share price and index development in 2018



Share price development and trading volume

	2018	2017
Share price €		
High	1,81	1,80
Low	1,39	1,24
Trade-weighted average share price	1,60	1,58
Closing price 31 Dec	1,47	1,77
Volume		
Shares (million)	29,4	49,7
Euros (million)	46,9	78,1
Milj. euroa	46,9	78,1

Basic share and option information

CapMan share	
Market	Nasdaq Helsinki
Currency	€
Listing date	2 April 2001
ISIN	FI0009009377
Symbol	CAPMAN
Reuters-symbol	CAPMAN.HE
Bloomberg-symbol	CAPMAN
List	Nordic Mid Caps
Industry	Finance
Number of shares	147,343,966
Votes/share	1/share

CapMan 2013 B option

Stock options, number	1,410,000
Share subscription price	€0.83
Exercise period	1 May 2017 – 30 April 2019

CapMan 2013 C option

Stock options, number	1,410,000
Share subscription price	€0.85
Exercise period	1 May 2018 – 30 April 2020

CapMan 2016 A option

Stock options, number	1,410,000
Share subscription price	€0.84
Exercise period	1 May 2019 – 30 April 2021

CapMan 2016 B option

Stock options, number	1,410,000
Share subscription price	The trade volume weighted average quotation of the share on NASDAQ OMX Helsinki Ltd. during 1 April–31 May 2017 with an addition of 10 per cent and less distributed dividends.
Exercise period	1 May 2020 – 30 April 2022

CapMan 2016 C option

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

Option programmes 2013 B, 2013 C, 2016 A, 2016 B, 2016 C each entitle holders to subscribe to 1,410,000 shares.

Information for shareholders

Annual General Meeting 2019

CapMan Plc's Annual General Meeting 2019 will be held on Wednesday, 13 March 2019 at 10.00 am EET at Glo Hotel Art at the address Lönnrotinkatu 29, Helsinki. All shareholders registered with the company's list of shareholders maintained by Euroclear Finland Oy on Friday, 1 March 2019 are entitled to attend.

Shareholders wishing to attend the AGM should inform the company by 10.00 am EET on Friday 8 March 2019 at the latest. Registration can be made electronically by utilizing Euroclear's electronic general meeting service at www.capman.com/shareholders/general-meetings/, by e-mail to the address agm@capman.com, or by sending a written notification to the company's address (CapMan Plc/ AGM, Ludviginkatu 6, 00130 Helsinki). Registrations must reach the company by the date and time specified above. Any proxy for exercising voting rights must be delivered to CapMan at the aforementioned postal address before expiry of the registration period.

Dividend

The Board of Directors will propose to the AGM that a dividend of €0.12 per share will be paid.

CapMan Plc's financial reporting in 2019

CapMan Plc will publish one half-year report and two interim reports during 2019:

- Interim Report for the period 1 January - 31 March 2019 on 25 April 2019
- Half-Year Financial Report for the period 1 January - 30 June 2019 on 8 August 2019
- Interim Report for the period 1 January - 30 September 2019 on 31 October 2019

Financial reports are published in Finnish and English. The company's Annual Reports, Interim Reports, and stock exchange releases and press releases can be consulted at www.capman.com. The company's website also includes other IR material. Anyone interested in receiving CapMan releases by email can subscribe them in the News and materials section of the website.

IR contacts

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

Analysts following CapMan Plc

Evli	Jerker Salokivi, tel. +358 (0)45 133 2229
Inderes	Sauli Vilén, tel. +358 (0)44 025 8908
Nordea	Harri Paakkola, tel. +358 (0)9 5300 8206

CapMan

WWW.CAPMAN.COM



HELSINKI

Ludviginkatu 6, 4 fl.
00130 Helsinki
Finland
+358 207 207 500



STOCKHOLM

Stureplan 13, 3rd fl
111 45 Stockholm
Sweden
+46 8 410 731 30



COPENHAGEN

Østergade 4, 4. sal
1100 København K
Denmark
+45 20 43 55 63



LONDON

1 Lyric Square
London W6 0NB
United Kingdom
+44 20 7495 9020



LUXEMBOURG

1, rue Hildegard von Bingen
L-1282
Luxembourg
+352 26 49 58 42 05



MOSCOW

Starokonyushenny
pereulok, 10
119002 Moscow
Russia
+7 495 620 48 85