

2019

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# FINANCIAL STATEMENTS RELEASE





6 February 2020 at 8:00 AM

## **eQ PLC'S FINANCIAL STATEMENTS RELEASE 2019 – eQ'S PROFIT INCREASED BY 18 %, DISTRIBUTION PROPOSAL OF EUR 0.62 PER SHARE TO THE SHAREHOLDERS**

### **January to December 2019 in brief**

- The Group's net revenue during the financial period was EUR 50.6 million (EUR 45.4 million from 1 Jan. to 31 Dec. 2018).
  - The Group's net fee and commission income was EUR 49.5 million (EUR 43.6 million).
  - The Group's net investment income from own investment operations was EUR 1.1 million (EUR 1.8 million).
- The Group's operating profit grew by 17% to EUR 26.3 million (EUR 22.4 million).
- The Group's profit was EUR 21.0 million (EUR 17.8 million).
- The consolidated earnings per share were EUR 0.55 (EUR 0.47).
- The net cash flow from the Group's own private equity fund investment operations was EUR 1.7 million (EUR 3.9 million).
- The net revenue of the Asset Management segment increased by 21% to EUR 44.3 million (EUR 36.7 million) and the operating profit by 30% to EUR 25.4 million (EUR 19.5 million).
- The net revenue of the Corporate Finance segment was EUR 5.4 million (EUR 7.1 million) and the operating profit was EUR 1.9 million (EUR 3.2 million). It is typical of corporate finance business that success fees have a considerable impact on invoicing, due to which the result of the segment may vary considerably.
- Dividend proposal EUR 0.55 (EUR 0.47) and proposal for equity repayment EUR 0.07 (EUR 0.07) per share.

### **October to December 2019 in brief**

- In the last quarter, the Group's net revenue totalled EUR 15.6 million (EUR 14.7 million from 1 Oct. to 31 Dec. 2018).
  - The Group's net fee and commission income was EUR 15.0 million (EUR 14.6 million).
  - The Group's net investment income from own investment operations was EUR 0.6 million (EUR 0.1 million).
- The Group's operating profit grew by 14% to EUR 8.4 million (EUR 7.4 million).
- The Group's profit was EUR 6.7 million (EUR 5.9 million).
- The consolidated earnings per share were EUR 0.18 (EUR 0.16).



Key ratios	1- 12/19	1- 12/18	Change	10- 12/19	10- 12/18	Change
Net revenue, Group, M€	50.6	45.4	12%	15.6	14.7	6%
Net revenue, Asset Management, M€	44.3	36.7	21%	12.5	9.8	27%
Net revenue, Corporate Finance, M€	5.4	7.1	-24%	2.5	4.8	-48%
Net revenue, Investments, M€	0.8	1.8	-56%	0.6	0.2	196%
Net revenue, Group administration and eliminations, M€	0.1	-0.1		0.0	-0.1	
Operating profit, Group, M€	26.3	22.4	17%	8.4	7.4	14%
Operating profit, Asset Management, M€	25.4	19.5	30%	7.2	5.1	41%
Operating profit, Corporate Finance, M€	1.9	3.2	-40%	1.2	2.8	-57%
Operating profit, Investments, M€	0.8	1.8	-56%	0.6	0.2	196%
Operating profit, Group administration, M€	-1.8	-2.1	-12%	-0.5	-0.7	-21%
Profit for the period, M€	21.0	17.8	18%	6.7	5.9	15%
Key ratios	1- 12/19	1- 12/18	Change	10- 12/19	10- 12/18	Change
Earnings per share, €	0.55	0.47	17%	0.18	0.16	13%
Proposal for dividend and equity repayment per share, €	0.62	0.54	15%			
Equity per share, €	1.70	1.65	3%	1.70	1.65	3%
Cost/income ratio, Group, %	48.1	50.5	-5%	46.0	49.8	-8%
Liquid assets, M€	32.3	25.7	26%	32.3	25.7	26%
Private equity fund investments, M€	16.2	16.9	-4%	16.2	16.9	-4%
Interest-bearing loans, M€	0.0	0.0	0%	0.0	0.0	0%
Assets under management, € billion	11.7	9.5	23%	11.7	9.5	23%

## Janne Larma, CEO

eQ's result in 2019 was excellent. The Group's net revenue increased by 12% to EUR 50.6 million. The Group's operating profit was EUR 26.3 million and the profit for the period was EUR 21.0 million, growth on the previous year being 18%. The consolidated earnings per share were 55 cents as compared with 47 cents in 2018. We have managed to expand our business operations on a longer term, together with our clients. Thanks to these efforts, our profit has grown for 23 consecutive quarters. In 2019, the Group's cost/income ratio fell for the first time below 50%, to 48.1% at year level.

### eQ Asset Management's profit growth accelerated – operating profit grew by 30%

The Group's growth was driven by the asset management business, the operations and profit of which grew once more exceptionally well. eQ Asset Management's net revenue grew last year by 21% and operating profit by as much as 30%. The cost/income ratio of the Asset Management segment was excellent at 42.8%.

eQ Asset Management has improved its market position year after year to become one of the leading institutional asset managers in Finland. SFR interviews approximately the 100 largest Finnish institutional asset managers annually. According to the study conducted by SFR in 2019, eQ is the second most used institutional asset manager in Finland, and what is best, investors regarded eQ as the best company in the market in their quality assessments. We are very happy to be able to offer the qualitatively best asset management service in Finland in our clients' opinion.



The low market interest rates have contributed to the considerable increase in the demand for alternative investment products during the past few years. The growth continued last year, both internationally and in Finland.

The net subscriptions in our two real estate funds totalled EUR 317 million in 2019. Both these funds gave excellent returns last year, the eQ Care Fund 9.1% and the eQ Finnish Real Estate Fund 7.8%. At the close of the year, the fund capital of our real estate funds exceeded EUR 1.7 billion.

Growth also continued in private equity asset management. We raised altogether EUR 270 million to the eQ PE XI US and eQ Private Credit II funds. In addition, we obtained new private equity mandate clients.

We are also very pleased with the returns of our traditional asset management operations. During the past three years, 83% of all eQ funds registered in Finland that the company manages itself have surpassed their benchmark indices. The figure for 2019 is 85%. Consequently, Morningstar recognised eQ Asset Management with its "Best Fund House" award.

### **Advium's commission income and profit fell**

The activity level in the corporate and real estate transactions market continued to be high. Despite this, Advium's net commission income and operating profit fell from the year before, which is partly due to last year's excellent result. Corporate finance business often depends on a few transactions, their realisation and its timing. Advium acted as advisor in twelve transactions that were finalised in 2019, for instance as financial advisor to the Boards of Kotipizza Oyj and Pöyry Plc related to the public cash tenders made on them. Advium also acted as advisor to, e.g. Starwood Capital, as it bought more than 2 000 rental apartments from Elo and OP Group.

Advium's net revenue was EUR 5.4 million, which is 24% less than the year before. Advium's operating profit was EUR 1.9 million, compared with previous year's EUR 3.2 million.

### **The result of the Investments segment lower than the year before**

Last year, the operating profit of the Investments segment was EUR 0.8 million (EUR 1.8 million from 1 Jan. to 31 Dec. 2018). The net cash flow of the segment was EUR 1.7 million (EUR 3.9 million). The market value of the private equity fund investments was EUR 16.2 million (EUR 16.9 million) at the close of the year.

### **Group balance sheet and dividend proposal**

The Group has no interest-bearing liabilities and its balance sheet is very strong. The Group's profit in 2019 was 55 cents per share and its cash flow was strong. Due to the strong balance sheet and capital adequacy, the Board of Directors have decided to propose to the Annual General Meeting that a dividend of 55 cents and the same equity repayment as the year before, i.e. 7 cents per share, be paid to the shareholders.

### **Outlook**

In December, net subscriptions for EUR 76 million were made in eQ's real estate funds. In addition, the eQ PE XII North and eQ PE SF III private equity funds raised altogether EUR 201 million in the first closings of the funds in January 2020. This is the largest sum raised to private equity funds in the first closing during eQ's history. This only strengthens our view that the demand for alternative investment products continues to be strong.

We report now for the first time our assessment on when our own private equity funds will begin to pay a performance fee. We believe that this will make it easier for our shareholders and analysts to analyse eQ's future returns. These estimates can be found on page 31 of the financial statements release. We estimate that the Amanda IV Fund will begin to pay a performance fee towards the end of this year.

With regard to the above, we expect the net revenue and operating profit of the Asset Management segment to grow in 2020. In accordance with our disclosure policy, we do not issue profit guidance for the Corporate Finance and Investments segments. The results of these segments are highly dependent on factors that are



not dependent on the company. Consequently, their operating profits may vary considerably and are difficult to foresee.

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eQ's financial statements release 1 January to 31 December 2019 is enclosed to this release and it is also available on the company website at [www.eQ.fi](http://www.eQ.fi).

Additional information: Janne Larma, CEO, tel. +358 9 6817 8920

Distribution: Nasdaq Helsinki, [www.eQ.fi](http://www.eQ.fi), [eQ.fi](http://eQ.fi), media

eQ Group is a group of companies that concentrates on asset management and corporate finance business. eQ Asset Management offers a wide range of asset management services (including private equity funds and real estate asset management) for institutions and private individuals. The assets managed by the Group total approximately EUR 11.7 billion. Advium Corporate Finance, which is part of the Group, offers services related to mergers and acquisitions, real estate transactions and equity capital markets.

More information about the Group is available on our website [www.eQ.fi](http://www.eQ.fi).



## eQ PLC'S FINANCIAL STATEMENTS RELEASE 1 JAN. TO 31 DEC. 2019

### Result of operations and financial position 1 January to 31 December 2019

- The Group's net revenue during the financial period was EUR 50.6 million (EUR 45.4 million from 1 Jan. to 31 Dec. 2018).
  - The Group's net fee and commission income was EUR 49.5 million (EUR 43.6 million).
  - The Group's net investment income from own investment operations was EUR 1.1 million (EUR 1.8 million).
- The Group's operating profit grew by 17% to EUR 26.3 million (EUR 22.4 million).
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- The consolidated earnings per share were EUR 0.55 (EUR 0.47).
- The net cash flow from the Group's own private equity fund investment operations was EUR 1.7 million (EUR 3.9 million).
- The net revenue of the Asset Management segment increased by 21% to EUR 44.3 million (EUR 36.7 million) and the operating profit by 30% to EUR 25.4 million (EUR 19.5 million).
- The net revenue of the Corporate Finance segment was EUR 5.4 million (EUR 7.1 million) and the operating profit was EUR 1.9 million (EUR 3.2 million). It is typical of corporate finance business that success fees have a considerable impact on invoicing, due to which the result of the segment may vary considerably.
- Dividend proposal EUR 0.55 (EUR 0.47) and proposal for equity repayment EUR 0.07 (EUR 0.07) per share.

### Result of operations and financial position 1 October to 31 December 2019

- In the last quarter, the Group's net revenue totalled EUR 15.6 million (EUR 14.7 million from 1 Oct. to 31 Dec. 2018).
  - The Group's net fee and commission income was EUR 15.1 million (EUR 14.6 million).
  - The Group's net investment income from own investment operations was EUR 0.6 million (EUR 0.1 million).
- The Group's operating profit grew by 14% to EUR 8.4 million (EUR 7.4 million).
- The Group's profit was EUR 6.7 million (EUR 5.9 million).
- The consolidated earnings per share were EUR 0.18 (EUR 0.16).

### Operating environment

The year 2019 started off with an uncertain sentiment after the steep fall in share prices towards the end of 2018. Political risks were seen as being large, but on the other hand, central banks gave indications of fiscal stimulus measures, if uncertainty was to prevail. The year began with an extremely strong share price increase and a reduction of both interest rates and interest spreads. After this, there were a few moments of increasing uncertainty during the year, mostly when President Trump tightened the US trade policy. Brexit remained in headlines, but no longer caused any considerable fluctuations in the investment market.

Central banks responded to the fall in share prices with promises of stimulus and even with concrete measures. The Fed cut down its policy rate twice in 2019 and the European Central Bank ECB published a new stimulus package in September. In addition, investors started to get used to trade policy headlines and reacted less strongly. The year 2019 as a whole turned out to be an excellent year for stock exchanges. The year was also excellent for bond investors, with good returns after the poor 2018.

As for economic growth, the year was sluggish, although more positive than feared. The strongest growth was still seen in China, which reported growth of approximately 6%. Growth in the US is estimated as a little



over 2% and in the euro zone and Finland between 1 and 1.5%. Inflation accelerated somewhat globally owing to the continuing rise in oil prices and the increase in food prices in China, for instance.

In 2019, the euro investor obtained the highest return from the US, where the S&P 500 index increased by as much as 33.1% (in dollars 30.7%). MSCI Europe rose by 26.1%. The Finnish stock exchange and emerging markets did not develop this strongly but still excellently: in Finland the increase was 20.5% and in emerging markets globally 20.6%. Even the Japanese stock exchange rose briskly, 21.8% calculated in euros.

After the negative interest rate year 2018, last year was excellent for bond investors as well, as central banks introduced stimulus measures and interest rates fell across the board. The best return at index level came from high yield bonds, no less than 10.7% during the entire year. Emerging market loans as euro-hedged gave a 9.4% return, euro zone government bonds a 6.8% and investment grade bonds a 6.3% return.

## Major events during the financial period

On 25 March 2019, the Board of Directors of eQ Plc approved the subscriptions of options made by the option right recipients of the 2018 option scheme with a subscription price. The number of options subscribed for based on the option scheme with a subscription price was 1 875 000, and the payments of the subscription price made to eQ Plc in March 2019 totalled EUR 1 350 000.

eQ Plc's Annual General Meeting was held on 25 March 2019. Nicolas Berner, Georg Ehrnrooth, and Timo Kokkila were re-elected to the Board. New members of the Board were Lotta Kopra and Tomas von Rettig. Georg Ehrnrooth continues as Chairman of the Board. The decisions by the Annual General Meeting have been presented in a separate chapter below.

During the financial period, the number of eQ Plc's shares increased with new shares subscribed for with option rights. The number of shares increased by 350 000 shares on 28 February 2019, by 100 000 shares on 9 September 2019 and by 150 000 on 25 November 2019.

## Group net revenue and result development

During the financial period, the Group's net revenue totalled EUR 50.6 million (EUR 45.4 million from 1 Jan. to 31 Dec. 2018). The Group's net fee and commission income was EUR 49.5 million (EUR 43.6 million). The Group's net investment income from own investment operations was EUR 1.1 million (EUR 1.8 million).

The Group's expenses and depreciation totalled EUR 24.3 million (EUR 22.9 million). Personnel expenses were EUR 19.8 million (EUR 18.3 million), other administrative expenses totalled EUR 2.2 million (EUR 2.2 million), and the other operating expenses were EUR 1.4 million (EUR 2.1 million). Depreciation was EUR 1.0 million (EUR 0.2 million). The depreciation includes the depreciation for leases according to the new IFRS 16 standard and the other operating expenses an adjustment of lease expenses from the beginning of 2019.

The Group's operating profit was EUR 26.3 million (EUR 22.4 million) and the profit for the period was EUR 21.0 million (EUR 17.8 million).

## Business areas

### Asset Management

eQ Asset Management offers versatile and innovative asset management services to both institutions and individuals. The Asset Management segment consists of the investment firm eQ Asset Management Ltd and other Group companies engaged in asset management operations, the most important of which is eQ Fund Management Company Ltd.





### *Mutual funds and asset management*

At the end of the financial period, eQ had 24 mutual funds registered in Finland.

As a result of the fall in interest rates and the narrowing of credit risk margins, the returns of eQ's fixed-income funds were very good with regard to the interest rate level. The best returns came from the eQ Emerging Markets Corporate Bond LC and eQ High Yield funds. The best returns as compared with benchmark indices came from the eQ High Yield and eQ Floating Rate funds. Of eQ's five Morningstar rated fixed-income funds three have the best rating, e.g. five stars, and one has four stars.

The returns of equity funds were very good during the year after the weak last quarter of 2018. The eQ Europe Property and eQ Nordic Small Cap funds gave the best returns, even about 40%. As compared with the benchmark indices, the eQ Emerging Market Small Cap, eQ Finland and eQ Europe Property gave excellent returns that clearly exceeded 10%.

Of the funds managed by eQ, 85% surpassed their benchmark indices in 2019. In the past three years, 83% of the funds managed by eQ have surpassed their benchmark indices. The average Morningstar rating of funds managed by eQ was 4.1 stars at the end of the year. The returns of the discretionary asset management portfolios that eQ manages varied between 3.8 and 30.4% based on the allocation of the investment portfolio. The return of portfolios that are only invest in Finnish shares was about 30% and exceeded the return of the benchmark index markedly.

On 6 March 2019, eQ Asset Management won one of the major prizes awarded by Morningstar. Morningstar recognised eQ's entire fund range with the "Best Fund House" award. This extremely highly esteemed award is based on the five-year risk-adjusted returns of eQ's equity, fixed-income and balanced funds.

### *Private Equity*

The first close of the new eQ PE XI US private equity fund was held at the end of January 2019 at USD 113 million. The second close of the fund was held in April at USD 172 million, and in the final close the size of the fund already grew to USD 217 million. The eQ PE XI US Fund makes investments in private equity funds that invest in unlisted small and mid-sized companies in Northern America. In addition, the final closing of the eQ Private Credit II Fund, the second private credit fund investing in unlisted European corporate loans, was held in April at EUR 73.5 million.

At the end of the financial period, the assets in private equity funds managed by eQ totalled EUR 1 609 million (EUR 1 420 million) and the assets managed under private equity mandates were EUR 677 million (EUR 611 million).

During the last stages of a private equity fund's life cycle, performance fees may be of considerable importance to the management company, and therefore we have added information on eQ's present funds to the end of the tables section of the release.

### *Real estate investments*

The growth of the eQ Finnish Real Estate fund continued. At the end of the year, new net subscriptions worth EUR 17 million, and during the entire year worth EUR 85 million were made in the fund. At the end of the year, the size of the fund was EUR 712 million, and its real estate property amounted to almost EUR 1.1 billion. The investment operations of the fund have been extremely successful, and the return since establishment is 9.2% p.a. The fund already has almost 2 700 unit holders.

The eQ Care Fund also grew strongly. At the end of the year, new net subscriptions worth EUR 60 million, and during the entire year worth EUR 232 million were made in the fund. At the end of the year, the size of the fund was EUR 1 010 million and its real estate property exceeded EUR 1.2 billion. The return of the fund since establishment is 9.0% p.a., and the fund has more than 4 000 unit holders.

Overall, eQ's real estate funds had real estate property worth more than EUR 2.3 billion at the end of the financial period, and eQ has become a major Finnish real estate investor. Consequently, the real estate team has been expanded and now consists of 13 persons.





In the second quarter of 2019, the eQ Care Fund sold to Samhällsbyggnadsbolaget i Norden AB (publ) (SBB) 48 properties, mainly day-care centres and intensive sheltered housing units. The transaction price was about EUR 142 million.

#### *Assets under management and clients*

At the end of the financial period, the assets managed by eQ Asset Management, excluding assets covered by private equity reporting services, were EUR 6 767 million and altogether EUR 11 686 million. The assets increased by EUR 1 300 million from the beginning of the year, excluding the private equity reporting services, and altogether by EUR 2 201 million (EUR 5 467 / 9 485 million on 31 Dec. 2018). At the end of the financial period, the assets managed by mutual funds registered in Finland totalled EUR 3 276 million (EUR 2 484 million), and the assets increased by EUR 792 million. Mutual funds managed by international partners and assets covered by other asset management operations totalled EUR 1 206 million (EUR 952 million). The assets managed under private equity funds and asset management totalled EUR 7 196 million (EUR 6 049 million), the share of eQ funds being EUR 1 609 million (EUR 1 420 million) and that of mandates EUR 677 million (EUR 611 million). The assets covered by the reporting service totalled EUR 4 919 million (EUR 4 019 million).

#### *Result of the Asset Management segment*

The net revenue of the Asset Management segment increased by 21% and the operating profit by 30% to EUR 25.4 million (EUR 19.5 million from 1 Jan. to 31 Dec. 2018) during the financial period. The management fees of the real estate and private equity operations grew by 26%. Performance fees increased by 63% as a result of their typical strong fluctuation per quarter and financial period. The cost/income ratio was 42.7% (46.9%). Calculated as full-time resources, the Asset Management segment had 69 employees at the end of the financial period.

Asset Management	1-12/19	1-12/18	Change	10-12/19	10-12/18	Change
Net revenue, M€	44.3	36.7	21%	12.5	9.8	27%
Operating profit, M€	25.4	19.5	30%	7.2	5.1	41%
Assets under management, € billion	11.7	9.5	23%	11.7	9.5	23%
Cost/income ratio, %	42.7	46.9	-9%	42.4	48.1	-12%
Personnel as full-time resources	69	67	3%	69	67	3%

Fee and commission income, Asset Management, M€	1-12/19	1-12/18	Change	10-12/19	10-12/18	Change
Management fees from traditional asset management	8.0	8.6	-7%	2.1	2.0	6%
Real estate and private equity management fees	32.1	25.5	26%	8.6	6.9	24%
Other fee and commission income	0.3	0.3	-12%	0.1	0.1	131%
Performance fees	4.4	2.7	63%	1.8	1.0	91%
Total	44.7	37.1	21%	12.6	9.9	28%

#### **Corporate Finance**

In the Corporate Finance segment, Advium Corporate Finance acts as advisor in mergers and acquisitions, large real estate transactions and equity capital markets.

Global uncertainties, such as trade war threats and the uncertainty caused by Brexit continued to prevail during the entire calendar year. Despite these, share prices rose considerably and interest rate levels remained low. High valuation levels, the large amounts of capital and good availability of financing have continued to contribute to a high activity level in corporate and real estate transactions.

During the financial period, Advium acted as advisor in twelve finalised transactions, four of which were M&As and eight real estate transactions. After the two public cash tender processes that were carried out at the beginning of 2019, Advium acted as advisor in corporate transaction processes, for instance

- as advisor to the buyer when the Swedish company Peab acquired YIT's paving and mineral aggregates business in Scandinavia; and
- as advisor to the buyer when a fund managed by Starwood Capital Group bought together with Avara Ltd a portfolio of 2 178 rental apartments from Elo Mutual Pension Insurance and OP Group.

In addition, Advium acted as financial advisor to the seller for instance in an M&A arrangement where the café chains Picnic and La Torrefazione together with the wholesale company Europicnic were sold to the private equity investor Sentica Partners.

In the real estate sector, Advium maintained its strong market position in the active real estate transaction market. Examples of finalised real estate transactions:

- Advium acted as advisor to Konstsamfundet in the acquisition of 30.9% of the Lasipalatsi property from the City of Helsinki.
- Advium acted as financial advisor to the seller when the Swiss Life Living + Working fund acquired the head office of Kone Hissit in Helsinki.

#### *Result of the Corporate Finance segment*

In 2019, Advium's net revenue was EUR 5.4 million, compared with EUR 7.1 million the year before. The operating profit was to EUR 1.9 million (EUR 3.2 from 1 Jan. to 31 Dec. 2018). The segment had 15 employees at the end of December 2019.

It is typical of corporate finance business that success fees have a considerable impact on invoicing, due to which the result may vary considerably from quarter to quarter.

Corporate Finance	1-12/19	1-12/18	Change	10-12/19	10-12/18	Change
Net revenue, M€	5.4	7.1	-24%	2.5	4.8	-48%
Operating profit, M€	1.9	3.2	-40%	1.2	2.8	-57%
Cost/income ratio, %	64.1	54.7	17%	53.4	42.7	25%
Personnel as full-time resources	15	14	7%	15	14	7%

#### **Investments**

The business operations of the Investments segment consist of private equity fund investments made from eQ Group's own balance sheet.

During the financial period, the operating profit of the Investments segment was EUR 0.8 million (EUR 1.8 million from 1 Jan. to 31 Dec. 2018). At the end of the period, the fair value of the private equity fund investments was EUR 16.2 million (EUR 16.9 million on 31 Dec. 2018) and the amount of the remaining investment commitments was EUR 6.7 million (EUR 7.8 million). Of the market value, 86% has been invested in private equity funds managed by eQ. The breakdown of the market value and investment commitments of private equity fund investments per fund are presented in the tables section.

During the period, the investment objects returned capital for EUR 2.3 million (EUR 4.0 million from 1 Jan. to 31 Dec. 2018) and distributed a profit of EUR 1.8 million (EUR 1.9 million). Capital calls totalled EUR 2.4 million (EUR 2.0 million). The net cash flow from investments during the period was EUR 1.7 million (EUR 3.9 million). The value changes of the private equity fund investments recognised through profit or loss and permanent losses were EUR -0.8 million during the period (EUR 0.1 million). The Group's internal management fee expenses, which are included in the result of the Investments segment, totalled EUR 0.2 million (EUR 0.2 million).



During the financial period, eQ Plc made a USD 1.0 million investment commitment in the eQ PE XI US private equity fund. The eQ PE XI US Fund makes investments in private equity funds that make equity capital investments in unlisted small and mid-sized companies located in the US and Canada.

The income of eQ's own investment operations is recognised due to factors independent of the company. Due to this, the segment's result may vary considerably. eQ only makes new investments in funds managed by eQ.

Investments	1-12/19	1-12/18	Change	10-12/19	10-12/18	Change
Operating profit, M€	0.8	1.8	-56%	0.6	0.2	197%
Fair value of investments, M€	16.2	16.9	-4%	16.2	16.9	-4%
Investment commitments, M€	6.7	7.8	-14%	6.7	7.8	-14%
Net cash flow of investments, M€	1.7	3.9	-55%	0.9	1.3	-27%

## Balance sheet and capital adequacy

At the end of the financial period, the consolidated balance sheet total was EUR 85.4 million (EUR 78.2 million on 31 Dec. 2018) and the shareholders' equity was EUR 65.1 million (EUR 62.2 million). During the period, the shareholders' equity was influenced by the profit for the period of EUR 21.0 million, the dividend distribution of EUR -17.9 million, the repayment of equity of EUR -2.7 million from the reserve for invested unrestricted equity, the subscription for new shares with option rights of EUR 0.8 million, the subscription of options within the 2018 option scheme with a subscription price of EUR 1.3 million and the accrued expense of EUR 0.3 million related to the option scheme and enter in the shareholders' equity. The changes are specified in detail in the tables attached to this release.

At the end of the period, liquid assets totalled EUR 22.4 million (EUR 15.8 million) and liquid investments in mutual funds EUR 9.9 million (EUR 9.9 million). In order to safeguard the availability of financing, the Group has access to a credit limit of EUR 4.0 million. At the end of the period, the Group's short-term receivables amounted to EUR 4.7 million (EUR 5.8 million).

The lease liability entered in the balance sheet as a result of the new IFRS 16 standard was EUR 2.6 million (EUR - million) at the end of the period, the share of short-term liabilities being EUR 0.6 million (EUR - million). Interest-free short-term debt was EUR 17.7 million (EUR 15.9 million). The Group had no interest-bearing liabilities at the end of the period (EUR - million). eQ's equity to assets ratio was 76.2% (79.6%).

A subsidiary called eQ Asset Management Ltd, which is engaged in investment firm operations and fully owned by eQ Plc, is part of the Group. eQ Asset Management Ltd, as investment firm, and eQ Plc as the holding company, apply the CRR/CRD regulations. In 2019, eQ Asset Management Ltd has given up its right to engage in trade on own account, which was included in its investment firm authorisation. Resulting from the changes in the authorisation, the requirement for eQ Group's and eQ Asset Management Ltd's own funds is calculated according to article 95 of EU's Capital Requirements Regulation. As a result of the change in the authorisation, the amount of the total risk exposure is calculated as the larger of the following: a) total amount of credit and market risks or b) the total risk based on fixed overheads.

The Group's CET1 (Common Equity Tier 1) and capital adequacy ratio of the own funds was 22.2% (9.6% on 31 Dec. 2018) at the end of the period. According to regulations, the absolute minimum requirement for own funds is 8%. At the end of the period, the Group's own funds based on capital adequacy calculations totalled EUR 11.9 million (EUR 12.4 million on 31 Dec. 2018), and the total risk exposure was EUR 53.5 million (EUR 129.0 million). In capital adequacy calculations, the amount of the total risk exposure is based on credit and market risks, as the total risk exposure based on fixed overheads was lower at the end of the financial period. The total risk exposure based on fixed overheads was EUR 51.9 million at the end of the period. The comparison information of the capital adequacy figures (31 Dec. 2018) has been presented according to the previously valid authorisation, and the comparison figures have not been adjusted with the changed authorisation. Detailed information on the Group's capital adequacy can be found in the tables section.



## Shares and share capital

At the end of the period on 31 December 2019, the number of eQ Plc's shares was 38 307 198 and the share capital was EUR 11 383 873.

During the financial period, on 28 February 2019, the number of eQ Plc's shares increased by 350 000 shares subscribed for with option rights 2010. The last option rights 2010 were thereby all exercised as a result of the share subscriptions made. The subscription price of the new shares totalled EUR 38 500.00. The entire subscription was entered in the reserve for invested unrestricted equity.

During the financial period, on 9 September 2019, the number of eQ Plc's shares increased by 100 000 shares subscribed for with option rights 2015. The subscription price of the new shares totalled EUR 311 000.00. The entire subscription was entered in the reserve for invested unrestricted equity.

During the financial period, on 25 November 2019, the number of eQ Plc's shares increased by 150 000 shares subscribed for with option rights 2015. The subscription price of the new shares totalled EUR 466 500.00. The entire subscription was entered in the reserve for invested unrestricted equity. There were no changes in the share capital during the period.

The closing price of eQ Plc's share on 31 December 2019 was EUR 12.45 (EUR 7.60 on 31 Dec. 2018). The market capitalisation of the company was thus EUR 476.9 million (EUR 286.6 million) at the end of the financial period. During the financial period, 1 615 771 shares were traded on Nasdaq Helsinki (5 443 740 shares from 1 Jan. to 31 Dec. 2018). In euros, the turnover was EUR 15.9 million (EUR 45.4 million).

## Own shares

On 31 December 2019, eQ Plc held no own shares.

## Shareholders

### Ten major shareholders on 31 December 2019

	Shares	Share, %
1 Fennogens Investements S.A.	7 943 137	20.74
2 Chilla Capital S.A.	5 945 275	15.52
3 Anchor Oy Ab	5 803 677	15.15
4 Teamet Oy	4 100 000	10.70
5 Oy Cevante Ab	1 419 063	3.70
6 Fazer Jan Peter	1 298 306	3.39
7 Lavventura Oy	650 000	1.70
8 Linnalex Ab	631 652	1.65
9 Procurator-Holding Oy	623 892	1.63
10 Pinomonte Ab	529 981	1.38
10 major shareholders, total	28 944 983	75.56
Nominee registered	336 375	0.88
Other shares	9 025 840	23.56
Total	38 307 198	100.00

On 31 December 2019, eQ Plc had 5 945 shareholders (5 451 shareholders on 31 Dec. 2018).

## Option schemes

At the end of the period, eQ Plc had two valid option schemes. The option schemes are intended as part of the commitment system of the Group's key personnel.



### **Option scheme 2015**

At the end of the period, altogether 1 575 000 options had been allocated from option scheme 2015. The subscription period of shares with option rights 2015 began on 1 April 2019, and the options have been listed on Nasdaq Helsinki since said date.

Of these options, altogether 250 000 had been exercised by the end of the period. The number of outstanding options was 1 325 000 at the end of the period. No options of the option scheme 2015 can any longer be allocated.

The terms and conditions of the option scheme have been published in a stock exchange release of 5 November 2015, and they can be found in their entirety on the company website at [www.eQ.fi](http://www.eQ.fi).

### **Option scheme 2018**

On 25 October 2018, the Board of Directors of eQ Plc decide on a new option scheme with a subscription price based on the authorisation by the Annual General Meeting 2018. Altogether 1 875 000 shares were subscribed for in the option scheme with a subscription price, and the payments for the subscription price to eQ Plc in March 2019 totalled EUR 1 350 000.00. On 25 March 2019, the Board of Directors of eQ Plc approved the option subscriptions made by the option right recipients based on the subscription rights. The entire subscription price of the options was entered in the reserve for invested unrestricted equity.

In the third quarter of 2019, 75 000 options with a purchase price of EUR 54 000.00 were returned to eQ Plc due to the termination of employment. The purchase price of the returned options was entered in its entirety at the original subscription price in the reserve for invested unrestricted equity. The number of outstanding options was 1 800 000 at the end of the period. No options of the option scheme 2018 can any longer be allocated.

The terms and conditions of the option scheme have been published in a stock exchange release of 26 October 2018, and they can be found in their entirety on the company website at [www.eQ.fi](http://www.eQ.fi).

## **Decisions by the Annual General Meeting**

eQ Plc's Annual General Meeting (AGM), held on Monday 25 March 2019 in Helsinki, decided upon the following:

### **Confirmation of the financial statements**

eQ Plc's AGM confirmed the financial statements of the company, which included the consolidated financial statements, the report by the Board of Directors, and the auditors' report for the financial year 2018.

### **Decision in respect of the result shown on the balance sheet and the distribution of assets from the reserve for invested unrestricted equity**

The AGM confirmed the proposal by the Board of Directors that a dividend of EUR 0.47 per share and a repayment of equity of EUR 0.07 from the reserve for invested unrestricted equity be paid out. The dividend and equity repayment were paid to shareholders who, on the record date for the dividend payment, i.e. 27 March 2019, were recorded in the shareholder register of eQ Plc held by Euroclear Finland Ltd. Payment date of the dividend and equity repayment 3 April 2019.

### **Discharge from liability to the Board of Directors and the CEO**

The AGM decided to grant discharge from liability to the Board of Directors and the CEO.



## Number of directors, appointment of directors, and the remuneration of directors

According to the decision of the AGM, five members shall be elected to eQ Plc's Board of Directors. Nicholas Berner, Georg Ehrnrooth, and Timo Kokkila were re-elected and Lotta Kopra and Tomas von Rettig were elected as new members for a term of office that will end at the close of the next Annual General Meeting. The AGM decided that the directors would receive remuneration as follows: the Chairman of the Board will receive EUR 3 500 and the other directors EUR 2 000 per month. The Directors will also be paid EUR 500 for each Board meeting that they attend. Travel and lodging costs will be compensated in accordance with the company's expense policy. The Board elected Georg Ehrnrooth Chairman of the Board at its meeting held immediately after the AGM.

## Auditors and auditors' compensation

The AGM decided to elect the corporation of authorised public accountants KPMG Oy Ab auditor of the company. The auditor with main responsibility appointed by the company is Marcus Tötterman, APA. It was decided to compensate the auditor according to an invoice approved by eQ Plc.

## Authorising the Board of Directors to decide on the issuance of shares as well as the issuance of special rights entitling to shares

The AGM authorised the Board of Directors to decide on a share issue or share issues and/or the issuance of special rights entitling to shares referred to in Chapter 10 Section 1 of the Limited Liability Companies Act, in one or several transactions, comprising a maximum total of 5 000 000 new shares. The amount of the authorisation corresponded to approximately 13.26% of all shares in the company on the date of the notice of the AGM.

The authorisation can be used in order to finance or carry out potential acquisitions or other business transactions, to strengthen the balance sheet and the financial position of the company, to carry out the company's incentive schemes or for any other purposes decided by the Board. Based on the authorisation, the Board shall decide on all matters related to the issuance of shares and special rights entitling to shares referred to in Chapter 10 Section 1 of the Limited Liability Companies Act, including the recipients of the shares or the special rights entitling to shares and the amount of the consideration to be paid. Therefore, based on the authorisation, shares or special rights entitling to shares may also be issued to certain persons, i.e. in deviation of the shareholders' pre-emptive rights as described in said Act. A share issue may also be executed without payment in accordance with the preconditions set out in the Limited Liability Companies Act. The authorisation cancels all previous corresponding authorisations and is effective until the next AGM, no longer than 18 months, however.

## Personnel and organisation

At the end of the period, the number of Group personnel calculated as full-time resources was 89 (86 persons on 31 December 2018). Calculated as full-time resources, the Asset Management segment had 69 (67) employees and the Corporate Finance segment 15 (14) employees. Group administration had 5 (5) employees.

The overall salaries paid to the employees of eQ Group during the period totalled EUR 19.8 million (EUR 18.3 million from 1 Jan. to 31 Dec. 2018).

## Major risks and short-term uncertainties

The major single risk of the Group is the dependence of the operating income on changes in the external operating environment. The result of the Asset Management segment depends on the development of the assets under management, which is dependent of the development of the capital market, for instance. On the other hand, the management fees of private equity funds are based on long-term agreements that produce a stable cash flow. The realisation of the performance fee income that is dependent on the success of the investment operations also influences result development. The performance fees of the asset management operations may consist of performance fees paid by mutual funds and real estate funds, profit





shares that private equity funds pay to the management company, and performance fees from asset management portfolios. Performance fees may vary considerably by quarter and financial period.

Success fees, which depend on the number of mergers and acquisitions and real estate transactions and the execution of transactions, have a considerable impact on the result of the Corporate Finance segment. These vary considerably within one year and are dependent on economic trends.

The risks associated with eQ Group's own private equity investment operations are the market risk and currency risk, for instance. Of said risks, the market risk has the greater impact on investments. The company's own investments are well diversified, which means that the impact of one investment in a company, made by one individual fund, on the return of the investments is often small. The income from eQ Group's own investment operations is recognised for eQ in different quarters due to factors independent of the company, depending on the exits from private equity funds. The income from investment operations and changes in value may vary considerably from quarter to quarter.

## Proposal for the distribution of profit

The distributable means of the parent company on 31 December 2019 totalled EUR 47 183 575.62. The sum consisted of retained earnings of EUR 22 555 581.38 and the means in the reserve of invested unrestricted equity of EUR 24 627 994.24.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.55 per share be paid out. The proposal corresponds to a dividend totalling EUR 21 068 958.90 calculated with the number of shares at the close of the financial year. Additionally, the Board proposes to the AGM that an equity repayment of EUR 0.07 per share be paid out from the reserve of invested unrestricted equity. The proposal corresponds to an equity repayment totalling EUR 2 681 503.86 calculated with the number of shares at the close of the financial year. The dividend and equity repayment shall be paid to those who are registered as shareholders in eQ Plc's shareholder register maintained by Euroclear Finland Ltd on the record date 27 March 2020. The Board proposes 3 April 2020 as the payment date of the dividend and equity repayment.

After the end of the financial period, no essential changes have taken place in the financial position of the company. The Board of Directors feel that the proposed distribution of dividend and equity repayment do not endanger the liquidity of the company.

## Events after the financial period

eQ Asset Management Ltd has bought the business related to the mutual funds Best Global Ideas and European Small & Mid Cap of Aurejärvi Asset Management Ltd in a trade agreement signed on 13 December 2019. The management of the funds will be transferred to eQ Fund Management Company, a wholly owned subsidiary of eQ Asset Management Ltd, from 14 February 2020.

The first close of the eQ PE XII North private equity fund was held in January 2020 at EUR 126 million. eQ Plc made an investment commitment of EUR 1.0 million to the fund. eQ also established its third secondary market fund eQ PE SF III. The first close of the fund was held at EUR 75 million.

eQ Plc's shareholders with more than 60% of the company shares and votes have made a proposal to the Annual General Meeting to be held on 25 March 2020 regarding the number of directors, their remuneration and the principles for compensating expenses as well as the election of the directors. The shareholders propose that Nicholas Berner, Georg Ehrnrooth, Timo Kokkila, Lotta Kopra, and Tomas von Rettig be re-elected to the Board for a term of office that will end at the close of the next Annual General Meeting.

## Outlook

In December, net subscriptions for EUR 76 million were made in eQ's real estate funds. In addition, the eQ PE XII North and eQ PE SF III private equity funds raised altogether EUR 201 million in the first closings of the funds in January 2020. This is the largest sum raised to private equity funds in the first closing during eQ's history. This only strengthens our view that the demand for alternative investment products continues to be strong.





We report now for the first time our assessment on when our own private equity funds will begin to pay a performance fee. We believe that this will make it easier for our shareholders and analysts to analyse eQ's future returns. These estimates can be found on page 31 of the financial statements release. We estimate that the Amanda IV Fund will begin to pay a performance fee towards the end of this year.

With regard to the above, we expect the net revenue and operating profit of the Asset Management segment to grow in 2020. In accordance with our disclosure policy, we do not issue profit guidance for the Corporate Finance and Investments segments. The results of these segments are highly dependent on factors that are not dependent on the company. Consequently, their operating profits may vary considerably and are difficult to foresee.

eQ Plc  
Board of Directors

## TABLES

### Principles for drawing up the report

The financial statements release has been prepared in accordance with IFRS standards and the IAS 34 Interim Reports standard, approved by the EU. At the beginning of the financial period, the company has adopted certain new or amended IFRS standards. The impacts of these new standards have been explained below. For other parts, the Group has applied the same accounting principles as in the financial statements for the year 2018. The calculation principles and formulas of the key ratios remain unaltered, and they have been presented in the financial statements 2018.

The income of eQ's own investment operations is recognised due to factors independent of the company. As a result, the net income from financial assets may vary considerably.

The financial statement figures presented in this release are based on the company's audited financial statements. The Auditors' Report has been issued on 5 February 2020.

### New IFRS standards and interpretations

#### *IFRS 16 Leases:*

The new IFRS 16 standard Leases shall be applied from 1 January 2019 or from financial periods beginning after said date. As a result of IFRS 16, almost all leases will be recognised on the balance sheet, as the distinction between operating and finance leases will be removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals will be recognised. eQ Group will apply a simplified method when introducing IFRS 16, which means that the figures of the comparison period will not be adjusted.

The present value of the leases transferred to the balance sheet on 1 January 2019 as a result of IFRS 16 was EUR 3.2 million and the present value of lease liabilities correspondingly EUR 3.2 million. The straight-line depreciation for leases entered to the income statement is about EUR 0.7 million annually and the calculated interest expense for the lease liabilities in 2019 about EUR 0.03 million. The expense impact in the income statement will be front-loaded, compared with the former IFRS treatment. As a result, the costs for premises including depreciation and interests will increase by about EUR 0.1 million in 2019, as compared with the IFRS treatment in 2018.



## CONSOLIDATED INCOME STATEMENT, EUR 1 000

	1-12/19	1-12/18	10-12/19	10-12/18
Fee and commission income	49 933	43 971	15 102	14 720
Interest income	4	3	1	3
Net income from financial assets	1 132	1 794	630	92
Operating income, total	51 069	45 768	15 733	14 815
Fee and commission expenses	-428	-400	-109	-93
Interest expenses	-26	-1	-6	0
NET REVENUE	50 614	45 367	15 618	14 721
Administrative expenses				
Personnel expenses	-19 758	-18 327	-5 942	-5 867
Other administrative expenses	-2 185	-2 234	-625	-717
Depreciation on tangible and intangible assets	-219	-216	-58	-73
Depreciation on leases	-749	-	-187	-
Other operating expenses	-1 411	-2 141	-380	-672
OPERATING PROFIT (LOSS)	26 292	22 450	8 426	7 392
Income tax	-5 257	-4 651	-1 696	-1 541
PROFIT (LOSS) FOR THE PERIOD	21 035	17 799	6 730	5 851

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1-12/19	1-12/18	10-12/19	10-12/18
Other comprehensive income:	-	-	-	-
Other comprehensive income after taxes	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	21 035	17 799	6 730	5 851
Profit for the period attributable to:				
Equity holders of the parent company	21 035	17 799	6 730	5 851
Non-controlling interests	-	-	-	-
Comprehensive income for the period attributable to:				
Equity holders of the parent company	21 035	17 799	6 730	5 851
Non-controlling interests	-	-	-	-
Earnings per share calculated from the profit of equity holders of the parent company:				
Earnings per average share, EUR	0.55	0.47	0.18	0.16
Diluted earnings per average share, EUR	0.51	0.45	0.16	0.15



## CONSOLIDATED BALANCE SHEET, EUR 1 000

31 Dec. 2019 31 Dec. 2018

	31 Dec. 2019	31 Dec. 2018
<b>ASSETS</b>		
Liquid assets	72	48
Claims on credit institutions	22 303	15 800
Financial assets		
Financial securities	9 956	9 869
Private equity fund investments	16 156	16 909
Intangible assets		
Fair value and brands	29 212	29 212
Other intangible assets	253	233
Tangible assets		
Leases	261	303
Leases	2 433	-
Other assets		
Accruals and prepaid expenditure	4 151	5 087
Income tax receivables	528	602
Deferred tax assets	58	148
Deferred tax assets	34	-
<b>TOTAL ASSETS</b>	<b>85 418</b>	<b>78 211</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Other liabilities	4 780	4 066
Accruals and deferred income	12 057	11 106
Lease liabilities	2 604	-
Income tax liabilities	831	746
Deferred tax liabilities	29	44
<b>TOTAL LIABILITIES</b>	<b>20 301</b>	<b>15 962</b>
<b>EQUITY</b>		
Attributable to equity holders of the parent company:		
Share capital	11 384	11 384
Reserve for invested unrestricted equity	26 482	27 034
Retained earnings	6 215	6 032
Profit (loss) for the period	21 035	17 799
<b>TOTAL EQUITY</b>	<b>65 117</b>	<b>62 249</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>85 418</b>	<b>78 211</b>



## CONSOLIDATED CASH FLOW STATEMENT, EUR 1 000

	1-12/2019	1-12/2018
<b>CASH FLOW FROM OPERATIONS</b>		
Operating profit	26 292	22 450
Depreciation and write-downs	968	216
Interest income and expenses	22	-2
Transactions with no related payment transactions	904	564
Financial assets' cash flow – private equity fund investments	-61	2 011
<b>Change in working capital</b>		
Business receivables, increase (-) / decrease (+)	1 157	-2 376
Interest-free debt, increase (+) / decrease (-)	919	1 370
Total change in working capital	2 076	-1 005
Cash flow from operations before financial items and taxes	30 201	24 233
Interests received	4	3
Interests paid	-26	-1
Taxes	-4 532	-4 087
<b>CASH FLOW FROM OPERATIONS</b>	<b>25 648</b>	<b>20 148</b>
<b>CASH FLOW FROM INVESTMENTS</b>		
Investments in intangible and tangible assets	-197	-224
Investments/redemptions in other investments – liquid mutual funds	93	27
<b>CASH FLOW FROM INVESTMENTS</b>	<b>-103</b>	<b>-197</b>
<b>CASH FLOW FROM FINANCING</b>		
Dividends paid/equity repayments	-20 551	-18 754
Option issue with a subscription price	816	-
Subscription of new shares	1 296	22
Decrease in the lease liability capital	-578	-
<b>CASH FLOW FROM FINANCING</b>	<b>-19 017</b>	<b>-18 732</b>
<b>INCREASE/DECREASE IN LIQUID ASSETS</b>	<b>6 527</b>	<b>1 219</b>
Liquid assets on 1 Jan.	15 848	14 629
Liquid assets on 31 Dec.	22 375	15 848

## CHANGE IN CONSOLIDATED SHAREHOLDERS' EQUITY, EUR 1 000

Equity attributable to equity holders of the parent company						
	Share capital	Reserve for invested unrestricted equity	Fair value reserve	Retained earnings	Total	Total equity
Shareholders' equity on 1 Jan. 2018	11 384	29 638	-193	21 832	62 661	62 661
Profit (loss) for the period				17 799	17 799	17 799
Other comprehensive income						
Financial assets			-	-	-	-
Total comprehensive income			0	17 799	17 799	17 799
Dividend/equity repayment		-2 626		-16 128	-18 754	-18 754
Subscription of shares		22			22	22
Options granted, cost accrual				522	522	522
IFRS 9 change			193	-193	0	0
Other changes				-1	-1	-1
Shareholders' equity on 31 Dec. 2018	11 384	27 034	0	23 831	62 249	62 249
Shareholders' equity on 1 Jan. 2019	11 384	27 034	0	23 831	62 249	62 249
Profit (loss) for the period				21 035	21 035	21 035
Other comprehensive income						
Financial assets			-	-	-	-
Total comprehensive income			0	21 035	21 035	21 035
Dividend/equity repayment		-2 664		-17 887	-20 551	-20 551
Option issue with a subscription price		1 296			1 296	1 296
Subscription of shares		816			816	816
Options granted, cost accrual				271	271	271
Shareholders' equity on 31 Dec. 2019	11 384	26 482	0	27 251	65 117	65 117



## FEE AND COMMISSION INCOME, GROUP, EUR 1 000

	1-12/19	1-12/18	10-12/19	10-12/18
Asset management fees				
Management fees from traditional asset management	8 003	8 611	2 083	1 964
Real estate and private equity management fees	31 852	25 266	8 508	6 900
Other fee and commission income	281	321	137	59
Performance fees	4 379	2 690	1 845	968
Total	44 514	36 887	12 573	9 891
Corporate finance fees	5 419	7 083	2 530	4 829
Fee and commission income, total	49 933	43 971	15 102	14 720

## NET INCOME FROM FINANCIAL ASSETS, GROUP, EUR 1 000

	1-12/19	1-12/18	10-12/19	10-12/18
Private equity fund investment operations				
Profit distribution of funds	1 810	1 863	795	517
Changes in fair value and losses	-813	128	-167	-271
Total	996	1 991	629	246
Other investment operations				
Changes in fair value	181	-170	1	-154
Sales profit/loss	-45	-27	-	-
Total	135	-197	1	-154
Net income from financial assets, total	1 132	1 794	630	92



## FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES, EUR 1 000

	31 Dec. 2019		31 Dec. 2018	
	Fair value	Book value	Fair value	Book value
<b>Financial assets</b>				
<b>Investments</b>				
Private equity fund investments	16 156	16 156	16 909	16 909
Financial securities	9 956	9 956	9 869	9 869
Accounts receivable and other receivables	1 655	1 655	3 439	3 439
Liquid assets	22 375	22 375	15 848	15 848
<b>Total</b>	<b>50 142</b>	<b>50 142</b>	<b>46 064</b>	<b>46 064</b>
<b>Financial liabilities</b>				
Accounts payable and other liabilities	166	166	322	322
Lease liabilities	2 604	2 604	-	-
<b>Total</b>	<b>2 769</b>	<b>2 769</b>	<b>322</b>	<b>322</b>

The table shows the fair values and book values of financial assets and liabilities per balance sheet item. The assessment principles of fair values are presented in the accounting principles. The original book value of accounts receivable and accounts payable corresponds to their fair value, as the impact of discounting is not essential taking into account the maturity of the receivables and liabilities.

### Value of financial instruments across the three levels of the fair value hierarchy

	31 Dec. 2019		31 Dec. 2018	
	Level 1	Level 3	Level 1	Level 3
<b>Financial assets</b>				
Private equity fund investments	-	16 156	-	16 909
Financial securities	9 956	-	9 869	-
<b>Total</b>	<b>9 956</b>	<b>16 156</b>	<b>9 869</b>	<b>16 909</b>

Level 3 reconciliation: Private equity fund investments

1-12/2019	
Opening balance on 1 Jan. 2019	16 909
Calls	2 407
Returns	-2 346
Value change and loss through profit or loss	-813
Closing balance on 31 Dec. 2019	16 156

1-12/2018	
Opening balance on 1 Jan. 2018	18 792
Calls	1 976
Returns	-3 987
Value change and loss through profit or loss	128
Closing balance on 31 Dec. 2018	16 909



Level 1 comprises liquid assets the value of which is based on quotes in the liquid market. A market where the price is easily available on a regular basis is regarded as a liquid market.

The fair values of level 3 instruments are based on the value of the fund according to the management company of the fund and their use in widely used valuation models. Private equity fund investments are valued in accordance with a practice widely used in the sector, International Private Equity and Venture Capital Guidelines. During the period under review, no transfers took place between the levels of the fair value hierarchy.

## PRIVATE EQUITY FUND INVESTMENTS, EUR 1 000

Market value	31 Dec. 19	31 Dec. 18
Funds managed by eQ:		
Funds of funds:		
eQ PE XI US LP	32	0
eQ PE X North LP	199	43
eQ PE IX US LP	266	20
eQ PE VIII North LP	1 586	1 232
eQ PE VII US LP	1 786	1 486
eQ PE VI North LP	1 935	1 581
Amanda V East LP	4 387	4 194
Amanda IV West LP	982	1 902
Amanda III Eastern PE LP	2 743	3 751
European Fund Investments LP (EFI II)	0	33
Total	13 917	14 242
Funds managed by others:		
Large buyout funds	994	1 094
Midmarket funds	531	691
Venture funds	715	881
<b>Total</b>	<b>16 156</b>	<b>16 909</b>



**REMAINING INVESTMENT COMMITMENTS OF PRIVATE EQUITY FUND INVESTMENTS, EUR 1 000**

Investment commitment	31 Dec. 19	31 Dec. 18
Funds managed by eQ:		
Funds of funds:		
eQ PE XI US LP	846	0
eQ PE X North LP	761	950
eQ PE IX US LP	686	914
eQ PE VIII North LP	1 183	1 595
eQ PE VII US LP	727	1 085
eQ PE VI North LP	602	1 002
Amanda V East LP	595	682
Amanda IV West LP	427	472
Amanda III Eastern PE LP	348	448
European Fund Investments LP (EFI II)	0	35
Total	6 175	7 185
Funds managed by others:		
Large buyout funds	132	174
Midmarket funds	433	422
Venture funds	0	12
<b>Total</b>	<b>6 740</b>	<b>7 791</b>



## SEGMENT INFORMATION, EUR 1 000

1-12/19	Asset Man.	Corporate Finance	Invest- ments	Other	Elimin- ations	Group total
Fee and commission income	44 514	5 419	-	-		49 933
From other segments	200	-	-	-	-200	-
Interest income	-	-	-	4		4
Net income from financial assets	-	-	996	135		1 132
Other operating income	-	-	-	-		-
From other segments	-	-	-	77	-77	-
Operating income, total	44 714	5 419	996	217	-277	51 069
Fee and commission expenses	-420	-	-	-8		-428
To other segments	-	-	-200	-	200	-
Interest expenses	-17	-5	-	-4		-26
NET REVENUE	44 276	5 413	796	205	-77	50 614
Administrative expenses						
Personnel expenses	-15 620	-2 770	-	-1 368		-19 758
Other administrative expenses	-1 646	-367	-	-248	77	-2 185
Depreciation on tangible and intangible assets	-167	-18	-	-34		-219
Depreciation on leases	-509	-157		-82		-749
Other operating expenses	-971	-159	-	-281		-1 411
OPERATING PROFIT (LOSS)	25 363	1 941	796	-1 809	0	26 292
Income tax				-5 257		-5 257
PROFIT (LOSS) FOR THE PERIOD				-7 065		21 035

1-12/18	Asset Man.	Corporate Finance	Invest- ments	Other	Elimin- ations	Group total
Fee and commission income	36 887	7 083	-	-		43 971
From other segments	200	-	-	-	-200	-
Interest income	-	-	-	3		3
Net income from financial assets	-	-	1 991	-197		1 794
Other operating income	-	-	-	-		-
From other segments	-	-	-	77	-77	-
Operating income, total	37 087	7 083	1 991	-117	-277	45 768
Fee and commission expenses	-392	-	-	-8		-400
To other segments	-	-	-200	-	200	-
Interest expenses	-	-	-	-1		-1
NET REVENUE	36 696	7 083	1 791	-126	-77	45 367



1-12/18	Asset Man.	Corporate Finance	Invest- ments	Other	Elimin- ations	Group total
Administrative expenses						
Personnel expenses	-13 824	-3 238	-	-1 265		-18 327
Other administrative expenses	-1 730	-326	-	-255	77	-2 234
Depreciation on tangible and intangible assets	-167	-15	-	-34		-216
Other operating expenses	-1 478	-292	-	-371		-2 141
<b>OPERATING PROFIT (LOSS)</b>	<b>19 498</b>	<b>3 211</b>	<b>1 791</b>	<b>-2 051</b>	<b>0</b>	<b>22 450</b>
Income tax				-4 651		-4 651
<b>PROFIT (LOSS) FOR THE PERIOD</b>				<b>-6 701</b>		<b>17 799</b>

10-12/19	Asset Man.	Corporate Finance	Invest- ments	Other	Elimin- ations	Group total
Fee and commission income	12 573	2 530	-	-		15 102
From other segments	50	-	-	-	-50	-
Interest income	-	-	-	1		1
Net income from financial assets	-	-	629	1		630
Other operating income	-	-	-	-		-
From other segments	-	-	-	19	-19	-
<b>Operating income, total</b>	<b>12 623</b>	<b>2 530</b>	<b>629</b>	<b>21</b>	<b>-69</b>	<b>15 733</b>
Fee and commission expenses	-107	-	-	-2		-109
To other segments	-	-	-50	-	50	-
Interest expenses	-4	-1	-	-1		-6
<b>NET REVENUE</b>	<b>12 511</b>	<b>2 529</b>	<b>579</b>	<b>18</b>	<b>-19</b>	<b>15 618</b>
Administrative expenses						
Personnel expenses	-4 424	-1 129	-	-389		-5 942
Other administrative expenses	-472	-121	-	-51	19	-625
Depreciation on tangible and intangible assets	-45	-5	-	-8		-58
Depreciation on leases	-127	-39	-	-21		-187
Other operating expenses	-242	-55	-	-82		-380
<b>OPERATING PROFIT (LOSS)</b>	<b>7 200</b>	<b>1 180</b>	<b>579</b>	<b>-533</b>	<b>0</b>	<b>8 426</b>
Income tax				-1 696		-1 696
<b>PROFIT (LOSS) FOR THE PERIOD</b>				<b>-2 229</b>		<b>6 730</b>



10-12/18	Asset Man.	Corporate Finance	Investments	Other	Eliminations	Group total
Fee and commission income	9 890	4 829	-	-		14 720
From other segments	50	-	-	-	-50	-
Interest income	-	-	-	3		3
Net income from financial assets	-	-	246	-154		92
Other operating income	-	-	-	-		-
From other segments	-	-	-	19	-19	-
Operating income, total	9 940	4 829	246	-131	-69	14 815
Fee and commission expenses	-91	-	-	-2		-93
To other segments	-	-	-50	-	50	-
Interest expenses	-	-	-	0		0
NET REVENUE	9 849	4 829	196	-133	-19	14 721
Administrative expenses						
Personnel expenses	-3 688	-1 874	-	-305		-5 867
Other administrative expenses	-541	-105	-	-90	19	-717
Depreciation on tangible and intangible assets	-55	-4	-	-14		-73
Other operating expenses	-458	-81	-	-133		-672
OPERATING PROFIT (LOSS)	5 107	2 765	196	-676	0	7 392
Income tax				-1 541		-1 541
PROFIT (LOSS) FOR THE PERIOD				-2 217		5 851

The fee and commission income of the Asset Management segment from other segments comprises the management fee income from eQ Group's own investments in private equity funds. The corresponding expenses are allocated to the Investments segment. Under the item Other, income from other segments comprises the administrative services provided by Group administration to other segments and the undivided interest income and expenses. The item Other also includes the undivided personnel, administration and other expenses allocated to Group administration. The taxes not distributed to the segments are also presented under the item Other.

The highest operative decision-making body does not follow assets and liabilities at segment level, due to which the Group's assets and liabilities are not presented as divided between the segments.



## PROFIT DEVELOPMENT OF SEGMENTS PER QUARTER, EUR 1 000

	Q4/19	Q3/19	Q2/19	Q1/19	Q4/18
<b>Asset Management</b>					
Net revenue	12 511	10 947	10 566	10 253	9 849
Operating profit	7 200	6 818	6 049	5 296	5 107
<b>Corporate Finance</b>					
Net revenue	2 529	1 090	741	1 054	4 829
Operating profit	1 180	407	100	255	2 765
<b>Investments</b>					
Net revenue	579	74	-24	167	196
Operating profit	579	74	-24	167	196
<b>Other segments and eliminations</b>					
Net revenue	0	2	14	113	-153
Operating profit	-533	-384	-471	-422	-676
<b>Group total</b>					
Net revenue	15 618	12 112	11 297	11 586	14 721
Operating profit	8 426	6 916	5 655	5 296	7 392
Profit for the period	6 730	5 521	4 587	4 197	5 851





## CAPITAL ADEQUACY, EUR 1 000

	CRR 31 Dec. 2019 eQ Group	CRR 31 Dec. 2018 eQ Group
Equity	65 117	62 249
Common equity tier 1 (CET 1) before deductions	65 117	62 249
Deductions from CET 1		
Intangible assets	-29 465	-29 446
Unconfirmed profit for the period	-21 035	-17 799
Dividend proposal by the Board*	-2 715	-2 563
Common equity tier 1 (CET1)	11 901	12 441
Additional tier 1 (AT1)	0	0
Tier 1 (T1 = CET1 + AT1)	11 901	12 441
Tier 2 (T2)	0	0
Total capital (TC = T1 + T2)	11 901	12 441
Risk-weighted items total – Total risk exposure	53 499	128 956
of which credit risk	48 183	48 464
of which market risk - currency risk	5 316	4 576
of which operational risk	n/a	75 916
Common equity tier 1 (CET1) / risk weights, %	22.2%	9.6%
Tier 1 (T1) / risk weights, %	22.2%	9.6%
Total capital (TC) / risk weights, %	22.2%	9.6%
Excess of total capital compared with the minimum level (8% capital adequacy ratio)	7 621	2 125
Excess of total capital compared with the target level (10% capital adequacy ratio)	6 551	-454

\*The dividend and equity repayment proposed by the Board exceeding the profit for the period.

The calculation of eQ's total risk exposure and capital adequacy requirement have changed as a result of a change made in the company's investment firm authorisation in 2019. Additional information on the change can be found in the text section of this financial statements release.



## GROUP KEY RATIOS

31 Dec. 2019 31 Dec. 2018

Profit (loss) for the period to the equity holders of the parent company, EUR 1 000	21 035	17 799
Earnings per average share, EUR	0.55	0.47
Diluted earnings per average share, EUR	0.51	0.45
Equity per share, EUR	1.70	1.65
Equity per average share, EUR *)	1.71	1.66
Return on investment, ROI % p.a.	32.4	28.5
Return on equity, ROE % p.a.	33.0	28.5
Equity to assets ratio, %	76.2	79.6
Cost/income ratio, Group, %	48.1	50.5
Share price at the end of the period, EUR	12.45	7.60
Market value, EUR million	476.9	286.6
Personnel calculated as full-time resources at the end of the period	89	86

\*) Weighted average number of shares outstanding.

eQ applies the guidelines of the European Securities and Markets Authority, ESMA, on alternative performance measures. An alternative performance measure is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework (IFRS). eQ presents alternative measures in order to describe the financial development of its operations. The calculation principles and formulae of the key ratios are presented in the company's 2018 financial statements, which are available on the company website at [www.eQ.fi](http://www.eQ.fi). The key ratios presented by eQ can be directly calculated with the calculation formulae based on the information in the income statement, balance sheet and notes thereto.

## REMAINING COMMITMENTS

On 31 December 2019, eQ's remaining investment commitments in private equity funds totalled EUR 6.7 million (EUR 7.8 million on 31 Dec. 2018). Other commitments at the end of the period totalled EUR 0.0 million (EUR 3.3 million on 31 Dec. 2018).



## PERFORMANCE FEES OF PRIVATE EQUITY FUNDS MANAGED BY eQ

It is possible for eQ Group to obtain a performance fee based on the return of the fund (carried interest / profit distribution-share return) from the private equity funds that it manages. The performance fee, which is based on fund agreements and belongs to the management company, is not obtained until the return rate defined by the hurdle rate (IRR) has been achieved at cash flow level. Typically, the performance fee will become payable first towards the end of a fund's life cycle. If the return from the fund remains below the hurdle rate, the management company receives no performance fee. eQ Group begins to recognise a performance fee from a private equity fund belonging to it when the private equity fund has returned the entire required return to investors and the fund has begun to pay a performance fee. The fee is not recognised when the calculated hurdle rate is exceeded, as a significant revenue reversal can still be possible. When the hurdle rate has been reached, the management company will receive the coming cash flow until the entire performance fee accumulated this far has been obtained (catch up stage). After the catch up stage, the cash flows distributed by the fund will be divided between the management company and investors according to the fund agreement (e.g. 7.5% / 92.5%).

### Present funds

Fund	Size of the fund	Vintage year	Hurdle rate	Performance fee	eQ's share of performance fee	Estimate on reaching the hurdle rate (cash flow)			
						Will not be reached	2020-2021	2022-2026	After 2026
Amanda III	MEUR 110	2006	6.0%	10.0%	100%	X			
Amanda IV*	MEUR 90	2007	8.0%	7.5%	100%		X		
Amanda V	MEUR 50	2011	6.0%	10.0%	100%	X			
eQ PE VI	MEUR 100	2013	7.0%	7.5%	100%			X	
eQ PE VII	MUSD 80	2015	7.0%	7.5%	45%			X	
eQ PE VIII	MEUR 160	2016	7.0%	7.5%	100%			X	
eQ PE IX	MUSD 105	2017	7.0%	7.5%	45%			X	
eQ PE SF II	MEUR 135**	2018	10.0%	10.0%	100%			X	
eQ PE X	MEUR 175	2018	7.0%	7.5%	100%				X
eQ PE XI	MUSD 217	2019	7.0%	7.5%	45%				X

In addition to the above mentioned funds, eQ Group may receive a performance fee from the private equity fund mandates in fund form that it manages.

\*eQ estimates that the final IRR of the Amanda IV Fund will be about 10% and the return multiple about 1.5x-1.6x (net), provided that the entire present portfolio is held to the end of the period

\*\*Capital covered by performance fee MEUR 75

### Previous funds

Fund	Size of the fund	Vintage year	IRR outcome	Return multiple outcome
MaPE I	MEUR 50	2002	13.7%	1.90x



### Example of the calculation of a performance fee

Size of the fund	MEUR 100
Hurdle rate	7.0%
Performance fee	7.5%
eQ's share of the performance fee	100%
<b>Performance fee obtained by eQ, MEUR</b>	
Fund return below 7.0% (IRR)	0.00
Fund return above 7.0% (IRR) and return multiple 1.3x***	2.25
Fund return above 7.0% (IRR) and return multiple 1.4x***	3.00
Fund return above 7.0% (IRR) and return multiple 1.5x***	3.75
Fund return above 7.0% (IRR) and return multiple 1.6x***	4.50
Fund return above 7.0% (IRR) and return multiple 1.7x***	5.25

\*\*\*Return before the performance fee