

EQ



ANNUAL REPORT 2014









# CONTENT

<b>eQ IN BRIEF</b> .....	<b>7</b>
<b>CEO'S REVIEW</b> .....	<b>9</b>
<b>BUSINESS AREAS</b> .....	<b>12</b>
Asset Management .....	12
Corporate Finance .....	15
Investments .....	16
<b>FINANCIAL STATEMENTS 2014</b> .....	<b>20</b>
Report by the Board of Directors .....	20
Key Ratios, Consolidated .....	28
Calculation of Key Ratios .....	31
Income Statement, Consolidated .....	32
Balance Sheet, Consolidated .....	33
Consolidated Cash Flow Statement .....	34
Change in Consolidated Shareholders' Equity .....	35
Notes to the Consolidated Financial Statements .....	36
Principles for preparing the Consolidated Financial Statements .....	36
Notes to the Consolidated Income Statement .....	49
Notes to the Consolidated Balance Sheet .....	52
Income Statement, Parent Company (FAS) .....	64
Balance Sheet, Parent Company (FAS) .....	65
Cash Flow Statement, Parent Company (FAS) .....	66
Notes to the Parent Company Financial Statements .....	67
Principles for preparing the Financial Statements .....	67
Notes to the Income Statement of the Parent Company (FAS) .....	68
Notes to the Balance Sheet of the Parent Company (FAS) .....	70
Other Notes of the Parent Company .....	73
Shares and Shareholders .....	76
Board of Directors' Proposal for the Distribution of Profits .....	79
<b>AUDITOR'S REPORT</b> .....	<b>81</b>
<b>CORPORATE GOVERNANCE</b> .....	<b>83</b>
Corporate Governance Statement 2014 .....	83
Board of Directors .....	88
Management Team .....	90
CEO .....	91
<b>FINANCIAL REPORTS IN 2015</b> .....	<b>93</b>
<b>INVESTMENTS</b> .....	<b>94</b>

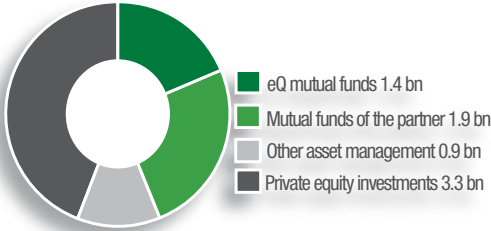
” eQ offers versatile asset management services as well as advisory services related to mergers and acquisitions and real estate transactions



# eQ IN BRIEF

eQ Group is a Finnish group of companies that concentrates on asset management and corporate finance operations. The share of the parent company eQ Plc is listed on NASDAQ Helsinki. The Group offers its clients services related to mutual and private equity funds, discretionary asset management, structured investment products, investment insurance policies, and a large range of mutual funds offered by international partners. The asset management clients are institutional investors and private individuals. At the end of 2014, the assets managed by the Group totalled EUR 7.5 billion. In the past few years, eQ has become one of the largest asset managers in Finland. eQ has 26 mutual funds registered in Finland, and they contain about EUR 1.4 billion of client assets. The client assets in funds managed by international partners total about EUR 1.9 billion and in private equity investments about EUR 3.3 billion. In addition, Advium Corporate Finance Ltd, which is part of the Group, offers services related to mergers and acquisitions, real estate transactions and equity capital markets. The Group employs about 80 experts in the finance sector.

eQ's assets under management







# CEO'S REVIEW

eQ has doubled the fee and commission income of its client operations since 2010 to almost EUR 24 million in 2014. During the same period, the Group's result has grown more than seven-fold to EUR 7.1 million last year.

## Excellent result in 2014

eQ's result in 2014 was excellent. Our net revenue increased by 30 per cent to EUR 24.4 million and our operating profit to EUR 9.0 million. The Group's profit for the financial period doubled to EUR 7.1 million, i.e. 20 cents per share. I am especially pleased with the fact that the operating profit of client operations increased almost threefold and totalled EUR 10.0 million, while the operating profit of the Asset Management segment was EUR 7.1 million and that of Corporate Finance EUR 2.9 million. The operating profit of the Investments segment was EUR 0.5 million and its net cash flow EUR 8.0 million.

## eQ has grown and developed considerably in the past four years

Last year, we were successful in many different areas, which is the result of several years of goal-oriented work. The business operations of the present eQ changed markedly four years ago, when Amanda Capital acquired eQ Asset Management Ltd and Advium Corporate Finance Ltd through exchange of shares. Now is a good time to see what we have achieved during these four years. At that point, the Board gave eQ's executive management four main tasks: 1) to make eQ a Group engaged in client operations instead of an investment company 2) to make eQ one of the major asset managers in Finland 3) to improve the Group's profitability 4) to carry out said measures by increasing shareholder value. We have succeeded in all these respects.

### From an investment company to client operations

The fee and commission income of client operations has doubled since 2010 (pro forma) to almost EUR 24 million last year. A significant part of this growth is organic growth and the result of excellent sales work. At the same time, the size of the company's own investments has been reduced by more than one fourth. According to eQ's current strategy, the company only makes new private equity investments in funds that the Group manages, which means that we assess that the investments will bring a positive cash flow in the

next few years. Due to this and the improved profitability, the Board updated the company's dividend policy this year. The aim of the new policy is to distribute as dividend the entire profit for the financial year and as return of capital the capital returns from private equity investments deducted with capital calls.

### eQ Asset Management has become one of the leading asset managers in Finland

eQ has become one of the leading asset managers in Finland. The assets managed by eQ totalled EUR 7.5 billion at the year-end, which makes us the largest asset manager in Finland independent of bank groups. Our product offering is very large and we were successful across the board last year. In private equity asset management we raised EUR 130 million to the eQ Private Equity VI North investment programme. In addition, four major investors outsourced the management of their private equity investments to eQ. Our real estate asset management raised EUR 90 million of new capital last year. At the year-end, the assets of the eQ Care Fund exceeded EUR 150 million, and we launched a fund called eQ Finnish Real Estate. Investors have already diversified their equity investments rather well, but within private equity and real estate investments diversification has not advanced as far. Even in these asset classes, it is sensible to diversify investments and thereby improve the risk-return ratio. We strongly believe that both private equity and real estate asset management will grow in Finland. eQ also succeeded excellently in traditional asset management. Our clearly largest fund is the eQ Emerging Dividend Fund, which gathered net subscriptions of EUR 137 million during the year.

### Profitability has improved markedly

The Group's profitability has improved markedly during the past four years. Our profit has become more than seven-fold in four years, and last year it totalled EUR 7.1 million. The increase comes almost entirely from the increase in the client operations' profit.

## Better shareholder value

The development of shareholder value cannot be directly controlled by the executive management, but we are very pleased with the fact that the annual return of the company share from December 2010 to this date has been 43% p.a.

## Major dividend and return of capital to shareholders

eQ's balance sheet continues to be very strong. The market value of eQ's own private equity fund investments totalled EUR 27.3 million and liquid assets amounted to EUR 21.3 million at the close of the year. The Board propose a dividend of 20 cents and an extra capital return of 30 cents per share to the shareholders.

## More active investor communications

We wish to communicate more actively with our investors. In future, we aim to arrange investor meetings in connection with result publications. We have decided to open up the net sales of the Asset Management segment in greater detail so that investors can get a better idea of how our fee and commission income is built up. In addition, we publish more detailed information about the company's own private equity investments.

## Thanks to clients and personnel

Last year was excellent for eQ, and my sincere thanks go to all our clients, who have trusted in our services and products. Special thanks go to the entire personnel for the simply excellent work in 2014. Last year's result was achieved with the hard work and uncompromising attitude of our employees. I would also like to thank Ole Johansson, Chairman of the Board, who leaves the company, for the support, valuable advice and good co-operation.

## About the year 2015

Last year's result gives us an excellent starting point for the current year. We expect that the Asset Management segment will consolidate its market position, increase its net revenue and improve its result. Corporate Finance made an excellent result last year. As its result depends on individual success fees, it is challenging to predict the segment's result. At the moment, the number of assignments is at the same level as last year. Based on this outlook, we believe that the total income and operating profit of the client operations will grow from last year. As for Investments, we believe that the cash flow will be positive. I am convinced that eQ has chosen the right strategic path and that we have highly professional and committed employees for its execution.

Helsinki, 27 February 2015

Janne Larma  
CEO



” The operating profit of eQ’s client operations increased almost threefold and the client assets managed by the Asset Management segment rose to EUR 7.5 billion



# BUSINESS AREAS

eQ's business areas are Asset Management, Corporate Finance and Investments

## ASSET MANAGEMENT

The Asset Management segment consists of eQ Plc's subsidiary, the investment firm eQ Asset Management Ltd and its subsidiaries, the most important of which is eQ Fund Management Company Ltd. The aim of eQ Asset Management is to offer its clients good investment returns, innovative investment solutions and excellent customer service. Through our own organisation and our international partners we can offer our clients an extensive and international range of investment solutions.

eQ Asset Management succeeded excellently in several areas in 2014. The client assets managed by eQ increased to EUR 7.5 billion by the year-end. Measured with assets under management, eQ is the largest institutional asset manager in Finland that is independent of bank groups. Our market position in private equity asset management was further consolidated last year. We raised EUR 130 million to the eQ Private Equity VI North investment programme. In addition, four important investors, i.e. the Central Church Fund of Finland, Finnish Cultural Foundation, Jenny and Antti Wihuri Foundation and Emil Aaltonen Foundation, outsourced the management of both their existing and future private equity investments to eQ.

eQ managed to raise EUR 90 million of new capital to real estate investments in 2014. At the year-end, the assets of the eQ Care Fund exceeded EUR 150 million. At the end of the year, we also launched a fund called eQ Finnish Real Estate with an initial capital of EUR 15 million. We strongly believe that both private equity and real estate asset management will grow in Finland during the next few years. eQ did also well in fixed-income and equity investments as well as in allocation asset management. Our clearly largest fund is the eQ Emerging Dividend Fund, which gathered net subscriptions of EUR 137 million during the year. We also succeeded well in performance comparisons. 60 per cent of our funds surpassed their benchmark indices in 2014. The portfolios of our allocation asset management also gave excellent returns, 10 to 15 per cent depending on the share weight.

Asset Management	1-12/2014	1-12/2013	Change
Net revenue, EUR million	17.6	13.6	29%
Operating profit, EUR million	7.1	3.1	126%
Assets under management, EUR billion	7.5	6.7	12%
Personnel	60	59	2%

Fee and commission income, Asset Management, EUR million	1-12/2014	1-12/2013	Change
Management fees from traditional asset management	8.7	7.5	16%
Real estate and private equity fees	6.4	4.8	33%
Other fee and commission income	0.8	1.3	-39%
Performance fees	1.2	0.2	403%
Total	17.1	13.9	23%

## eQ's private equity investment team had an excellent year in 2014



Private equity investors received excellent returns in 2014. The good exit market, which began in 2012, improved further driven by improved company results, the better market outlook, and a well-functioning debt financing market. As a result, the price views of the buyers and sellers came closer to each other and the number of finalised transactions was the largest since 2008. The listing market remained good the whole year, and several private equity investors used this opportunity and listed target companies, thereby offering their investors good returns and a strong cash flow. The share price development of

companies listed by private equity investors has almost without an exception been better after listing than that of their peers.

Good liquidity and the growing share of private equity investments in institutional investors' portfolios strengthened the fundraising market, and many fund managers came to the market to raise new capital, thereby securing their investment capacity for several years to come. At the same time, many investors have wanted to restrict the number of their fund managers and concentrate on supporting the teams that they deem to be the best. This has led to so-called manager polarisation, which means that the managers with the best historical performance have managed to raise new capital to their funds rapidly and according to their targets, while managers with poorer historical returns must use a lot of time for fundraising.

eQ's private equity team had a successful year, and clients made new commitments to our funds and investment programmes totalling EUR 250 million. We raised EUR 100 million to our latest fund (eQ PE VI North) in just nine months' time. Together with the parallel EUR 30 million mandate, the investment programme was the largest fund of funds raised by a Finnish asset manager in 2014. In fund investments, the return dispersion between the best managers and average managers is

large, which accentuates the importance of the choice of manager. At the year-end, more than 40 per cent of the capital of the VI Fund has been invested, and the new target funds of the portfolio were rapidly raised among investors who had previously invested in the same manager's funds. eQ's investment experience of almost 20 years and long manager relationships give investors access to the best international funds. A fund of funds managed by eQ is an efficient and well-diversified alternative for this. This is especially important to investors who invest in this asset class for the first time.

In the autumn of 2014, eQ agreed with three major foundations on a multiannual investment mandate with the final size of EUR 120 million. In addition, said foundations chose eQ as their partner for the management of their existing private equity and other alternative investments. Towards the end of the year, eQ and the Central Church Fund of Finland agreed that eQ would also take over the management of the Fund's current private equity and real estate investments. At the close of the year, the private equity assets under eQ's management and covered by the reporting service totalled EUR 3.3 billion.

Staffan Jäfs  
Director, Private Equity





” Advium acted as advisor in 14 finalised transactions and was once more elected the best investment bank in Finland operating in the real estate sector



## CORPORATE FINANCE

eQ's corporate finance services are offered by eQ Plc's subsidiary Advium Corporate Finance Ltd. The services cover mergers and acquisitions, large real estate transactions, equity capital markets and advisory services in general. The clients are mainly Finnish companies that make corporate or real estate transactions in Finland and abroad, but also international companies engaged in corporate and real estate transactions in Finland.

Advium is one of the most experienced and highly esteemed advisors in Finland. The company has carried out more than 130 corporate and real estate transactions during the past thirteen years, and in many of them, at least one of the parties has been an international actor.

Advium had an excellent year in 2014. Advium acted as advisor in 14 finalised transactions and almost tripled its net sales. Advium acted as advisor, e.g. as Ledil, which manufactures LED lighting components, was sold to Ratos AB, when the State of Finland sold Destia to Ahlström Capital, and when the State of Finland and

Meyer became new owners of the STX Finland dockyard in Turku. In real estate business, Advium acted as advisor for the seller when Sanoma Plc sold the Sanomatalo and Sanomala properties and when Taaleritehdas sold its residential portfolio to Tapiola. Advium maintained its market leading position in large real estate transactions and consolidated its position in mergers and acquisitions.

It is typical of the corporate finance business that clients pay a success fee when the transaction has been carried out. Consequently, the transaction dates of the deals have a major impact on invoicing.

Corporate Finance	1-12/2014	1-12/2013	Change
Net revenue, EUR million	6.3	2.2	193%
Operating profit, EUR million	2.9	0.4	655%
Personnel	14	13	8%

### Ledil – a Finnish success story

Advium acted as financial adviser to the owners of Ledil, when the company was sold for close to EUR 100 million to the Swedish private equity conglomerate Ratos in 2014. Ledil, a privately owned company based in Salo, is the global leader in secondary optics, a critical component for LED lighting.

Ledil has grown rapidly since it was founded in 2002 with net sales of EUR 24 million and an EBIT of EUR 7 million in 2014. To support a continued expansion, the owners engaged Advium to explore strategic options to accelerate growth.

When Advium started to work with owners and we got to know the company, it became evident that Ledil is a much larger player than its current size implies. However, in order to capture the underlying value potential these features needed to be conveyed through an impactful approach.

Our process thus focused on a very interactive dialogue with a select but fairly large number of potential buyers. Even before distributing the Information Memoranda we arranged more than 10 meetings with par-

ties considered potential acquirers to enable the management to open up the potential of secondary optics, and allow the acquirer candidate and management to assess each other as future partners.

This structure, a competitive auction based on an open dialogue from the start, facilitated a more insightful review of the Information Memorandum by the acquirers. Simultaneously, the sellers obtained a sense for the party standing behind the bid submitted.

In the end, we received a substantial number of bids with Ratos coming out as the eventual acquirer paying close to 14 times the EBIT. In addition to value, the selection was also substantially impacted by the good rapport built up with the Ratos team as well as the industry view they formulated during the process.

Rami Huovinen, the CEO and co-owner of Ledil, commented: "Working with Advium proved to be easy and result-oriented. Advium found Ratos for us, which still 5 weeks after closing seems like a perfect partner for growth. Advium convinced us by not only understanding the core of our business in

amazing accuracy, with what to us seemed like very little effort, but also by their personal engagement, dynamic style and flexibility in action."

Stefan Palmgren  
Director



## 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 year, the net revenue of the Investments segment totalled EUR 0.5 million. At the end of the period, the fair value of the private equity fund investments was EUR 27.3 million.

As for private equity investments, the amount of the remaining investment commitments was EUR 10.9 million. eQ Plc increased its own investment commitment in the eQ PE VI North private equity fund from EUR 3.0 million to EUR 5.0 million on 30 June, in connection with the final close of the fund. The eQ PE VI North makes investments in small and mid-sized companies in Northern Europe through private equity funds. Commitment are made in new funds to be established, and the company also buys investment commitments from the secondary market.

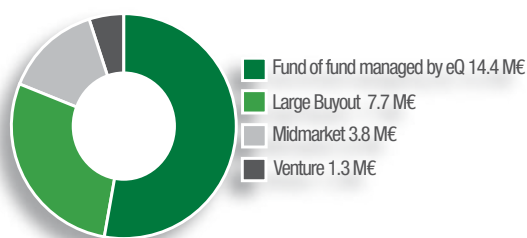
During the financial period 2014, the investment objects returned capital for EUR 8.2 million and distributed a profit of EUR 2.0 million. Capital calls totalled EUR 2.3 million. The net cash flow from the investments during the period was consequently EUR 8.0 million.

Investments	1-12/2014	1-12/2013	Change
Operating profit, EUR million	0,5	3,0	-82%
Fair value of investments, EUR million	27,3	30,6	-11%
Investment commitments, EUR million	10,9	11,2	-2%

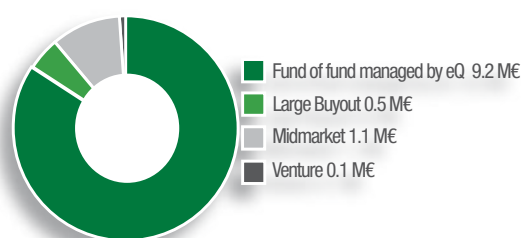
The aggregate return of private equity investments since the beginning of investment operations has been 21.2% p.a. (IRR). As for the income from own investment operations, eQ's Group's net revenue is recognised for eQ due to factors independent of the company. Due to this, the segment's operating profit may vary considerably. eQ has made a decision that it will only make new investments in funds managed by eQ in future. eQ's investment objects have been presented on page 94 of the Annual Report.

The enclosed charters present the distribution of the market value of the investments and investment commitments on 31 December 2014 based on fund type.

Distribution of own investments based on market value and fund type



Distribution of own investments based on unpaid investment commitment and fund type





## Interest in real estate investments increased markedly in 2014



The strategic goal of eQ Asset Management is to expand its real estate asset management operations, and in the summer of 2014, eQ Asset Management's real estate team was strengthened considerably. In the second half of the year, the team system-

atically made new real estate acquisitions to the eQ Care Fund, and a second real estate fund was established at the end of the year. Now eQ can offer its clients two diversified and interesting real estate funds, eQ Care and eQ Finnish Real Estate.

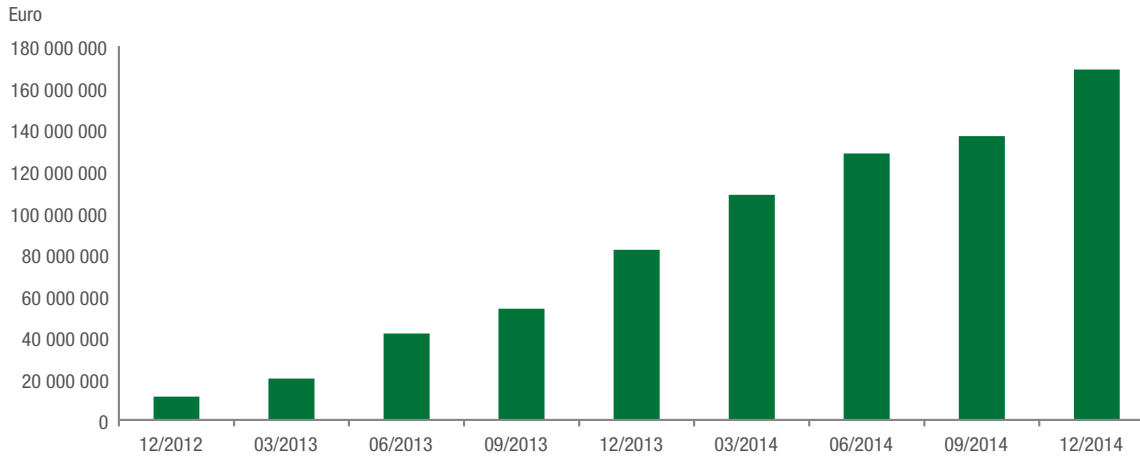
Altogether 28 properties were bought to the eQ Care Fund in 2014. eQ Finnish Real Estate was launched towards the end of the year, and the first properties were acquired simultaneously. At the end of 2014, the assets of the real estate funds totalled about EUR 170 million, which means an investment capacity of almost EUR 340 million. The assets grew markedly in 2014, by almost EUR 90 million. The growth was based on our clients' interest in real estate investments, competitive returns, and eQ's interesting fund range. eQ's real estate funds are alternative investment funds (AIF) to which subscriptions can be made four times a year and redemptions twice a year.

The approach to owning properties has clearly become more professional. The management of tenant clients and client relationships, real estate management and financing, for instance, require expertise, resources and time. Long-term real estate asset management is based on business knowledge and in-depth understanding of the market.

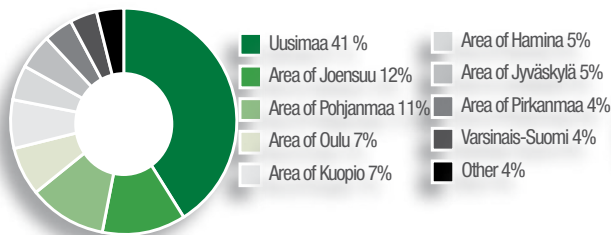
In 2014, a large amount of new capital was allocated to properties worldwide. Real estate transaction volumes were good in Finland, and the year was clearly among the most active in the 21st century, as the transaction volume exceeded four billion euros. The activity of the market creates opportunities, and no major changes are expected in situation in 2015. At the moment, real estate is an extremely attractive asset type due to its competitive, stable and inflation-protected long-term return.

Tero Estovirta  
Director, Real Estate Investments

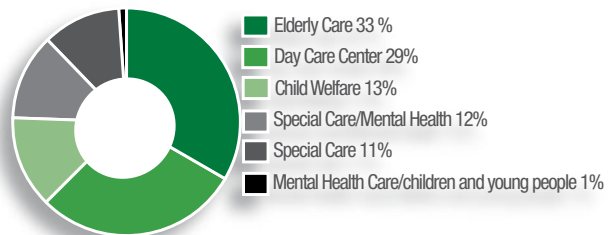
### Development of the assets in real estate funds



### Regional distribution of eQ Care Fund



### Use distribution of eQ Care Fund







# FINANCIAL STATEMENTS 2014

## REPORT BY THE BOARD OF DIRECTORS

### Operating environment

The growth of the global economy is estimated to have exceeded 3 per cent in 2014. As in previous years, the growth was extremely unevenly distributed between geographic areas. Growth was the strongest in China and the rest of Asia, in China more than 7 per cent. The growth of the US economy was estimated as 2.5 per cent. In Europe, the growth was below one per cent, and the differences between countries were big. According to current information, growth in Finland remained round zero, which means that Finland was one of the economies in Europe with the weakest growth. Even in Japan, growth remained clearly slower than expected.

In 2014, growth in above all Europe was influenced by international uncertainties and particularly the deepening of the conflict in Ukraine, to which both parties reacted with economic sanctions. After summer, growth in Germany slowed down as well, mostly due to the situation in Russia. Global uncertainty also grew due to measures taken by ISIL and the unrest in Gaza and Iraq.

Against expectations, the US Federal Reserve did not alter its policy rates in 2014 and started to reduce so-called liquidity operations. The European Central Bank continued to cut rates and created market expectations for the launch a large liquidity operation of its own. The first measures were already visible towards the end of 2014. As a result of the ECB's measures and promises, the value of the euro started to fall clearly towards the end of the year, as compared with the dollar. Japan also expanded its liquidity operations with the same aim as the ECB: creating inflation and growth. The price of oil fell considerably in late 2014, to almost 40 dollars per barrel. The reason for this was the oversupply of oil and international power politics. The price fall improved growth expectations in Western countries and most of Asia, but at the same time, it increased uncertainty coupled with the strengthening of the dollar.

### Equity market

The equity market year varied from reasonable to very good depending on the region and currency. The best return were obtained from the US. Calculated in euros, the S&P 500 Index rose by 28.7 per cent. The returns was largely due to the strengthening of the dollar. In the US, company net sales and results continued to grow. MSCI Europe gave a 6.6 per cent return, i.e. slightly more than the average dividend yield. In Finland, the stock market rose by 10.6 per cent. In Europe, company net sales continued to fall, but result growth was achieved with

cost cuts. In emerging stock markets, the return varied strongly by area - the Russian stock exchange fell by almost 35 per cent, while the Indian stock exchange rose by almost 40 per cent. At index level, the emerging equity market rose by 11.4 per cent. Calculated in euros, the Japanese stock exchange rose by 9.3 per cent. Towards the end of the year, China announced that it would open trade between series A and H shares, which increased the shares prices clearly towards the end of the year.

Share price development according to region was fairly consistent up to summer. During the summer and early autumn, money flows were strongly directed to the US equity market, which posted the strongest economic growth, increase in net sales and a potential for a stronger currency.

The strongest correction of the year was seen in October. As usual, a correction is the result of several factors. The uncertainty related to the situation in Russia and Ukraine, the concern for economic growth and the repatriation of profits towards the end of the year led to a plunge of 8 to 15 per cent depending on the market, but the recovery was rather quick.

### Bond market

In 2014, the return of the bond market was very good for euro investors and better than expected across the board. The best return was obtained from euro-denominated government bonds, which gave a return of 13.2 per cent during the entire year. For example the German five-year yield fell to zero and was even negative towards the end of the year. The interest rate spreads peripheral countries in relation to Germany also narrowed. The yield of Investment Grade bonds was also good, 8.3 per cent, and that of high yield bonds 5.3 per cent. Emerging market bonds were suppressed by the crisis in Russia, the rapid strengthening of the dollar and the strong fall in oil prices, and at index level the return remained at 3.4 per cent. The return of local currency bonds was, however, almost level of euro government bonds due to the strengthening of currencies. As the ECB's policy rate is round zero and continued to fall in 2014, investments in short-term interest rates gave practically no return in 2014.

Interest rate movements varied by region. In Europe, which experienced weak growth, interest rates fell extremely strongly, and for example in Germany, the 10-year rate fell from 1.9 to 0.5 per cent in 2014. In the US, the fall was slighter, reflecting both stronger growth and the market expectations on interest rate increases.

Emerging markets saw interest rate increases in order to protect currencies at the beginning of 2014, but towards the end of the year, countries allowed the interest rates to fall. Russia made an exception to this, as it had to protect the value of its currency with several interest rate increases during the year.

## Major events

The business operations of the Group's subsidiary Finnreit Fund Management Company Ltd were transferred to another subsidiary, eQ Fund Management Company Ltd at the beginning of the year. Finnreit Fund Management Company Ltd was merged with eQ Fund Management Company Ltd at the end of October 2014.

The Annual General Meeting of eQ Plc was held on 27 March 2014.

During the second quarter of 2014, eQ Plc purchased and annulled a total of 85 000 own shares.

The eQ PE VI North investment programme, established and managed by eQ, grew to EUR 130.0 million by 30 June 2014, when the eQ PE VI North Fund had its final close. eQ Plc's own investment commitment in the eQ PE VI North Fund is EUR 5.0 million.

The Financial Supervision Authority granted eQ Fund Management Company Ltd the license to act as alternative investment fund manager (AIFM) on 8 July 2014.

eQ Plc's number of shares increased on 31 December 2014 with 370 000 shares due to the share issue of shares subscribed for with options.

## Group net sales and result development

During the financial period, the Group's net revenue totalled EUR 24.4 million (EUR 18.8 million from 1 Jan. to 31 Dec. 2013). The Group's net fee and commission income increased to EUR 22.9 million (EUR 15.4 million). On the other hand, the income from own investment operations fell from the comparison period. The Group's net investment income was EUR 0.8 million (EUR 3.4 million), including a write-down of EUR 1.2 million (EUR 1.1 million) with a result impact.

The other income of the Group and the Asset Management segment included EUR 0.7 million of non-recurring

items related to the adjustment of the additional purchase price of a corporate acquisition made in 2013.

The Group's expenses and depreciation totalled EUR 15.4 million (EUR 13.8 million). Personnel expenses were EUR 10.7 million (EUR 8.1 million), other administrative expenses totalled EUR 1.9 million (EUR 2.3 million), and the other operating expenses were EUR 1.9 million (EUR 2.1 million). The personnel expenses increased from the year before due to result bonuses. The other operating expenses include EUR 0.1 million of non-recurring expenses. Depreciation was EUR 0.8 million (EUR 1.4 million). Depreciation includes EUR 0.5 million (EUR 1.1 million) in depreciation of customer agreements allocated to intangible assets in connection with corporate acquisitions.

The Group's operating profit was EUR 9.0 million (EUR 4.9 million). The profit for the financial period was EUR 7.1 million (EUR 3.4 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 its subsidiaries, the most important of which is eQ Fund Management Company Ltd.

### Mutual funds and asset management

At the end of December, eQ had 26 mutual funds registered in Finland. In 2014, eQ's fixed-income funds have given very good returns and they continue to be among the best funds in the market. In the fourth quarter, the returns of high-yield bonds fluctuated strongly but remained slightly positive. Above all government bonds continued to offer an excellent return. The returns of equity funds were also very good in 2014. In the fourth quarter, the best returns came from equities in the US as the dollar grew stronger, while the stock exchanges in Europe stood still. The eQ Emerging Asia, eQ Europe Property and eQ USA Index funds gave a return exceeding 30 per cent in 2014. Only the value of the fund that makes investments in Russia fell in 2014, but even its relative performance compared with competitors was excellent. As compared with their benchmark indices, all fixed-income funds gave excellent relative returns, and among the equity funds, eQ Emerging Asia, eQ Europe

” The eQ Emerging Dividend Fund grew from EUR 160 million to EUR 310 million



Property and eQ Russia gave the best returns. The returns of the discretionary asset management portfolios that eQ manages were also excellent, varying between 10 and 15 per cent in 2014.

Sales developed in an excellent manner in 2014. The net sales of our funds registered in Finland were about EUR 192 million. The eQ Emerging Dividend Fund grew from about EUR 160 million at the beginning of the year to about EUR 310 million. During the past three years, the fund has been one of the best funds worldwide making investments in global emerging markets. The eQ EM Corporate Bond HC and eQ LCR Income funds also grew considerably.

#### Private Equity

In the last quarter, eQ signed an agreement with Jenny and Antti Wihuri Foundation and Emil Aaltonen Foundation. This agreement expands the multiannual agreement that has previously been concluded with the Finnish Cultural Foundation. With this agreement, the foundations outsource the management of their private equity and other alternative investments to eQ Asset Management. The outsourcing covers both existing and future investments. The size of the investment programme that will be carried out for the new investments is EUR 120 million. In addition, the Central Church Fund of Finland outsourced the management of all of its existing private equity and real estate fund investments to eQ Asset Management in the last quarter.

The final close of the eQ PE VI North Fund took place on 30 June 2014 at EUR 100 million. Altogether 35 investors joined the fund, 23 of which were new investors in eQ's private equity funds. The overall investment capacity of the parallel investment programme and the fund is EUR 130 million, which exceeds the target of EUR 100 million markedly. The investment operations of the fund started well thanks to the secondary market transactions made in it, and they have continued according to plans.

In 2014, the assets managed under private equity operations grew by more than EUR 600 million and totalled about EUR 3 300 million at the close of the year.

#### Real estate investments

eQ's new real estate management organisation went into operation in the autumn. Tero Estovirta, Robert Landtman and Samuel Granvik consolidated the organisation and enabled the development of new property investment products. At the end of the year, a new fund, eQ Finnish Real Estate, was launched. Its investment capacity is already EUR 30 million.

The eQ Care Fund grew during the year. At the end of the year, the size of the eQ Care Fund was already EUR 154 million, and its investment capacity exceeds EUR 308 million. In 2014, the return of the fund was 6.4 per cent, and it already has more than 1 200 unit holders.

eQ's real estate funds accept subscriptions four times a year and redemptions twice a year.

#### Assets under management and clients

At the end of the year, the assets managed by eQ Asset Management totalled EUR 7 483 million, an increase by 12 per cent since the beginning of the year (EUR 6 700 million on 31 Dec. 2013). At the end of the financial period, the assets managed by mutual funds registered in Finland totalled EUR 1 423 million (EUR 1 151 million on 31 Dec. 2013). Mutual funds managed by international partners and other assets covered by asset management operations totalled EUR 2 747 million (EUR 2 846 million). The assets managed under private equity funds and asset management totalled EUR 3 312 million (EUR 2 704 million). EUR 2 164 million (EUR 1 414 million) of these assets were covered by the reporting service.

The position of eQ Asset Management in the market for institutional investments improved in the so-called SFR study, which covers approximately the 100 largest institutional investors in Finland. According to the study, about 40 per cent of them use eQ's services, and based on market share information in euros, eQ is Finland's fifth largest asset manager for institutional investors.

#### Result of the Asset Management segment

The net revenue of the Asset Management segment grew by almost 30 per cent in 2014 and the operating profit more than doubled to EUR 7.1 million. In the last quarter, net revenue growth was 24 per cent and the growth of the operating profit 111 per cent. Particularly the management fees and performance fees from real estate and private equity asset management grew strongly in 2014.

The Asset Management segment had 60 employees at the end of the year.

Asset Management	1-12/2014	1-12/2013	Change
Net revenue, EUR million	17.6	13.6	29%
Operating profit, EUR million	7.1	3.1	126%
Assets under management, EUR billion	7.5	6.7	12%
Personnel	60	59	2%

The result of Finnreit Fund Management Company Ltd has been consolidated with the income statement of eQ Group and the Asset Management segment from 1 October 2013.

#### Corporate Finance

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

The number of mergers and acquisitions and real estate transactions grew considerably from the previous year in Finland. The value of M&A's (excl. the Nokia Microsoft deal) in euros in Finland grew by more than 60 per cent and that of real estate transactions by more than 50 per cent from 2013. Advium managed to increase its net sales and the number of transactions more than the mar-

ket. During the financial period, Advium acted as advisor in 14 finalised transactions, as compared with seven transactions in 2013.

In mergers and acquisitions, Advium acted as advisor, e.g. as Ledil, which manufactures LED lighting components, was sold to Ratos AB, when the State of Finland sold Destia to Ahlström Capital, and when the State of Finland and Meyer became new owners of the STX Finland dockyard in Turku as they bought the share capital of STX Finland Ltd of STX Europe. In the real estate segment, Advium acted as advisor as Sanoma Plc sold its Sanomatalo property in the centre of Helsinki and its production and office facilities in Vantaa. Advium also acted as advisor, e.g. when a fund managed by Exilion sold the Microsoft House 3 office property in Keileniemi to a fund managed by AXA Real Estate, when the NV Property Fund I Ky managed by NV Kiinteistösijoitus Oy agreed on the sale of three car dealers' premises to the Swedish listed company AB Sagax and when Taaleritehdas sold the residential funds Taaleritehtaan Asuntorahastot I Ky and II Ky, both managed by Taaleritehtaan Pääomarahastot Oy, to LähiTapiola Group's non-life insurance and life insurance companies.

In 2014, Advium Corporate Finance was once again chosen the best Finnish investment bank in the real estate sector in an enquiry by the distinguished Euromoney magazine. Advium has been awarded the title of best transaction advisor or real estate investment bank in Euromoney's annual enquiry eight times since 2005.

### Result of the Corporate Finance segment

In 2014, Advium's net revenue was EUR 6.3 million, compared with EUR 2.2 million in 2013. The operating profit also grew considerably to EUR 2.9 million from previous year's EUR 0.4 million. The number of personnel in the Corporate Finance segment was 14 at the end of December.

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	1-12/2014	1-12/2013	Change
Net revenue, EUR million	6.3	2.2	193%
Operating profit, EUR million	2.9	0.4	655%
Personnel	14	13	8%

### Investments

The business operations of the Investments segment consist of private equity fund investments made from eQ Group's own balance sheet. Additional information on the investments of the Group can be found on the company website at [www.eQ.fi](http://www.eQ.fi).

During the financial period, the net revenue of the Investments segment totalled EUR 0.5 million (EUR 3.0 million from 1 Jan. to 31 Dec. 2013). At the end of the period,

the fair value of the private equity fund investments was EUR 27.3 million (EUR 30.6 million on 31 December 2013) and the amount of the remaining investment commitments was EUR 10.9 million (EUR 11.2 million). eQ Plc increased its own investment commitment in the eQ PE VI North private equity fund from EUR 3.0 million to EUR 5.0 million on 30 June, in connection with the final close of the fund.

During the period, the investment objects returned capital for EUR 8.2 million (EUR 8.9 million from 1 Jan. to 31 Dec. 2013) and distributed a profit of EUR 2.0 million (EUR 4.5 million). Capital calls totalled EUR 2.3 million (EUR 3.0 million). The net cash flow from the investments during the period was consequently EUR 8.0 million (EUR 10.4 million).

The write-downs with result impact during the financial period totalled EUR 1.2 million (EUR 1.1 million from 1 Jan. to 31 Dec. 2013). The Group's internal management fee expenses, which are included in the result of the Investments segment, totalled EUR 0.3 million (EUR 0.4 million).

The value change of investments in the fair value reserve before taxes was EUR 3.8 million (EUR -1.2 million). The unrealised value changes of investments in the fair value reserve after taxes were EUR 0.5 million (EUR -2.6 million on 31 Dec. 2013) at the end of the period. The return of eQ's own investment operations since the beginning of operations has been 21.2 per cent p.a. (IRR).

The largest exits and cash flows in 2014 were:

- The EQT IV Fund returned capital from the sale of Sanitec's shares. The company was listed in the autumn of 2013. The cash flow generated for eQ was EUR 0.6 million.
- The Gresham IV Fund made an exit from a company called ICR Integrity. The company was sold to another private equity investor Graphite Capital. The company is a service provider for the international energy sector. The cash flow generated for eQ from the exit was EUR 0.9 million
- The Gresham IV Fund made an exit from a company called Hotter Shoes. The company was sold to another private equity investor Electra Partners. The company designs, manufactures and sells design shoes in the UK. The cash flow generated for eQ was EUR 0.6 million.
- The Gresham IV Fund made an exit from three portfolio management companies, Invetis, James Grant and MWUK. The cash flow generated for eQ was EUR 0.7 million.
- The PAI Europe IV Fund made an exit from United Biscuits, which is based in Western Europe and manufactures biscuits and snacks. The company was sold to the Turkish industrial company Yildiz Holding, and the cash flow generated for eQ was EUR 1.3 million.
- The Amanda III East fund of funds returned assets of EUR 0.8 million due to several liquidity transactions and exits in the portfolio.



- The Amanda IV West fund of funds returned assets of EUR 0.7 million due to several liquidity transactions and exits in the portfolio.

The income of eQ's own investment operations is recognised due to factors independent of the company. Due to this, the segment's net revenue and result may vary considerably. eQ has made a decision that it will only make new investments in funds managed by eQ in future.

Investments	1-12/2014	1-12/2013	Change
Net revenue, EUR million	0.5	3.0	-82%
Operating profit, EUR million	0.5	3.0	-82%
Fair value of investments, EUR million	27.3	30.6	-11%
Investment commitments, EUR million	10.9	11.2	-2%

## Balance sheet, financial position and solvency

At the end of the period, the consolidated balance sheet total was EUR 86.7 million (EUR 77.7 million on 31 Dec. 2013). The shareholders' equity was EUR 77.5 million (EUR 71.8 million) at the end of the period. During the period, the shareholders' equity was influenced by the profit for the period of EUR 7.1 million, the change in the fair value reserve of EUR 3.0 million, the dividend distribution of EUR -5.5 million, and the purchase and annulment of own shares of EUR -0.2 million, a share issue of EUR 0.8 million and other changes totalling EUR 0.4 million.

At the end of the period, liquid assets totalled EUR 17.3 million (EUR 10.0 million), interest-bearing receivables EUR 0.0 million (EUR 1.3 million) and liquid investments in mutual funds EUR 4.0 million (EUR 0.0 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 had no interest-bearing liabilities (EUR 0.0 million). Interest-free long-term debt was EUR 0.9 million (EUR 1.4 million) and interest-free short-term debt EUR 8.3 million (EUR 4.4 million). eQ's equity to assets ratio was 89.4% (92.4%).

The Group's subsidiaries eQ Asset Management Sweden AB, eQ Asset Management Denmark A/S, Nordic Venture Partners Limited and Proventure GP Scotland Limited were dissolved during the financial period 2014. eQ Group's holding in eQ Asset Management Sweden AB had been 57 per cent before the dissolution. As a result, there are no longer holdings of non-controlling interests within the Group. In addition, Finnreit Fund Management Company Ltd was merged with eQ Fund Management Company Ltd in 2014.

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 Basel III/CRD IV regulations. The Group's

CET1 (Common Equity Tier 1) and solvency ratio of the own funds was 24.7% (30.1%) at the end of December. The minimum requirement for own funds is 8 per cent, while the Group's target is at least 12 per cent.

## Major risks and uncertainties related to the operations

The Group's major single risk is the dependence of the result 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. The realisation of fee income that is dependent on the success of the investment operations also influences result development. The management fees of private equity funds are based on long-term agreements that produce a stable cash flow, however.

Success fees, which depend on the number of mergers and acquisitions and real estate 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 investment operations are the market risk, currency risk and liquidity risk. Among these, the market risk has the greatest impact on investments. Funds 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 may vary considerably from quarter to quarter. eQ has made a decision that it will only make new private equity investments in funds managed by eQ in future.

The Group's liquidity is monitored continuously, and good liquidity is maintained by only investing the surplus liquidity in objects with a low risk, which can be turned into cash rapidly and at a clear market price. The capital calls and exits from target companies of private equity funds have a major impact on liquidity. In order to safeguard the availability of financing, the Group has access to a credit limit.

## Board of Directors, Management Team, CEO and auditor

eQ Plc's Annual General Meeting held on 27 March 2014 re-elected the following persons to the Board: Ole Johansson, Nicolas Berner, Christina Dahlblom, Georg Ehrnrooth and Jussi Seppälä. The Board appointed Ole Johansson Chairman of the Board at its constituting meeting. eQ Plc's Board had eight meetings during the financial period 2014, average attendance being 95%.

During the financial period 2014, eQ Group's Management Team has consisted of the following persons:

- Janne Larma, CEO, eQ Plc
- Staffan Jäfs, Director, Private Equity, eQ Asset Management Ltd
- Mikko Koskimies, CEO, eQ Asset Management Ltd
- Lauri Lundström, Director, Administration, eQ Plc
- Juha Surve, Group General Counsel, eQ Asset Management Ltd

The company's CEO was Janne Larma. The company auditor was KPMG Oy Ab, a firm of authorized public accountants, with Rajja-Leena Hankonen, APA, as auditor with main responsibility.

## Personnel

At the end of the financial period, the number of Group personnel was 81 (82 on 31 December 2013). The Asset Management segment had 60 (59) employees and the Corporate Finance segment 14 (13) employees. Group administration had 7 (10) employees. The personnel of the Asset Management segment comprises three persons with fixed-term employment and that of the Corporate Finance segment one person with fixed-term employment. Of the personnel, 80 persons (79) worked in Finland and 1 person (3) in other Scandinavian countries.

The overall salaries paid to the employees of eQ Group during the period totalled EUR 10.7 million (EUR 8.1 million from 1 Jan. to 31 Dec. 2013). The salary expenses increased from the year before due to result bonuses.

## Loans to related parties

eQ Plc's receivables from related parties have been described under item 35 (Related party transactions) of the Notes to the Financial Statements.

## eQ Plc's share

### Authorisations

The AGM held on 27 March 2014 authorised the Board of Directors to decide on the repurchase of the company's own shares in one or several transactions on the following terms: the Board of Directors was authorised to decide on the repurchase of no more than 1 000 000 own shares, which corresponded to approximately 2.74 per cent of all the shares in the company on the date of the notice of the AGM. The shares will be repurchased with assets from the company's unrestricted equity, which means that any repurchases will reduce the distributable assets of the company. Shares may be repurchased otherwise than in proportion to the shareholdings of the shareholders with assets from the company's unrestricted equity at the market price of the shares in public trading on NASDAQ OMX Helsinki at the time of purchase or at a lower price. Own shares may be repurchased in order to develop the company's capital struc-

ture, to finance corporate acquisitions or other business transactions, to finance or carry out investments or other arrangements pertaining to the company operations, or they may be used as part of the company's incentive schemes. For said purposes, the repurchased shares may be held, cancelled, or transferred further. The Board of Directors shall decide on other matters related to the repurchase of own shares. The authorisation cancels all previous authorisations to repurchase the company's own shares and is effective until the next AGM, no longer than 18 months, however.

The AGM also 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, comprising a maximum total of 5 000 000 new shares. The amount of the authorisation corresponded to approximately 13.72 per cent 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.

### Shares and share capital

At the end of the period on 31 December 2014, the number of eQ Plc's shares was 36 727 198 and the share capital was EUR 11 383 873. The number of shares fell by 85 000 in June as a result of the annulment of own shares held by the company and increased in December by 370 000 shares in connection with the issue of shares subscribed for with options. There were no changes in the share capital during the financial period.

### Option rights

At the end of the financial period, eQ Plc had one option scheme. The option scheme is intended as part of the incentive and commitment system of the Group's key employees.

At the end of the period, altogether 1 700 000 options had been allocated. Of the options granted, 370 000 were exercised in December 2014.

Based on the authorisation given to the Board on 14 April 2010 by the Annual General Meeting, there were 20 000 options still available for allocation at the end of the period. The terms and conditions of the option scheme have been published in a stock exchange release of 18 August 2010, and they can be found in their entirety on the company website at [www.eQ.fi](http://www.eQ.fi).

### Own shares

At the end of the period, on 31 December 2014, eQ Plc held no own shares. On 17 April 2014, eQ Plc purchased, based on an authorisation by the Annual General Meeting, 85 000 own shares, which had been issued to employees of eQ Group. The company acquired the shares in accordance with the terms of the share issue at original subscription price based on the termination of employment. The company annulled the shares on 17 June 2014. The amount corresponded to about 0.23 per cent of the company's entire share capital.

### Other information on the share

The following information on the company share is found in the Notes to the Financial Statements: distribution of holdings, information on considerable holdings and votes, the holdings of the company management and directors, and the number of company shares and share types.

## Corporate governance

In addition to acts and regulations applicable to listed companies, eQ Plc complies with the Finnish Corporate Governance Code published by the Securities Market Association in June 2010. The entire Code is available on the website of the Securities Market Association at [www.cgfinland.fi](http://www.cgfinland.fi).

## Proposal for the distribution of profit

The distributable means of the parent company on 31 December 2014 totalled EUR 59.4 million. The sum consisted of retained earnings of EUR 8.3 million and the means in the reserve of invested unrestricted equity EUR 51.1 million.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.20 per share be paid out. The proposal corresponds to a dividend totalling EUR 7 345 439.60 calculated with the number of shares at the end of the financial year. Additionally, the Board proposes to the AGM that a return of capital of EUR 0.30 per share be paid out from the reserve of invested unrestricted equity. The proposal corresponds to a return of capital totalling EUR 11 018 159.40 calculated with the number of shares at the end of the financial year. The dividend and capital return shall be paid to those who are registered as shareholders in eQ Plc's share-

holder register maintained by Euroclear Finland Ltd on 27 March 2015. The Board proposes that the dividend payment date is 8 April 2015.

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 profit does not endanger the liquidity of the company.

## Events after the period under review

In the Investments segment, private equity funds in which eQ has made investments have announced exits that have not been realised during the financial period. If the announced exits will be carried out according to plan, the cash flow from the exits that eQ will receive after the period under review, in the first or second quarter of 2015, is estimated to be about EUR 2.2 million, of which the estimated distribution of profits accounts for about EUR 0.3 million.

eQ Plc's has updated its dividend policy after the end of the financial year. According to the new policy, eQ Plc aims at distributing the profit for the financial year as dividend. In addition to the dividend, eQ Plc may return capital to its shareholders from the reserve for invested unrestricted equity. The returns of capital can be paid from the net cash flows of the capital returns and capital calls from own private equity funds operations. When deciding on the dividend and return of capital, if any, the company shall take into consideration its liquidity, the capital requirements set by authorities and development needs of business operations.

## Outlook

The asset management business grew well last year, which gives an excellent starting point for 2015. We expect that the revenues and operating profit of the asset management segment will grow in 2015. Last year was especially good for the Corporate Finance segment. The number of assignments continues to be at a good level, but it may be challenging to reach last year's income level in 2015. Based on this, we believe that the total income and operating profit of Client Operations will grow in 2015, as compared with 2014. The cash flow of the Investments segment is expected to continue to be strongly positive. The result of the business operations is, on the other hand, mainly dependent on factors that are independent of the company. Consequently, the operating profit of the Investments segment may vary considerably and is difficult to foresee.

Helsinki, 12 February 2015

eQ Plc  
Board of Directors

## KEY RATIOS, CONSOLIDATED

INCOME STATEMENT EUR 1 000	2014	2013	2012	2011	2010
Fee and commission income, net	22 903	15 401	11 266	9 327	3 972
Net income from available-for sale financial assets	834	3 430	5 080	6 482	1 136
Net revenue	24 438	18 767	16 295	15 808	5 108
Operating profit	9 040	4 929	4 668	7 234	1 829
% of turnover	37.0	26.3	28.6	45.8	35.8
Profit (loss) before	9 040	4 857	4 632	6 932	1 205
% of turnover	37.0	25.9	28.4	43.9	23.6
PROFIT (LOSS) FOR THE PERIOD	7 118	3 414	3 386	4 942	834

BALANCE SHEET EUR 1 000	2014	2013	2012	2011	2010
Claims on credit institutions and liquid assets	17 283	9 982	9 389	10 540	4 112
Available-for-sale financial assets	31 311	30 652	39 106	42 633	40 625
Intangible and tangible assets	30 898	31 236	29 312	19 470	4 623
Other assets and receivables	7 160	5 783	6 513	1 378	2 125
TOTAL ASSETS	86 652	77 653	84 319	74 020	51 486
Total equity	77 469	71 790	73 604	69 684	44 229
Non-interest-bearing liabilities	9 183	5 863	6 677	4 336	1 456
Interest-bearing liabilities	-	-	4 038	-	5 800
TOTAL LIABILITIES AND EQUITY	86 652	77 653	84 319	74 020	51 486

PROFITABILITY AND OTHER KEY RATIOS	2014	2013	2012	2011	2010
Return on investment, ROI % p.a.	9.6	4.7	4.7	8.8	3.2
Return on equity, ROE % p.a.	9.5	4.7	4.7	8.7	2.0
Equity to asset ratio, %	89.4	92.4	87.3	94.1	85.9
Gearing, %	-27.6	-14.0	-7.3	-15.2	3.8
Private equity investment to equity ratio, %	35.2	42.6	52.6	61.0	91.8
Investment commitments to equity ratio, %	49.3	58.2	67.1	82.1	129.6
Number of personnel at period end	81	82	103	62	13
Number of personnel on average	78	82	70	50	14

SHARE RATIOS					
Earnings per average share, EUR	0.20	0.10	0.10	0.16	0.04
Earning per share, diluted, eur	0.19	0.09	0.10	0.16	0.04
Shareholders' equity per share, EUR	2.13	1.97	2.03	2.08	1.94
Shareholders' equity per average share, EUR <sup>1)</sup>	2.13	1.97	2.21	2.25	1.99
Dividend EUR 1 000 <sup>2)</sup>	7 345	5 466	4 356	3 996	-
Dividend per share <sup>2)</sup>	0.20	0.15	0.12	0.12	-
Dividend per result, % <sup>2)</sup>	100.0	150.0	120.0	80.8	-
Return of capital, 1 000 EUR <sup>3)</sup>	11 018	-	-	-	-
Return of capital per share <sup>3)</sup>	0.30	-	-	-	-
Dividend and return of capital, total, EUR 1 000	18 364	5 466	4 356	3 996	-
Dividend and return of capital, total per share	0.50	0.15	0.12	0.12	-
Effective dividend and capital return yield <sup>2)</sup>	12.5	6.6	6.0	7.7	-
Price/earnings ratio, P/E	20.0	22.9	20.0	9.8	45.5
Price development of share issue adjusted shares, EUR					
Average stock price	2.81	2.25	1.79	1.78	1.61
Highest stock price	4.00	2.51	2.10	1.90	1.95
Lowest stock price	2.26	1.98	1.49	1.34	1.37
Closing price	4.00	2.29	2.00	1.56	1.73
Market capitalisation EUR 1 000	146 909	83 453	72 594	52 198	39 388
Share turnover 1 000 shs	2 479	2 031	6 107	3 354	3 007
% of total number of shares	6.8	5.6	18.3	10.8	13.2
Share turnover EUR 1,000	7 066	4 575	11 146	5 956	4 856
Share issue adjustment number of shares 1 000 shs					
Average during the period	36 397	36 419	33 335	30 983	22 768
At period end	36 727	36 442	36 297	33 460	22 768

1) The weighted average number of shares outstanding during the period has been used in calculation of the ratio.

2) The proposal of the Board of Directors for the dividend.

3) The Board's proposal for a return of capital from the reserve for invested unrestricted equity.



” eQ’s all fixed-income funds gave excellent returns as compared with their benchmark indices, and the equity funds eQ Emerging Asia, eQ Europe Property and eQ USA Index gave almost 30% returns



# CALCULATION OF KEY RATIOS

## RETURN ON INVESTMENT, ROI (%)

$$100 \times \frac{\text{profit or loss} + \text{finance expense}}{\text{equity} + \text{interest-bearing financial liabilities (average)}}$$

## DIVIDEND PER EARNINGS (%)

$$100 \times \frac{\text{dividend per share}}{\text{earnings per share}}$$

## RETURN ON EQUITY, ROE (%)

$$100 \times \frac{\text{profit or loss}}{\text{equity (average)}}$$

## EFFECTIVE DIVIDEND YIELD (%)

$$100 \times \frac{\text{dividend per share}}{\text{adjusted closing share price at 31. Dec.}}$$

## EQUITY TO ASSETS RATIO (%)

$$100 \times \frac{\text{equity}}{\text{balance sheet total} - \text{advances received}}$$

## PRICE/EARNINGS RATIO, P/E

$$\frac{\text{adjusted closing share price at 31. Dec.}}{\text{earnings per share}}$$

## GEARING (%)

$$100 \times \frac{\text{interest-bearing liabilities} - \text{current investments} - \text{cash in hand and at bank}}{\text{equity}}$$

## MARKET CAPITALISATION

$$\text{number of shares at 31. Dec.} \times \text{closing share price at 31. Dec.}$$

## EARNINGS PER SHARE, EPS

$$\frac{\text{profit or loss for the financial period attributable to parent company share holders}}{\text{adjusted average number of shares}}$$

## TURNOVER (%)

$$100 \times \frac{\text{number of shares traded during the financial period}}{\text{average number of shares during the financial period}}$$

## SHAREHOLDERS' EQUITY PER SHARE

$$\frac{\text{shareholders' equity}}{\text{adjusted number of shares at balance sheet date}}$$

## PRIVATE EQUITY INVESTMENTS TO EQUITY RATIO (%)

$$100 \times \frac{\text{private equity investments}}{\text{shareholders' equity}}$$

## DIVIDEND PER SHARE

$$\frac{\text{dividend for the financial period}}{\text{adjusted number of shares at balance sheet date}}$$

## PRIVATE EQUITY COMMITMENTS EQUITY RATIO (%)

$$100 \times \frac{\text{private equity investments} + \text{remaining commitments}}{\text{shareholders' equity}}$$

## INCOME STATEMENT, CONSOLIDATED

EUR 1 000	Note no.	2014	2013
Fee and commission income	7	23 147	15 670
Net income from foreign exchange dealing	8	-16	-24
Interest income	9	22	28
Net income from available-for-sale financial assets	10	834	3 430
Other operating income	11	710	-
Operating income, total		24 698	19 105
Fee and commission expenses	12	-243	-269
Interest expenses	13	-16	-69
NET REVENUE		24 438	18 767
Administrative expenses	14		
Personnel expenses		-10 741	-8 052
Other administrative expenses		-1 914	-2 263
Depreciation on tangible and intangible assets	15	-763	-1 388
Other operating expenses	16	-1 943	-2 135
Impairment losses of other financial assets		-38	-
OPERATING PROFIT (LOSS)		9 040	4 929
Share of associated companies' results		-	-71
PROFIT (LOSS) FOR THE PERIOD BEFORE TAXES		9 040	4 857
Income tax	17	-1 923	-1 443
PROFIT (LOSS) FOR THE PERIOD		7 118	3 414
<b>Other comprehensive income:</b>			
Items that may be reclassified subsequently to the income statement:			
Available-for-sale financial assets, net		3 041	-1 083
Transaction differences		5	15
Other comprehensive income after taxes		3 046	-1 068
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		10 164	2 346
Profit for the period attributable to:			
Equity holders of the parent company		7 101	3 487
Non-controlling interest		16	-73
Comprehensive income for the period attributable to:			
Equity holders of the parent company		10 147	2 419
Non-controlling interest		16	-73
Earnings per share calculated from the profit of equity holders of the parent company:	18		
Earnings per average share, EUR		0.20	0.10
Diluted earnings per share, EUR		0.19	0.09



## BALANCE SHEET, CONSOLIDATED

EUR 1 000	Note no.	31 Dec. 2014	31 Dec. 2013
<b>ASSETS</b>			
Liquid assets		19	28
Claims on credit institutions	19	17 263	9 955
Claims on the public and public sector entities	20	-	1 300
Available-for-sale financial assets	21, 29-31, 32		
Financial securities		4 051	51
Private equity investments		27 260	30 600
Intangible assets	22	30 441	31 120
Tangible assets	22	457	116
Other assets	23	5 368	2 214
Accruals and prepaid expenditure	24	1 050	1 647
Income tax receivables		485	96
Deferred tax assets	25	257	527
<b>TOTAL ASSETS</b>		<b>86 652</b>	<b>77 653</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Liabilities to credit institutions			
Other liabilities	26	2 886	2 618
Accruals and deferred income	27	4 029	2 382
Income tax liabilities		1 413	131
Deferred tax liability	25	854	732
<b>TOTAL LIABILITIES</b>		<b>9 183</b>	<b>5 863</b>
<b>EQUITY</b>			
	32		
Share capital		11 384	11 384
Fair value reserve		475	-2 567
Translation difference		14	10
Reserve for invested unrestricted equity		52 947	52 167
Retained earnings		5 548	7 654
Profit (loss) for the period		7 101	3 487
Attributable to non-controlling interests		-	-345
<b>TOTAL EQUITY</b>		<b>77 469</b>	<b>71 790</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>86 652</b>	<b>77 653</b>

## CONSOLIDATED CASH FLOW STATEMENT

EUR 1 000	2014	2013
<b>CASH FLOWS FROM OPERATIONS</b>		
Operating profit	9 040	4 929
Depreciation and amortisation	1 998	2 438
Financial income and expenses	-6	41
Operations without cash payment	-558	337
Investments available for sale, change	1 950	5 883
Change in working capital		
Business receivables, increase (-) decrease (+)	-1 165	1 473
Interest-free debt, increase (+) decrease (-)	2 691	-1 722
Total change in working capital	1 525	-248
Cash flows from operations before financial items and taxes	13 949	13 379
Interests received	22	28
Interests paid	-16	-69
Taxes	-1 363	-1 870
<b>CASH FLOWS FROM OPERATIONS</b>	<b>12 592</b>	<b>11 468</b>
<b>CASH FLOWS FROM INVESTMENTS</b>		
Acquisition of subsidiaries excluding acquired cash	-	-1 932
Investments to intangible and tangible assets	-445	-438
<b>INVESTING ACTIVITIES IN INVESTMENTS</b>	<b>-445</b>	<b>-2 370</b>
<b>CASH FLOWS FROM FINANCING</b>		
Dividends paid	-5 466	-4 411
Income from share issues	781	291
Annulment of own shares	-161	-
Repayments of loans	-	-4 000
Changes in subsidiary holdings	-	-386
<b>CASH FLOWS FROM FINANCING</b>	<b>-4 846</b>	<b>-8 505</b>
<b>INCREASE/DECREASE IN LIQUID ASSETS</b>		
Liquid assets 1 Jan.	9 982	9 389
Liquid assets 31 Dec.	17 283	9 982

## CHANGE IN CONSOLIDATED SHAREHOLDERS' EQUITY

1 000 EUR	Share Capital	Reserve for invested unrestricted equity	Fair value reserve	Translation differences	Retained earnings	Total	Share of non-controlling interest	Total shareholders' equity
Shareholders' equity on 1 Jan. 2014	11 384	52 167	-2 567	10	11 141	72 135	-345	71 790
Comprehensive income								
Profit (loss) for the period					7 101	7 101	16	7 118
Other comprehensive income								
Available for sale financial assets			3 041			3 041		3 041
Translation differences				5		5		5
Total comprehensive income			3 041	5	7 101	10 147	16	10 164
Dividend					-5 466	-5 466		-5 466
Share issue		781				781		781
Options granted					152	152		152
Annulment of own shares					-161	-161		-161
Changes in subsidiary holdings					-118	-118	328	210
Shareholders' equity on 31 Dec. 2014	11 384	52 947	475	14	12 649	77 469	0	77 469
Shareholders' equity on 1 Jan. 2013	11 384	51 875	-1 484	-5	11 758	73 528	77	73 604
Comprehensive income								
Profit (loss) for the period					3 487	3 487	-73	3 414
Other comprehensive income								
Available for sale financial assets			-1 083			-1 083		-1 083
Translation differences				15		15		15
Total comprehensive income			-1 083	15	3 487	2 419	-73	2 346
Dividend					-4 411	-4 411		-4 411
Share issue		291				291		291
Options granted					338	338		338
Other changes					-31	-31		-31
Changes in subsidiary holdings							-348	-348
Shareholders' equity on 31 Dec. 2013	11 384	52 167	-2 567	10	11 141	72 135	-345	71 790

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. PRINCIPLES FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

### Basic information

eQ Plc is a Finnish public limited company founded under Finnish law. The domicile of the company is Helsinki, Finland. eQ Plc and its subsidiaries form eQ Group ("eQ" or "the Group"). The parent company eQ Plc's shares are listed on NASDAQ Helsinki. eQ Group is a group of companies that concentrates on asset management and corporate finance operations. eQ Asset Management offers versatile asset management services to institutions and private individuals. eQ Advium Corporate Finance, which is part of the Group, offers services related to mergers and acquisitions, real estate transactions and equity capital markets.

A copy of the consolidated financial statements is available on the company website at [www.eQ.fi](http://www.eQ.fi) and at the head office of the parent company, address Aleksanterinkatu 19 A, 00100 Helsinki.

The consolidated financial statements have been prepared for the 12-month period 1 January to 31 December 2014. The Board of Directors of eQ Plc has approved the consolidated financial statements for publication on 12 February 2015. According to the Finnish Limited Liability Companies Act, the Annual General Meeting shall have the right to adopt, reject or amend the financial statements after their publication.

### Principles for preparing the Financial Statements

eQ Plc's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, IFRS, approved by the EU. The IAS and IFRS standards and SIC and IFRIC interpretations valid on 31 December 2014 have been applied when preparing the statements.

The Group has applied the following new and amended standards and interpretations from 1 January 2014:

- IFRS 10 Consolidated Financial Statements (effective in the EU from 1 January 2014 or from financial periods beginning after said date). Based on existing principles, the standard defines the principle of control, and establishes control as the basis for consolidation. The standard also gives additional guidance on the definition of control, when it is difficult to assess. The standard has not had any impact on the Group's financial statements.
- IFRS 11 Joint Arrangements (effective in the EU from 1 January 2014 or from financial periods beginning after said date). The standard is a more realistic reflection of joint arrangements by focusing

on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. The standard also requires that one method, i.e. the equity method, is applied when reporting shares in joint ventures. Proportional consolidation is now longer allowed. The change has not had any impact on the Group's financial statements.

- IFRS 12 Disclosures of interests in other entities (effective in the EU from 1 January 2014 or from financial periods beginning after said date). The standard includes the disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard expanded the notes that the Group discloses of its holdings in other entities.
- Investment entities – amendments to IFRS 10, IFRS 12 and IAS 28 (effective from 1 January 2014 or from financial periods beginning after said date). If an entity is defined as investment entity according to the standard and it values all its subsidiaries at fair value, it does not have to present consolidated financial statements. The amendments to the standard have not had any impact on the Group's financial statements.
- IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) (effective in the EU from 1 January 2014 or from financial periods beginning after said date). The amended standard contains requirements on the application of the equity method to associates and joint ventures as a result of the publication of IFRS 11.
- IAS 32 Financial Instruments: Presentation (amendment) – Offsetting financial assets and liabilities (effective from 1 January 2014 or from financial periods beginning after said date). The change specifies the rules on the presentation of financial assets and liabilities as a net amount and gives new application instructions. The amendment has not had any impact on the Group's financial statements.
- IAS 36 Impairment of Assets (amendment) – Disclosure of information on the recoverable amount as for asset items not belonging to financial assets (effective from 1 January 2014 or from financial periods beginning after said date). The amendment specifies requirements on notes regarding such cash-generating units that have been exposed to impairment. The amendment has not had any impact on the Group's financial statements.
- IAS 39 Financial Instruments: recognition and measurement (amendment) – Renewal of derivative instruments and continued hedge accounting (ef-

fective from 1 January 2014 or from financial periods beginning after said date). The amendment deals with the preconditions of the application of hedge accounting in situations where a derivative instrument is transferred to the CCP. As a result of the amendment, hedge accounting can continue on certain conditions in said transfer situations. The amendment has not had any impact on the Group's financial statements.

### Use of estimates

Preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the amount of assets and liabilities in the balance sheet at the time of preparation, the reporting of contingent assets and liabilities, and the amount of profits and costs during the reporting period. The estimates are based on the management's current best view, but it is possible that the outcome differs from the values used in the financial statements.

### Consolidation principles

The consolidated financial statements comprise all Group and associated companies. Subsidiaries are companies over which the Group exercises control. Control arises when a Group by being party to an entity is exposed to the entity's variable income or is entitled to its variable income and it can influence this income by exercising control over the entity.

The Group's internal holding has been eliminated by using the acquisition method. Acquired subsidiaries are consolidated from the moment the Group has gained control and transferred subsidiaries until control is terminated. The subsidiaries have been consolidated with the parent company by using the acquisition method. Non-controlling interests are shown as a separate item in the income statement and in the balance sheet in connection with shareholders' equity, on a separate line. All internal transactions, receivables, debts and the internal distribution of profits have been eliminated in the financial statements.

An associated company is a company over which the Group exercises significant influence. Significant influence basically arises when a Group holds more than 20% of the votes or when the Group otherwise has significant influence but not control. Associated companies have been consolidated by using the proportional method according to which the investment in the associated company is entered in the balance sheet at original acquisition cost. The acquisition cost is adjusted with changes that have taken place after the acquisition in the Group's share of the associated company's net assets and with possible impairment. The share of the Group in the associated companies' results, based on the holding, is entered as a separate item in the income statement, after operating profit.

The consolidated financial statements comprise the parent company eQ Plc and all the following subsidiaries:

- eQ Asset Management Ltd
- eQ Fund Management Company Ltd
- eQ Life Ltd
- eQ Asset Management Norway AS
- Advium Corporate Finance Ltd
- Amanda GP I and II Ltd
- Amanda III Eastern GP Ltd
- Amanda IV West GP Ltd
- Amanda V East GP Ltd
- eQ PE VI North GP Ltd
- eQ PE Value I GP Ltd
- CCF PE GP Ltd
- Nordic Venture Managers Limited
- EFI II GP Limited

During the financial period 2013, eQ Asset Management Ltd increased its holding in Finnreit Fund Management Company Ltd from 50 to 100 per cent on 30 September. Finnreit Fund Management Company Ltd has been consolidated with eQ Group as subsidiary from 30 September 2013. Finnreit Fund Management Company Ltd was merged with eQ Fund Management Company Ltd on 31 October 2014. eQ Asset Management Sweden AB, eQ Asset Management Denmark A/S, Nordic Venture Partners Limited and Proventure GP Scotland Limited were dissolved during the financial period 2014. eQ Group's holding in eQ Asset Management Sweden AB had been 57% per cent before the dissolution. As a result, there are no longer holdings of non-controlling interests within the Group.

### Segment reporting

eQ Plc's operating segments are Asset Management, Corporate Finance and Investments. Segment reporting is presented according to the internal reporting provided to the highest operative decision-makers and prepared in accordance with IFRS standards. The highest operative management is responsible for assessing the results of the business segments. In the Group, the CEO is responsible for this function. Within the Group, decisions regarding the assessment of the segments' results are based on the segments' results before taxes.

The business segments consist of business units with different types of products and services as well as different income logics and profitability. The pricing between the segments is based on fair market value. The income and expenses that directly belong to the business areas or can on sensible grounds be allocated to them are allocated to the business areas. Group administrative functions are presented under Other segments. The unallocated items presented under Other segments also comprise interest income and expenses and taxes. 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.

The Asset Management segment comprises services related to mutual and private equity funds, discretionary asset management, structured investment products, investments insurances and a large range of mutual funds offered by international partners. The Corporate Finance segment comprises services related to mergers and acquisitions, real estate transactions and equity capital markets. The business operations of the Investments segment consist of private equity fund investments made from eQ Group's own balance sheet.

### Foreign currency transactions

The consolidated financial statements are presented in euros and foreign currency transactions are converted to euros using the exchange rates valid on the day of the transaction. Foreign currency receivables and liabilities are converted to euros using the exchange rates on the balance sheet date.

The gains and losses arising from foreign currency transactions and the translation of monetary items are presented through profit and loss. The foreign currency differences are included in the net income from foreign exchange dealing.

The realised foreign currency translation gains and losses from available-for-sale investments are included in the net income from available-for-sale financial assets. Unrealised foreign currency translation gains and losses from available-for-sale investments are included in the investments available for sale and the fair value reserve.

The income statements of subsidiaries using other functional currencies than the euro are translated into euros in the consolidated financial statements using the average rates for the financial period. The balance sheets of the companies are translated using the closing rates on the last day of the accounting period. The translation of the result and balance sheet of the financial period gives rise to a translation difference in the shareholders' equity of the balance sheet. The change is entered into other comprehensive income. The translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and the translation of the equity items accrued after the acquisition are entered into other comprehensive income.

### Revenue recognition

The asset management fee and commission income for funds and asset management, included in operating income, is periodized per month and invoiced afterwards in periods of one, three, six or twelve months. The asset management fee and commission income from private equity investment and other advisory services and consulting is mainly invoiced in advance and periodized per month. The fee income related to projects within corporate finance operations is entered as income for the period during which the result of the project can be assessed in a reliable manner. The expenses arising from a project are expensed immediately.

The net income from available-for-sale financial assets included in the operating income includes the profit distributions from private equity funds as well as realised losses or losses assessed as permanent. Profit distributions are recognised in accounting only when the realisation of the target funds has taken place or later, when the target funds have obtained the necessary permits from authorities. Sales profits and losses from direct investments are also included in the net income from available-for-sales financial assets.

### Tangible and intangible assets

Tangible assets are entered in the balance sheet at original acquisition cost less depreciation and impairment. Acquisition cost comprises the cost arising directly from the acquisition.

Intangible assets include the goodwill generated from corporate acquisitions. The goodwill arising in the combination of business operations is entered in the amount at which the transferred consideration, the share of non-controlling interests in the object of the acquisition and the previously owned share together exceed the fair value of the acquired net assets.

Goodwill is valued at original acquisition cost minus impairment. No depreciation is booked for goodwill but it is tested annually for impairment. Goodwill is allocated to cash-generating units.

Other intangible assets are brands, customer agreements, software licenses and other intangible rights.

No depreciation is booked for intangible assets that have an unlimited useful life but they are tested annually for impairment. Intangible assets with a limited useful life are entered as costs into the income statement as straight-line depreciation according to plan during their useful life. Depreciation has been calculated based on the useful life from the original acquisition costs as straight-line depreciation.

The depreciation periods according to plan by asset type are as follows:

- Machinery and equipment 3 to 10 years
- Customer agreements 4 to 10 years
- Software and other intangible rights 4 to 5 years

### Impairment and impairment test

The balance sheet values of other long-term tangible and intangible assets are tested for impairment at each balance sheet date and always when there is indication that the value of an asset may have been impaired. In the impairment test, the recoverable amount of the assets is tested. The recoverable amount is the higher of an asset's net sales price and its value in use, based on cash flow. An impairment loss is entered in the income statement, if the book value of the asset is higher than the recoverable amount.

The need for impairment is assessed at the level of cash-generating units, i.e. the lowest unit level that is mainly independent of other units and the cash flow of which can be separated from other cash flows. For the testing of impairment, the recoverable amount of the asset item has been defined by calculating the asset items' value in use. The calculations are based on five-year cash flow plans approved by the management. The income cash flow of asset management is based on assets that are managed under asset management agreements. The development of the assets under management and the income cash flow of asset management operations depend essentially on the development of the capital market. The income cash flow of the corporate finance operations is markedly influenced by success fees, which are dependent on the number of corporate and real estate transactions. These vary considerably within one year and are dependent on economic trends. The estimate on the income cash flow of the corporate finance operations is based on the management's view on the number of future transactions. The future expense cash flows of the impairment calculations are based on the Group management's cost estimates for the future. In the calculations, the management uses as discount rate before taxes, which reflects the view on the time value of money and the special risks related to the asset item.

### Employment pensions

The Group's pension arrangement is a contribution-based arrangement and the payments are entered in the income statement for the periods to which they apply. The pension coverage of the Group's personnel is arranged with a statutory TyEL insurance policy through an insurance company outside the Group.

### Share-related payments

Option rights are valued at fair value on their grant date and expensed in the income statement during the period when the right arises. The fair value of granted options on the grant date has been defined by using the Black-Scholes price-setting model.

### Income tax

The taxes based on Group company earnings for the period are entered into the Group's taxes, as are the adjustments of taxes from previous periods and the changes in deferred taxes. The tax based on the period's taxable income is calculated from the taxable income based on each country's valid tax rate. The tax impact of items entered directly into shareholders' equity is similarly entered directly into the shareholders' equity.

Deferred taxes are calculated based on the debt method from all temporary differences in accounting and taxation in accordance with the valid tax rate legislated before the end of the financial year. The deferred tax receivable is entered to the amount in which taxable income is likely to arise in future, against which the temporary difference can be exploited. The most significant temporary differences are generated from valuing the available-for-sale

financial assets at fair value and the valuation of the acquired companies' net assets at fair value.

### Financial assets and liabilities

The Group's financial assets and liabilities are classified into the following groups in accordance with the IAS 39 standard: financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets, loans and other receivables and other financial liabilities. The classification is made in connection with the original acquisition of the financial instruments.

The available-for-sale financial assets are assets not belonging to derivative assets that have specifically been classified into this group or that have not been classified into any other group. eQ Group's private equity investments and investments in mutual funds are classified as available-for-sale investments. Mutual fund investments available for sale are valued at fair value using quoted market prices and rates. Private equity fund investments are valued using the practice generally used in the sector, i.e. the fair value of the private equity fund investment is the latest fund value announced by the private equity fund management company added with the capital investments and less the capital returns that have taken place between the balance sheet date and the announcement of the management company. The changes in the fair value of investments available for sale are entered into comprehensive income and presented in shareholders' equity under the fair value reserve. When an investment available for sale is realised, the accumulated changes in fair value are booked from shareholders' equity to earnings.

Loans and other receivables are assets not belonging to derivative assets with fees that are fixed or that can be defined and that are not quoted in functioning markets, nor does the Group hold them for trading purposes or classify them, in connection with the first entry, specifically as available for sale. Their valuation principle is the periodized acquisition cost using the method of effective interest rate.

Financial assets are derecognised when the Group has lost the agreement-based right to the cash flows or when it has to a significant degree transferred the risks and return outside the Group.

Liquid assets consist of cash. Claims on credit institutions payable on demand are also included in liquid assets in the cash flow statement.

Financial liabilities are classified either as financial liabilities at fair value through profit or loss or as liabilities valued at periodized acquisition cost. Interest-bearing liabilities are classified as other financial liabilities. Other financial liabilities are valued at periodized acquisition cost and entered into the balance sheet and from the balance sheet on the clearing date.

Financial liabilities or their part are derecognised first when the debt has ceased to exist, i.e. when the specified obligation has been fulfilled or annulled or its validity has been terminated.

### Impairment of financial assets

The Group assesses on each closing date of a reporting period whether there is objective proof of the impairment of a single item or a group of items included in financial assets. An impairment is made if there is objective proof of the impairment of value of said item.

As for available-for-sale investments, the loss in the fair value reserve is transferred to the profit or loss, if there is proof of the impairment. The private equity investments of eQ Group are equity-based. Consequently, the impairment losses of private equity investments are recognised through profit or loss. When assessing the impairment losses, e.g. the following factors are taken into account: the life cycle of the private equity fund, does the private equity fund have uncalled investment commitments and the evaluation of the private equity fund's management company on the permanence of the fair value and acquisition price.

An impairment loss on receivables is recorded, when there is reliable proof that the company cannot recover its receivables according to the original terms.

### Earnings per share

Earnings per share are calculated by dividing the profit for the period belonging to the parent company's shareholders with the weighted average number of outstanding shares during the financial period. When calculating earnings per share adjusted with dilution, the diluting effect of the conversion into shares of all diluting, potential ordinary shares is taken into consideration in the weighted average number. The Group's share options are diluting instruments, i.e. instruments that increase the number of ordinary shares.

### Dividend distribution

No booking has been made for the dividend proposed by the Board of Directors to the AGM in the financial statements and it has not been taken into account when calculating distributable retained profits. The dividend is only taken into account based on the AGM decision.

## 2. RISK MANAGEMENT

eQ Group defines risk as an unexpected change in economic outcome. The purpose of risk management is to make sure that the risks associated with the company's operations are identified, assessed and that measures are taken regarding them. Risk management shall see to it that manageable risks do not jeopardize the business strategy, critical success factors or earning power. Risk management comprises all the measures that are

needed for the cost-efficient management of risks arising from the Group's operations. Risk management is a continuous process that is assessed at regular intervals. The aim of this is to make sure that risk management is adapted to the changing operating environment.

eQ Plc's Board supervises that the CEO takes care of eQ Plc's day-to-day administration according to the rules and instructions issued by the Board. The Board also supervises that risk management and control are organised in a proper manner. eQ Plc's Board approves the principles for risk management and defines the company's organisation structure as well as the authorities, responsibilities and reporting relations. The executive management is responsible for the practical implementation of the risk management process and control. It is the duty to the executive management to see to it that internal instructions are maintained and make sure that they are sufficient and functional. The management is also responsible for making sure that the organisation structure functions well and is clear and that the internal control and risk management processes function.

eQ Group comprises a fully owned subsidiary of eQ Plc, eQ Asset Management Ltd, engaged in investment firm operations. A permanent risk management function that consists of risk experts and is independent of the other operations and lead by the risk management director is responsible for eQ Asset Management Ltd's risk management. eQ Asset Management Ltd, as investment firm, and eQ Plc as the holding company, apply the Basel III/CRD IV regulations on capital adequacy. Below is a presentation of the major risks of eQ Group and the investment firm.

### Risks related to operations

#### Financial risk

Financial risks are divided into market, liquidity and credit risks. The aim of the management of financial risks is to cut down the impacts of fluctuations in interest rates, foreign exchange rates and prices and other uncertainties as well as to guarantee sufficient liquidity.

#### Market risk

Market risk means the risk that changes in market prices may pose. Interest rate, currency and price risks are regarded as market risks. The business operations of Group companies do not as such comprise taking own positions in the equity or bond market for trading purposes. Therefore, market risks are small in this respect.

#### Interest rate risk

Interest rate risk means the uncertainty of the cash flow and result that results from changes in interest rates. The business operations of Group companies do not as such comprise taking own positions in the bond market for trading purposes. Therefore, there are no market risks in this respect. The possible interest rate risk of the Group



mainly arises from short and long-term interest-bearing loans.

Loans with variable interest rates expose the Group to an interest rate risk, which can be hedged with interest rate swaps, when necessary. The interest rate risk is also managed through the planning of the balance sheet structure. The Group did not have any interest-bearing liabilities at the end of the reporting period.

### Currency risk

Currency risk means the uncertainty of the cash flow and result arising from changes in exchange rates. The Group has a subsidiary outside the euro zone, and changes in exchange rates have an impact on its equity (Norway). As the share of the company's equity is small, changes in exchange rates have not been hedged. For other parts, the Group company operations are mainly denominated in euros, which means that there is no significant currency risk in this respect.

eQ Plc's private equity fund investments are mainly euro-denominated, which means that the investment operations do not expose the Group to any significant currency risk. eQ does not separately monitor changes arising from foreign exchange rates in its private equity operations but regards them as part of the change in the investment object's fair value. eQ's investments in private equity funds are divided into different currencies as follows:

Private equity investments in foreign currencies and change in fair value in euros, EUR million:

31 Dec. 2014	Currency	Euro	%	decrease in value against the euro	
				10%	20%
EUR million	25.0	25.0	91.8 %		
GBP million	0.9	1.1	4.1 %	-0.1	-0.2
USD million	1.4	1.1	4.1 %	-0.1	-0.2
		27.3			

31 Dec. 2013	Currency	Euro	%	decrease in value against the euro	
				10%	20%
EUR million	25.9	25.9	84.6		
GBP million	3.1	3.8	12.3	-0.4	-0.8
USD million	1.3	0.9	3.1	-0.1	-0.2
		30.6			

### Price risk

Price risk means the possibility of loss due to fluctuations in market prices.

The Group's parent company eQ Plc makes investments in private equity funds from its own balance sheet. 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 major factors influencing the value of eQ's investments in private equity funds are the values of the companies included in the portfolio and factors influencing them, such as the:

- financial success of the underlying company
- growth outlook of the underlying company,
- valuation of peers,
- valuation method selected by the management company of the fund.

The price risk of eQ's private equity fund portfolio has been diversified by making investments in different sectors, geographic areas, and funds investing in different development stages. At the end on 2014, there were altogether more than 320 indirectly owned companies in eQ's private equity fund portfolio. The impact of one individual risk on the value of eQ's private equity fund portfolio is small, owing to efficient diversification.

The impact of the price risk of the private equity portfolio on shareholders' equity:

At the end of 2014, a 10% change in the market value of the private equity fund portfolio corresponds to a change of EUR 2 180.8 thousand in the shareholders' equity. At the end of 2013, a 10% change in the market value of the private equity fund portfolio corresponded to a change of EUR 2 448.0 thousand in the shareholders' equity.

### Liquidity risk

Liquidity risk means the risk that the company's liquid assets and possibilities of getting additional financing are not sufficient for covering business needs. Liquidity risk arises from the unbalance of cash flows.

The Group's liquidity is monitored continuously, and good liquidity is maintained by only investing the surplus liquidity in objects with a low risk, which can be turned into cash rapidly and at a clear market price. The capital calls and exits from target companies of private equity funds have a major impact on liquidity.

The Group's major source of financing is a positive cash flow. In addition, the Group's parent company has access to a credit limit of EUR 4.0 million in order to safeguard the availability and flexibility of financing.

The table below describes the maturity analysis of debts based on agreements.

Maturity distribution of debts, EUR 1 000

31 Dec. 2014	less than 1 year	1 to 5 years	over 5 years	total
Loans from financial institutions	-	-	-	-
Accounts payable and other liabilities	448	-	-	448
<b>TOTAL</b>	<b>448</b>	<b>-</b>	<b>-</b>	<b>448</b>

31 Dec. 2013	less than 1 year	1 to 5 years	over 5 years	total
Loans from financial institutions	-	-	-	-
Accounts payable and other liabilities	221	699	-	920
<b>TOTAL</b>	<b>221</b>	<b>699</b>	<b>-</b>	<b>920</b>

### Credit risk

Credit risk means that a customer or counterparty may not fulfil its obligations arising from a credit relation and that the security that may have been issued is not sufficient for covering the receivable. The Group's contractual counterparties are clients, who buy the company's services, and partners. The Group does not give any actual credits, which means that the credit risks mainly arise from the own investment portfolio. eQ Plc has tried to manage the credit risk related to private equity operations by diversifying the private equity investments well. eQ has made the decision to make new private equity fund investments only in the Group's own private equity funds in future.

In addition, eQ Group may invest surplus liquidity in accordance with an investment policy that it has approved. Liquid assets are invested in fixed-income funds with short maturity and continuous liquidity, in bank deposits or other corresponding short-term interest rate instruments with a low risk where the counterparties are solid and have a high credit rating. The credit risk of the asset management and corporate finance operations is related to commission receivables from clients, which are monitored daily.

As for credit risks, eQ calculates its minimum capital adequacy requirements by using the so-called standardized approach.

### Operational risks

Operational risks may arise from inadequate or failed internal processes, people and systems, or from external events. Operational risks also cover legal and reputation risks, and they are managed by, for instance, developing internal processes and seeing to it that the instructions are good and the personnel is offered sufficient training.

Legal risks are included in operational risks and can be related to agreements between the Group and different partners. The Group tries to identify these risks by going through any agreements thoroughly and using the help of external experts, when necessary.

The Group carries out a self-assessment of operational risks annually. The aim is to identify operational risks, as-

sess the probability and impacts of each separate risk and try to find out ways of decreasing the risks.

In the self-assessments, the key employees of different functions assess all potential operational risks in their operating environment. The Group tries to define the expected value for risk transactions, i.e. the most likely amount of loss during the year. The expected value is calculated by multiplying the assessed number of risk occurrences and the assessed amount of one single loss in euros. The results of this assessment are used for planning the measures with which operational risks are cut down.

eQ calculates the capital requirement regarding operational risk based on the so-called basic indicator approach, which uses the weighted average of the return indicators for the three previous years. When assessing the risk-based capital of the operational risk, the Group uses risk reviews that are based on the self-assessments of different functions.

### Risks arising from business operations and external operating environment

The sources of income in Group operations have been diversified to different sources of income. Consequently, the Group can prevent excessive dependence on one single source of income.

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 operations depends on the development of the assets under management, which is dependent of the development of the capital market. The management fees of private equity funds are based on long-term agreements that produce a stable cash flow, however. The result of the corporate finance operations is markedly influenced by success fees, which are dependent on the number of corporate and real estate transactions. These vary

considerably within one year and are dependent on economic trends.

The Group tries to manage the risks associated with its business operations through a flexible, long-term business strategy, which is reviewed at regular intervals and updated when necessary.

The impact of the risks associated with the external operating environment (business, strategic and reputation risks and risks arising from changes in the compliance environment) on the Group's result, balance sheet, capital adequacy and need of capital is assessed continuously as part of the day-to-day operations and at regular intervals in connection with the top management's strategy planning process. The regular planning assesses the impact on the result, balance sheet and capital adequacy. In the assessment, the company's assets must clearly exceed the minimum requirement set by authorities even in the alternative scenario. The Group aims to maintain a sufficient equity buffer with which it can meet any risks posed by the external operating environment.

## Other risks

### Risks associated with property and indemnity risks

The Group has insurance policies for property, interruption and indemnity risks. The coverage of the insurance policies is assessed annually. The Group also protects its property with security control and passage rights.

### Risks associated with the concentration of business

eQ Group offers overall investment services, i.e. individual asset management and mutual funds for its clients, covering individuals, companies and institutional investors. In addition, the Group offers asset management and advisory services related to private equity investments as well as corporate finance services. In normal situations, there are no essential concentration risks in the Group's operations that would have an impact on the need of capital, at least not to any significant extent, which means that there is no need to maintain a separate risk-based capital regarding the concentration of operations.

## 3. CAPITAL MANAGEMENT

The aim of the Group's capital management is to create an efficient capital structure that ensures normal operating preconditions and growth opportunities for the Group as well as the sufficiency of capital in relation to the risks associated with the operations. The Group can influence the capital structure through dividend distribution and share issues, for instance. The capital managed is the shareholders' equity shown on the balance sheet. At the end of the accounting period 2014, the shareholders'

equity amounted to EUR 77.5 million and the equity to assets ratio was 89.4%. The main source of financing is the positive cash flow of operations. The Group also has access to a credit limit. The covenants associated with the Group's credit limit are regular terms dealing with the relation between the debt and the operating profit, equity to assets ratio and the minimum amount of equity, for instance. During the accounting period, the Group has fulfilled the covenants related to the credit limit. The Group's net gearing has been presented in the table below. The ratio is calculated by dividing net debt with shareholders' equity. The Group management monitors the development of net debt as part of capital management.

Net gearing, EUR 1 000

	2014	2013
Interest-bearing financial liabilities	0	0
Financial securities	4 051	51
Liquid assets	17 283	9 982
Net debt	-21 333	-10 034
Total shareholders' equity	77 398	71 790
Net gearing	-27.6 %	-14.0 %

The sufficiency of capital is assessed by comparing the available capital with the capital needed for covering risks. The starting point of capital planning consists of the assessments of the future development of business and the possible impacts of the risks associated with the operations on the operations. The plans take into consideration the viewpoints of different stakeholders, e.g. authorities, creditors and owners.

## 4. CAPITAL ADEQUACY AND ITS MANAGEMENT

eQ Group comprises a fully owned subsidiary of eQ Plc, eQ Asset Management Ltd, engaged in investment firm operations. eQ Asset Management Ltd, as investment firm, and eQ Plc as the holding company apply the Basel III/CRD IV regulations. Capital adequacy management is a central part of pillar 2 of the capital adequacy regulations. According to them, investment firms are obliged to consider their capital adequacy in relation to risks in a more extensive manner than just fulfilling the capital adequacy requirements set out in the first pillar regarding credit, market and operational risks. In the capital adequacy management process, the company builds a motivated view of essential risks and the risk-based capital need required by them, which is not the same as the capital adequacy requirement of pillar 1 and may deviate from it. The capital adequacy management process deals with risks that are not taken into consideration in pillar 1 capital adequacy requirements, including qualitative risks. The capital adequacy management process also takes a stand on the sufficient level of risk management and internal control regarding each separate risk.

The capital adequacy management process is carried out at least once a year in connection with the planning of operations and budgeting. The process results in a capital plan describing the risk-based capital need, the sufficiency of capital and capital adequacy

Own capital and capital adequacy as of 31 December 2014 have been presented according to EU's solvency decree (EU 575/2013) (CRD IV/CRR). The comparison figures have been presented based on both regulations valid on 31 December 2013 (CRD III) and the new regulations (CRR).

The new regulations increase the requirement on tier 1 capital, for instance. Additionally, shares financed from the own balance sheet can no longer be included in own capital. In eQ Group, the reform has, for instance, influenced the classification of changes in the fair value of available-for-sale equity financial assets.

Capital adequacy, EUR 1 000

	CCR 31.12.2014 eQ Group	CCR 31.12.2013 eQ Group	CRD III 31.12.2013 eQ Group
Own capital	77 469	71 790	71 790
Common equity tier 1 (CET 1) before deductions	77 469	71 790	71 790
Deductions from CET 1			
Intangible assets	-30 269	-31 120	-31 120
Fair value reserve	-475	0	2 567
Other deductions	0	-869	0
Profit for the year	-7 118	-3 414	-3 414
Dividend proposal by the Board*	-11 246	-2 052	-2 052
Common equity tier 1 (CET1)	28 363	34 335	37 770
Additional tier 1 (AT1)	0	0	0
Tier 1 (T1 = CET1 + AT1)	28 363	34 335	37 770
Tier 2 (T2)	0	0	0
Fair value reserve		0	-2 567
Total capital (TC = T1 + T2)	28 363	34 335	35 203
Risk-weights, total	114 995	114 022	114 022
of which credit risk	71 571	69 900	69 900
of which market risk – currency risk	2 835	5 275	5 275
of which operative risk	40 589	38 847	38 847
Common equity tier 1 (CET1) / risk-weights, %	24.7%	30.1%	33.1%
Tier 1 (T1) / risk-weights, %	24.7%	30.1%	33.1%
Total capital (TC) / risk-weights, %	24.7%	30.1%	30.9%
Minimum solvency ratio, %	42.3%	49.1%	
Tier 1	28 363	34 335	
Total amount of exposure	67 124	69 907	

The leverage ratio has been calculated based on information at the end of the quarter by dividing the tier 1 capital according to capital requirements regulation (CRR) with the total amount of exposures. The total amount of exposures is the total amount of the exposure values and the off-balance sheet items that have not been deducted when defining tier 1 capital.

\*Dividend and capital return proposal above profit for the year.

## 5. SEGMENT INFORMATION

The Asset Management segment comprises services related to mutual and private equity funds, discretionary asset management, structured investment products, investments insurances and a large range of mutual funds offered by international partners. The Corporate Finance segment comprises services related to mergers and acquisitions, real estate transactions and equity capital markets. The business operations of the Investments segment consist of private equity fund investments made from eQ Group's own balance sheet.

EUR 1 000

1 Jan. to 31 Dec, 2014	Asset Management	Corporate Finance	Investments	Other	Eliminations	Group total
Fee and commission income	16 827	6 319	-	-		23 147
From other segments	300	-	-	-	-300	-
Net income from foreign exchange dealing	-14	-	-	-2		-16
Interest income	-	-	-	22		22
Net income from available-for-sale financial assets	-	-	834	-		834
Other operating income	710	-	-	-		710
From other segments	-	-	-	77	-77	-
<b>OPERATING INCOME, TOTAL</b>	<b>17 824</b>	<b>6 319</b>	<b>834</b>	<b>97</b>	<b>-377</b>	<b>24 698</b>
Fee and commission expenses	-226	-	-	-17		-243
To other segments	-	-	-300	-	300	-
Interest expenses	-	-	-	-16		-16
<b>NET REVENUE</b>	<b>17 597</b>	<b>6 319</b>	<b>534</b>	<b>64</b>	<b>-77</b>	<b>24 438</b>
Administrative expenses						
Personnel expenses	-7 024	-2 715	-	-1 002		-10 741
Other administrative expenses	-1 439	-308	-	-244	77	-1 914
Depreciation on tangible and intangible assets	-705	-24	-	-34		-763
Other operating expenses	-1 332	-296	-	-315		-1 943
Impairment losses of other financial assets	-	-38	-	-		-38
<b>OPERATING PROFIT (-LOSS)</b>	<b>7 098</b>	<b>2 939</b>	<b>534</b>	<b>-1 531</b>	<b>0</b>	<b>9 040</b>
Income tax				-1 923		-1 923
<b>PROFIT (LOSS) FOR THE PERIOD</b>				<b>-3 453</b>		<b>7 118</b>

EUR 1 000

1 Jan. to 31 Dec, 2013	Asset Management	Corporate Finance	Investments	Other	Eliminations	Group total
Fee and commission income	13 511	2 159	-	-		15 670
From other segments	400	-	-	-	-400	-
Net income from foreign exchange dealing	-23	-	-	-1		-24
Interest income	-	-	-	28		28
Net income from available-for-sale financial assets	-	-	3 430	-		3 430
Other operating income	-	-	-	-		-
From other segments	-	-	-	76	-76	-
Operating income, total	13 888	2 159	3 430	103	-476	19 105
Fee and commission expenses	-267	-	-	-2		-269
To other segments	-	-	-400	-	400	-
Interest expenses	-	-	-	-69		-69
NET REVENUE	13 621	2 159	3 030	33	-76	18 767
Administrative expenses						
Personnel expenses	-5 774	-1 253	-	-1 025		-8 052
Other administrative expenses	-1 806	-243	-	-290	76	-2 263
Depreciation on tangible and intangible assets	-1 350	-12	-	-26		-1 388
Other operating expenses	-1 552	-261	-	-323		-2 136
OPERATING PROFIT (LOSS)	3 139	389	3 030	-1 631	0	4 928
Share of associated companies' results	-71	-	-	-		-71
PROFIT BEFORE TAXES	3 068	389	3 030	-1 631		4 857
Income tax				-1 443		-1 443
PROFIT (LOSS) FOR THE PERIOD				-3 074		3 414

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.

In 2014, the other income of the Asset Management segment includes a non-recurring item of EUR 0.7 million related to the adjustment of the additional purchase price for Finnreit Fund Management Company Ltd purchased in 2013.

eQ Plc does not have any single clients the income from which would exceed 10% of the total income.

Geographic information:

Net revenue per country, EUR 1 000

Domicile	2014	2013
Finland	24 035	17 367
Other countries	403	1 400
TOTAL	24 438	18 767

The other countries comprise Sweden, Denmark, Norway and Guernsey

External net revenue is presented based on domicile.

## 6. BUSINESS ACQUISITIONS

### Accounting period 2014:

The Group made no business acquisitions in 2014.

### Accounting period 2013:

eQ Asset Management Ltd acquired the entire share capital of Finnreit Fund Management Company Ltd through a deal that was carried out on 30 September 2013. eQ Asset Management Ltd had previously owned 50 per cent and the company management 50 per cent of the company. The total acquisition cost for Finnreit Fund Management Company Ltd was EUR 3.0 million. The purchase was financed with the Group's liquid assets. The acquisition cost comprises a transfer tax of EUR 0.0 million. The fair value of shares based on eQ Group's former holding (50%) immediately before the acquisition was EUR 0.3 million, which corresponded to the balance sheet value of the shares.

The total acquisition cost comprises a conditional payment of EUR 0.7 million related to an additional purchase price defined on the basis of future income. This conditional payment has been defined by assessing the present value of the performance fees that will be obtained during the following five years. In the calculations, the company has used a discount rate that reflects the view on the time value of money and the special risks related to the asset item. At the end of the financial period 2013, the additional acquisition cost of EUR 0.7 was included in other liabilities on the balance sheet. The acquisition cost exceeded the purchased net assets by EUR 2.7 million, which was allocated to goodwill. The goodwill gives eQ the opportunity to expand its business and product offering.

The balance sheet of Finnreit Fund Management Company Ltd has been consolidated with eQ Group as a subsidiary from 30 September 2013. The company's result has been consolidated with eQ Group's result from 1 October 2013. Had the acquired company been consolidated with eQ Group's result from the beginning of 2013, the Group's net revenue had been EUR 0.1 million higher and result EUR 0.1 million lower during the period.

Acquired net assets at fair value and goodwill, EUR million	
Liquid assets	0.2
Receivables	0.2
Liabilities	0.1
Acquired net assets	0.2
Total acquisition cost	3.0
Goodwill	2.7

The conditional payment of EUR 0.7 million, which was included in the closing balance of 2013 has been derecognised to the profit or loss as non-recurring item during the financial period 2014. The change of the conditional payment of EUR 0.7 million is entered in the other operating income of the Asset Management segment. The closing balance sheet does not include a liability for the additional sales price regarding said transaction.

” The investment capacity of eQ’s latest fund, eQ Finnish Real Estate, was already EUR 30 million at the end of 2014 when it was launched





## NOTES TO THE CONSOLIDATED INCOME STATEMENT

	EUR 1 000	2014	2013
<b>7. FEE AND COMMISSION INCOME</b>			
Asset management fee income			
Management fees from traditional asset management		8 749	7 539
Real estate and private equity management fees		6 088	4 408
Other fee and commission income		804	1 329
Performance fees		1 186	236
TOTAL		16 827	13 511
Corporate Finance income		6 319	2 159
TOTAL		23 147	15 670
<b>8. NET INCOME FROM FOREIGN EXCHANGE AND SECURITIES DEALING</b>			
Net income from structured products dealing		-	6
Net income from foreign exchange dealing		-16	-30
TOTAL		-16	-24
<b>9. INTEREST INCOME</b>			
From credit institutions		3	8
From public and public sector entities		15	16
Other interest income		5	4
TOTAL		22	28
<b>10. NET INCOME FROM AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>			
Profit distribution		2 032	4 480
Impairment losses		-1 198	-1 050
TOTAL		834	3 430
<b>11. OTHER OPERATING INCOME</b>			
Change in the conditional payment for a corporate acquisition		710	-
<b>12. FEE AND COMMISSION EXPENSES</b>			
Custody fees		-226	-252
Other fees		-17	-17
TOTAL		-243	-269
<b>13. INTEREST EXPENSES</b>			
To credit institutions		-	-59
Other interest expenses		-16	-10
TOTAL		-16	-69

**14. ADMINISTRATIVE EXPENSES**

2014

2013

Expenses related to employee benefits		
Short-term employee benefits		
Salaries and remunerations	-8 863	-6 324
Other indirect employee costs	-529	-257
Share-based payments	-152	-338
Benefits after end of employment		
Pension costs - payment based arrangements	-1 197	-1 134
<b>TOTAL</b>	<b>-10 741</b>	<b>-8 052</b>
Other administrative expenses		
Other personnel expenses	-283	-298
IT and connection costs	-604	-975
Other costs	-1 027	-990
<b>TOTAL</b>	<b>-1 914</b>	<b>-2 263</b>
<b>TOTAL</b>	<b>-12 655</b>	<b>-10 315</b>

**15. DEPRECIATIONS AND AMORTISATIONS**

Depreciations on tangible assets	-72	-36
Depreciations on intangible assets		
Customer agreements	-472	-1 103
Other intangible assets	-218	-249
<b>TOTAL</b>	<b>-763</b>	<b>-1 388</b>

**16. OTHER OPERATING EXPENSES**

Fees for advisory services	-43	-203
Fees for audit services	-169	-236
Auditing fees	-147	-187
Certificates	-5	-12
Tax consulting	-6	-9
Other services	-11	-28
Other expenses	-1 730	-1 696
Premises	-858	-798
Other costs	-872	-898
<b>TOTAL</b>	<b>-1 943</b>	<b>-2 135</b>

**17. INCOME TAXES**

Direct taxes for the review period	-2 019	-1 606
Change in deferred taxes	96	163
<b>TOTAL</b>	<b>-1 923</b>	<b>-1 443</b>
Deferred tax related items entered directly into equity	-119	642
Tax reconciliation		
Profit (loss) before tax	9 040	4 857
Tax calculated at parent company's tax rate	-1 808	-1 190

	2014	2013
Income not subjected to tax	0	0
Expenses not allowable for tax purposes	-58	-27
Change of parent company tax base	-	220
Consolidation procedures and eliminations	-56	-446
<b>TOTAL</b>	<b>-1 923</b>	<b>-1 443</b>

\*) Tax base for the parent company was 20,0% during 2014 and during 2013 24,5%. Deferred taxes have been calculated using tax bases legislated before the end of the financial year.

## 18. EARNINGS PER SHARE

Earnings for the period	7 101	3 487
Shares 1 000 shs *)	36 397	36 419
Earnings per share calculated from the profit of equity holders of the parent company:		
Earnings per share	0.20	0.10
Diluted earnings per share	0.19	0.09

\*) Calculated using the weighted average number of shares.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

1 000 EUR

2014

2013

### 19. RECEIVABLES FROM CREDIT INSTITUTIONS

Repayable on demand		
From domestic credit institutions	16 962	8 747
From foreign credit institutions	301	1 208
<b>TOTAL</b>	<b>17 263</b>	<b>9 955</b>

### 20. RECEIVABLES FROM PUBLIC AND PUBLIC ORGANISATIONS

Other than repayable on demand		
Companies and housing companies	-	1 300

### 21. SHARES

Investment available for sale		
Private equity investments		
Acquisition cost 1 Jan.	30 600	38 691
Increases	2 292	3 046
Decreases	-8 241	-8 928
Acquisition cost 31 Dec.	24 651	32 809
Change in value	3 807	-1 158
Write -down recorded as permanent	-1 198	-1 050
Carrying amount 31 Dec.	27 260	30 600
Financial securities		
Acquisition cost 1 Jan.	51	50
Increases	4 050	-
Decreases	-46	-
Acquisition cost 31 Dec.	4 055	50
Change in value	-4	1
Carrying amount 31 Dec.	4 051	51
Shares in associates		
Acquisition cost 1 Jan.	0	365
Increases	-	-
Decreases	-	-293
Acquisition cost 31 Dec.	0	71
Adjustment 1 Jan.		
Share of profit	-	-71
Adjustments 31. Dec.	0	-71
Shares in associates 31 Dec.	0	0

Finnreit Fund Management Company Ltd, associated company till 30 September 2013

## 22. TANGIBLE AND INTANGIBLE ASSETS

2014

2013

Tangible assets		
Machinery and equipment, Acquisition cost 1 Jan.	416	401
Increases	415	18
Decreases	-42	-3
Machinery and equipment, Acquisition cost 31 Dec.	789	416
Accumulated depreciation and impairment losses 1 Jan.	-308	-272
Depreciation for the period	-32	-36
Other impairment losses 31 Dec.	-341	-308
Tangible assets 31. Dec.	448	108
Other tangible assets 1 Jan.	8	8
Other tangible assets 31 Dec.	8	8
Other tangible assets		
Acquisition cost 1 Jan.	1 527	1 089
Increases	30	438
Decreases	-19	-
Acquisition cost 31 Dec.	1 538	1 527
Accumulated amortisation and impairment losses 1 Jan.	-953	-704
Depreciation for the period	-218	-249
Accumulated amortisation and impairment losses 31 Dec.	-1 171	-953
Other tangible assets 31 Dec.	367	574
Customer agreements		
Acquisition cost 1 Jan.	6 713	6 713
Increases	-	-
Acquisition cost 31 Dec.	6 713	6 713
Accumulated amortisation and impairment losses 1 Jan.	-5 379	-4 276
Depreciation for the period	-472	-1 103
Accumulated amortisation and impairment losses 31 Dec.	-5 851	-5 379
Customer agreements 31 Dec.	862	1 334
Intangible assets 31 Dec.	1 229	1 908
Goodwill acquisition cost 1 Jan.	25 212	22 353
Increases	-	2 860
Goodwill acquisition cost 31 Dec.	25 212	25 212
Brands 1 Jan.	4 000	4 000
Increases	-	-
Brands 31 Dec.	4 000	4 000
Intangible assets, carrying amount 31 Dec.	30 441	31 120

## Goodwill and value of the brands

eQ Plc has in its consolidated balance sheet goodwill generated from corporate acquisitions related to the asset management and corporate finance operations. The goodwill associated with the asset management operations is related to the acquisition of Finnreit Fund Management Company Ltd in September 2013, the acquisition of Icecapital Asset Management Ltd in November 2012, the acquisition of eQ Asset Management Group Ltd in March 2011, and the acquisition of Mandatum Private Equity Fund Ltd in December 2005. The goodwill associated with corporate finance operations is related to the acquisition of Advium Corporate Finance Ltd in March 2011.

Allocation of goodwill to cash-generating units, EUR million:	31 Dec. 2014	31 Dec. 2013
Asset Management	17.9	17.9
Corporate Finance	7.3	7.3

Additionally, a total of EUR 4.0 million concerning asset management and corporate finance operations has been allocated to intangible assets by calculating fair values for the acquired brands. In connection with the acquisition of eQ Asset Management Group Ltd, EUR 2.0 million was allocated to the eQ brand by calculating a fair value for the brand. In connection with the acquisition of Advium Corporate Finance Ltd, EUR 2.0 million was allocated to the Advium brand by calculating a fair value for the brand. The useful lives of the brands have been deemed as unlimited, as their strong recognisability supports the management's view that they will generate cash flows during a period of time that cannot be defined.

Allocation of brands to cash-generating units, EUR million:	31 Dec. 2014	31 Dec. 2013
Asset Management	2.0	2.0
Corporate Finance	2.0	2.0

## Impairment testing

No depreciation is booked for intangible assets that have an unlimited useful life but they are tested annually for impairment. For the testing of impairment, the recoverable amount of the asset item has been defined by calculating the asset items' value in use. The calculations are based on five-year cash flow plans approved by the management.

The income cash flows of asset management are based on assets that are managed under asset management agreements. The development of the assets under management and the income cash flow of asset management operations depend essentially on the development of the capital market. The income cash flow of the corporate finance operations is markedly influenced by success fees, which are dependent on the number of corporate and real estate transactions. These vary considerably within one year and are dependent on economic trends. The estimate on the income cash flow of the corporate finance operations is based on the management's view on the number of future transactions. The future expense cash flows of the impairment calculations are based on the Group management's cost estimates for the future.

Cash flow that extends beyond the five-year prognosis period has been calculated by using the so-called final value method, in which the management's conservative estimate on the long-term growth of the cash flow has been applied when defining growth. An annual growth of 1% has been used as the growth factor of the final value.

In the calculations, the management uses as discount rate before taxes, which reflects the view on the time value of money and the special risks related to the asset item. In 2014, the discount rate was 9% (10% in 2013). The impairment tests show no indication of decrease in value.

## Sensitivity analysis

The impairment test calculations have been subjected to sensitivity analyses by using poorer scenarios than the actual prognoses. With these scenarios, we wanted to study the change of the value in use by changing the basic assumptions of value definition. The future income and expense cash flows, discount

rate and growth speed of the final value were changed in the sensitivity analyses. The scenarios were formed by changing the assumptions as follows:

- by using annually an income cash flow that is 15% lower than the original prognosis at the most
- by using annually an expense cash flow that is 15% higher than the original prognosis at the most
- by using 0% growth in the final value calculations
- by using a 4% higher discount rate at the most

Based on the sensitivity analyses, none of the scenarios alone changes the recoverable amount to such an extent that it would lead to a situation where the book value exceeds the value in use. Based on the impairment tests conducted, there is no need to make any impairment write-downs. The management feels that the above-described theoretical changes made in the basic assumptions of the scenarios should not be interpreted as any proof for their likelihood. Sensitivity analyses are hypothetical and must therefore be treated with certain reservation.

As for corporate finance operations, a relatively possible change in the central assumption, based on which the recoverable amount has been defined, can result in a situation where the book value of goodwill and brand value exceeds the recoverable amount. If the operating profit level of the corporate finance operations is 73% lower than in 2014 or if the operating profit level is not at least 104% higher than in 2013 each year during the following five-year period, partial write-down of goodwill is possible. The corporate finance operations' value in use exceeds the book value of the goodwill and brand in the 2014 goodwill test by EUR 13.5 million. The result of the corporate finance operations is markedly influenced by success fees, which are dependent on the number of corporate and real estate transactions. These vary considerably within one year and are dependent on economic trends.

## 23. OTHER ASSETS

	2014	2013
Sales receivable	3 220	950
Other receivable	2 149	1 264
TOTAL	5 368	2 214

Sales receivable EUR 3 220 thousand, age distribution: less than 30 days.

## 24. ACCRUALS AND PREPAID EXPENDITURE

Interest receivable	-	11
Other accruals	1 050	1 635
TOTAL	1 050	1 647

Accruals include pension contribution EUR 59 thousand.

**25. DEFERRED TAX ASSETS AND LIABILITIES**

2014

2013

Deferred tax assets		
Changes in fair value	257	527
Deferred tax assets	257	527
Deferred tax liabilities		
Contracts	172	154
Changes in fair value	567	345
Other differences	115	233
Deferred tax liabilities	854	732
Deferred tax assets (-) / tax liabilities (+), net	597	206

The deferred tax asset is booked until it is probable that there will be future taxable income, against which unused tax losses can be utilized. The eQ Group has 1.8 million (EUR 2,8 million 31 Dec 2013) confirmed losses in taxation from which deferred tax asset is not booked as it is not probable that the Group will have taxable income of which these are available to use. Tax losses are related to foreign Icecapital companies acquired in 2012. There is no expiration date for the losses.

**26. OTHER LIABILITIES**

Accounts payable	448	221
Other liabilities	2 438	2 397
TOTAL	2 886	2 618

**27. ACCRUALS AND PREPAYMENTS**

Other accruals	4 029	2 382
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**28. ASSETS AND LIABILITIES DENOMINATED IN DOMESTIC AND FOREIGN CURRENCY**

31 Dec. 2014	EUR	Other than EUR	Total
Balance sheet items			
Receivables from credit institutions	16 886	378	17 263
Receivables from public and public institutions	-	-	0
Other assets	66 812	2 577	69 389
TOTAL	83 697	2 955	86 652
Liabilities to credit institutions			
Other liabilities	9 141	42	9 183
TOTAL	9 141	42	9 183

31 Dec. 2013	EUR	Other than EUR	Total
Balance sheet items			
Receivables from credit institutions	9 625	329	9 955
Receivables from public and public institutions	1 300	-	1 300
Other assets	61 596	4 803	66 399
TOTAL	72 521	5 132	77 653
Liabilities to credit institutions	-	-	-
Other liabilities	5 515	349	5 863
TOTAL	5 515	349	5 863



## 29. FINANCIAL ASSETS AND LIABILITIES

2014	Carrying amount	Financial inc./exp.	Gains/ losses	Impairment losses	Dividends
<b>FINANCIAL ASSETS</b>					
Financial assets available for sale	31 311	4	2 032	-1 198	-
Loans	-	15	-	-	-
Sales receivable and other receivable	3 220	-	-	-	-
Cash	17 283	3	-	-	-
<b>TOTAL</b>	<b>51 813</b>	<b>18</b>	<b>2 032</b>	<b>-1 198</b>	<b>-</b>
<b>FINANCIAL LIABILITIES</b>					
Financial liabilities to institutions	-	-	-	-	-
Accounts payable and other liabilities	448	0	-	-	-
<b>TOTAL</b>	<b>448</b>	<b>0</b>			

2013	Carrying amount	Financial inc./exp.	Gains/ losses	Impairment losses	Dividends
<b>FINANCIAL ASSETS</b>					
Financial assets available for sale	30 652	-	4 480	-1 050	-
Loans	1 300	16	-	-	-
Sales receivable and other receivable	950	-	-	-	-
Cash	9 982	8	-	-	-
<b>TOTAL</b>	<b>42 883</b>	<b>24</b>	<b>4 480</b>	<b>-1 050</b>	<b>-</b>
<b>FINANCIAL LIABILITIES</b>					
Financial liabilities to institutions	-	-59	-	-	-
Accounts payable and other liabilities	221	-1	-	-	-
<b>TOTAL</b>	<b>221</b>	<b>-60</b>	<b>-</b>	<b>-</b>	<b>-</b>

EUR 4 million credit limit is available for eQ Group of which EUR 0 is drawn at end of financial year 2014.

## 29. FAIR VALUES

	2014		2013	
	Fair value	Carrying amount	Fair value	Carrying amount
<b>FINANCIAL ASSETS</b>				
Financial assets available for sale				
Private equity investments	27 260	27 260	30 600	30 600
Financial securities	4 051	4 051	51	51
Loans	-	-	1 300	1 300
Sales receivable and other receivable	3 220	3 220	950	950
Cash	17 283	17 283	9 982	9 982
<b>TOTAL</b>	<b>51 813</b>	<b>51 813</b>	<b>42 883</b>	<b>42 883</b>

	2014		2013	
	Fair value	Carrying amount	Fair value	Carrying amount
<b>FINANCIAL LIABILITIES</b>				
Financial liabilities to institutions	-	-	-	-
Accounts payable and other liabilities	448	448	221	221
<b>TOTAL</b>	<b>448</b>	<b>448</b>	<b>221</b>	<b>221</b>

In the table above are presented fair values and carrying amounts of financial assets and liabilities. The detailed measurement bases of financial assets and liabilities are disclosed in Accounting Policy. Original carrying amount of sales receivables and accounts payable corresponds to the fair value as the effect of the discounting is not material considering maturity.

### 31. FAIR VALUE HIERARCHY OF FINANCIAL ASSETS AT FAIR VALUE

31 Dec. 2014	Level 1	Level 3
Available-for-sale financial assets		
Private equity investments	-	27 260
Financial securities	4 051	-
TOTAL	4 051	27 260

Level 3 - Reconciliation

Available-for-sale financial assets	Private equity investments	Financial securities	Total
Acquisition cost 1. Jan	30 600	46	30 652
Capital calls	2 292	-	2 292
Capital returns	-8 241	-46	-8 241
Write-down	-1 198	-	-1 198
Fair value change	3 807	-	3 807
Acquisition cost 31. Dec	27 260	0	27 260

31 Dec. 2013	Tier 1	Tier 3
Available-for-sale financial assets		
Private equity investments	-	30 600
Financial securities	5	46
TOTAL	5	30 647

Level 3 - Reconciliation

Available-for-sale financial assets	Private equity investments	Financial securities	Total
Acquisition cost 1. Jan	38 691	45	38 736
Capital calls	3 046	-	3 046
Capital returns	-8 928	-	-8 928
Write-down	-1 050	-	-1 050
Fair value change	-1 158	1	-1 158
Acquisition cost 31. Dec	30 600	46	30 647

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 investments are valued in accordance with a practice widely used in the sector, International Private Equity and Venture Capital Guidelines. The impairment losses of private equity investments are based on the management's assessment, as described in the principles for preparing the financial statements. During the period under review, no transfers took place between the levels of the fair value hierarchy

## 32. PRIVATE EQUITY INVESTMENTS

	Market Value		Acquisition cost		Unrealised value change*	
	2014	2013	2014	2013	2014	2013
Funds managed by eQ:						
Funds of Fund:						
eQ PE VI North LP	456	491	398	419	58	72
Amanda V East LP	1 737	1 573	1 803	1 553	-66	20
Amanda IV West LP	3 790	2 930	3 186	3 017	604	-86
Amanda III Eastern PE LP	8 107	7 556	6 934	6 728	1 174	829
European Fund Inv. LP (EFI II)	324	361	358	415	-34	-54
First Eur. Fund Inv. UK LP	0	3	0	223	0	-220
<b>TOTAL</b>	<b>14 414</b>	<b>12 915</b>	<b>12 678</b>	<b>12 355</b>	<b>1 736</b>	<b>560</b>
Funds managed by others:						
Large buyout funds	7 729	9 564	7 455	10 850	274	-1 286
Midmarket funds	3 806	6 691	4 979	8 823	-1 174	-2 133
Venture funds	1 311	1 430	1 550	1 781	-239	-351
<b>TOTAL</b>	<b>27 260</b>	<b>30 600</b>	<b>26 663</b>	<b>33 810</b>	<b>597</b>	<b>-3 210</b>

\*Unrealised value change before taxes

Investment commitment	2014	2013
Funds managed by eQ:		
Fund of Fund:		
eQ PE VI North LP	4 550	2 581
Amanda V East LP	2 870	3 120
Amanda IV West LP	934	1 609
Amanda III Eastern PE LP	770	1 412
European Fund Inv. LP (EFI II)	31	37
First Eur. Fund Inv. UK LP	0	35
<b>TOTAL</b>	<b>9 155</b>	<b>8 793</b>
Funds managed by others:		
Large buyout funds	534	1 120
Midmarket funds	1 141	1 214
Venture funds	115	115
<b>TOTAL</b>	<b>10 945</b>	<b>11 242</b>

Market value of private equity fund investments based on the year of establishment	2014	2013
-2000	1 016	1 303
2001-2005	3 407	6 281
2006-2010	22 381	22 526
2011-	456	491
<b>TOTAL</b>	<b>27 260</b>	<b>30 600</b>

Remaining invest commitments of private equity fund investments based on the year of establishment	2014	2013
-2000	187	222
2001-2005	849	1 181
2006-2010	5 359	7 257
2011-	4 550	2 581
<b>TOTAL</b>	<b>10 945</b>	<b>11 242</b>

### 33. EQUITY

#### Description of equity funds:

##### Reserve for invested unrestricted equity

Reserve for invested unrestricted equity includes other investments of equity nature and part of subscription price that is not specifically recognized in share capital.

##### Fair value reserve

Fair value reserve includes accumulated fair value changes of available-for-sale-financial-assets and deferred taxes related to these changes.

##### Translation differences

Translation differences includes items from the translation of foreign currency subsidiaries.

### 34. OBLIGATIONS

	2014	2013
eQ's remaining commitments to private equity funds were	10 945	11 169
Leasing and rental commitments not later than one year	765	331
Leasing and rental commitments later than one year and not later than five years.	2 874	68
<b>TOTAL</b>	<b>14 584</b>	<b>11 569</b>

eQ Group has issued a security for a lease with a balance sheet value of EUR 0.2 million. The security, which has been issued as a share in a mutual fund, is included in financial securities under available-for-sale financial assets on the balance sheet.

### 35. RELATED PARTY DISCLOSURES

The Group's related parties are the parent company, subsidiaries, associated companies as well as the members of the Board and Management Team, including the CEO. The spouses and other close relatives of the above-mentioned persons are also regarded as related parties. Entities in which said persons exercise control are also considered related parties. The members of the Board, CEO and the Group's Management Team are regarded as key management personnel.

<b>Fee and remuneration of the Management Team, 1 000 EUR</b>	<b>2014</b>	<b>2013</b>
Fees and remunerations of the CEO	234	240
Fee and remuneration of the Management Team	547	547

The retirement age and pension of the CEO and other members of the Management Team are determined in accordance with the Finnish Employees Pensions Act. The CEO and other members of the Management Team do not have a supplementary pension scheme.

<b>Statutory pensions</b>	<b>2014</b>	<b>2013</b>
Statutory pensions of the CEO	44	43
Statutory pensions of the Management Team	102	100

Management has been granted 900 000 option rights of which 450 000 to the CEO. At the end of the financial year 2014 total of 270 000 options granted to the group management were used.

The Board of Directors has no share based remuneration or other bonus schemes. The Annual General Meeting of Shareholders held on 27 March, 2014: remuneration of EUR 3 300 per month was paid to the Chairman of the Board and EUR 1 800 per month to the members of the Board of Directors.

## Loans to related parties

Loans to key employees of the Group, 1 000 EUR

	2014	2013
1 Jan.	1 300	1 336
Issued during the financial year	-	-
Repayment	-1 300	-36
31 Dec.	0	1 300

On 4 September 2012, eQ Plc's Board of Directors decide to grant an interest-bearing loan in the amount of EUR 1.3 million to a company wholly owned by Mikko Koskimies, who had been appointed Managing Director of eQ Asset Management Ltd and member of eQ Group's Management Team for financing a purchase of shares in eQ Plc as part of the management's long-term incentive scheme. The loan was fully repaid to the company during the financial period 2014.

Transactions with the related parties, 1 000 EUR

Associated companies - Finnreit Fund Management Company Ltd until 30 Sep. 2013	2014	2013
Sales	-	156
Receivable	-	-

Other transactions with related party	2014	2013
Sales	166	136
Receivable	10	9

\*eQ Group has offered persons belonging to the related party and the entities that they control asset management services. Normal market terms are applied to transactions with the related party.

## The ownership of the Management Team and the members of the Board of Directors in eQ Plc as of 31 December 2014

The table below shows the personal ownership of the members of the Board and the Management Team and those companies in which they have a sole control.

	Shares	%
Johansson, Ole	150 000	0.41
Berner, Nicolas	30 000	0.08
Dahlblom, Christina	0	0.00
Ehrnrooth, Georg*	6 163 335	16.78
Seppälä, Jussi	75 000	0.20
Larma, Janne	4 842 635	13.19
Jåfs, Staffan	10 089	0.03
Koskimies, Mikko	1 200 000	3.27
Lundström, Lauri	400 000	1.09
Surve, Juha	45 000	0.12

\* Georg Ehrnrooth together with his brothers Henrik Ehrnrooth and Carl-Gustaf Ehrnrooth, holds a controlling interest in Fennogens Investments S.A.

### 36. SUBSIDIARIES

The Group includes following companies at the end of the year.

Company	Country	Group holding, %
eQ Asset Management Ltd	Finland	100
eQ Fund Management Company Ltd	Finland	100
eQ Life Ltd	Finland	100
eQ Asset Management Norway AS	Norway	100
Advium Corporate Finance Ltd	Finland	100
Amanda GP I and II Ltd.	Finland	100
Amanda III Eastern GP Ltd	Finland	100
Amanda IV West GP Ltd	Finland	100
Amanda V East GP Ltd	Finland	100
eQ PE VI North GP Ltd	Finland	100
eQ PE Value I GP Ltd	Finland	100
CCF PE GP Ltd	Finland	100
Nordic Venture Managers Limited	Guernsey	100
EFI II GP Limited	Scotland	100

### 37. SHARES IN ENTITIES NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

eQ Group has investment commitments in the following private equity funds in form of limited partnerships that are under the Group's management and that have not been consolidated in eQ Group as subsidiaries. eQ Group's shares in structured entities that are not consolidated as subsidiaries had a total market value of EUR 14.4 million on 31 December 2014 (EUR 12.9 million on 31 Dec.2013). In 2014, the Group has received from said funds management fees totalling EUR 3.5 million (EUR 3.2 million 1 Jan. to 31 Dec. 2013) and a profit distribution from own investments totalling EUR 0.4 million (EUR 1.0 million). eQ has assessed that it does not exercise control in said private equity funds based on the size of eQ's own investment commitment compared with the size of the fund, exposure to the fund's variable income and the right to manage significant functions. These private equity fund investments are included in available-for-sale investments on the balance sheet. The presented balance sheet values describe the possible maximum loss to which eQ Group is exposed. eQ Group has not given any other commitments on financial support nor does the Group currently have any intention of giving financial support to the structured entities not included in the consolidated financial statements in the foreseeable future. The private equity funds have been financed with investment commitments by investors. More information about eQ Group's risks related to private equity investments can be found in Note 2.

1 000 EUR

31 Dec 2014	Size of the fund	eQ's original commitment	Market value of eQ's investment	Acquisition cost of eQ's investment	eQ's remaining commitment
eQ PE VI North LP	100 000	5 000	456	398	4 550
Amanda V East LP	50 000	5 000	1 737	1 803	2 870
Amanda IV West LP	90 000	5 000	3 790	3 186	934
Amanda III Eastern PE LP	110 200	10 000	8 107	6 934	770
Eur. Fund Inv. LP (EFI II)	88 000	880	324	358	31
Total	438 200	25 880	14 414	12 678	9 155

31 Dec 2013	Size of the fund	eQ's original commitment	Market value of eQ's investment	Acquisition cost of eQ's investment	eQ's remaining commitment
eQ PE VI North LP	34 000	3 000	491	419	2 581
Amanda V East LP	50 000	5 000	1 573	1 553	3 120
Amanda IV West LP	90 000	5 000	2 930	3 017	1 609
Amanda III Eastern PE LP	110 200	10 000	7 556	6 728	1 412
Eur. Fund Inv. LP (EFI II)	88 000	880	361	415	37
EFI I LP	88 000	880	3	223	35
Total	460 200	24 760	12 915	12 355	8 793

” In June, eQ closed the eQ PE VI North Fund, which has an investment capacity of EUR 130 million together with the parallel investment programme



## INCOME STATEMENT, PARENT COMPANY (FAS)

EUR	Note no.	2014	2013
Fee and commission income, net	2	76 800.00	75 900.00
Income from equity investments			
From subsidiaries	3	2 456 011.00	1 577 000.00
Interest income	4	17 330.78	16 244.86
Net income from available-for-sale financial assets	5	1 011 786.52	3 328 820.40
<b>INVESTMENT COMPANY INCOME</b>		<b>3 561 928.30</b>	<b>4 997 965.26</b>
Fee and commission expenses	6	-317 000.00	-400 000.00
Interest cost	7	-32 593.52	-117 824.83
Administrative expenses		-1 220 638.15	-1 277 109.17
Personnel expenses	8	-976 994.67	-982 057.44
Salaries and remunerations		-822 152.23	-821 204.23
Indirect employee costs		-154 842.44	-160 853.21
Pension costs		-135 887.71	-141 621.61
Other indirect employee costs		-18 954.73	-19 231.60
Other administrative expenses	9	-243 643.48	-295 051.73
Depreciations or amortisations on tangible and intangible assets	10	-34 134.13	-25 978.96
Other operative expenses	11	-314 857.30	-317 486.78
Impairment losses from other financial assets	12	-696 074.10	-387 966.50
<b>OPERATING PROFIT</b>		<b>946 631.10</b>	<b>2 471 599.02</b>
Income taxes	13	-1 521 162.77	-335 863.42
<b>PROFIT AFTER TAXES</b>		<b>-574 531.67</b>	<b>2 135 735.60</b>
Extraordinary income and expenses		7 850 000.00	-
<b>PROFIT (LOSS) FOR THE FINANCIAL YEAR</b>		<b>7 275 468.33</b>	<b>2 135 735.60</b>



## BALANCE SHEET, PARENT COMPANY (FAS)

EUR	Note no.	31 Dec. 2014	31 Dec. 2013
<b>ASSETS</b>			
Receivables from credit institutions			
Repayable on demand	14	6 985 955.37	4 868 048.19
Receivables from public and public organizations			
Other	15	19 277.51	1 319 277.51
Shares and investments	16, 25	30 478 493.21	30 238 128.89
Shares in group companies	16	28 660 035.33	32 866 045.43
Intangible assets	17	17 585.55	37 238.19
Tangible assets			
Other Intangible assets	17	58 651.54	22 588.32
Other assets	18	8 287 848.54	595 875.94
Accruals and prepaid expenditure	19	108 732.42	112 804.33
Deferred tax assets	20	257 109.32	471 754.54
<b>TOTAL ASSETS</b>		<b>74 873 688.79</b>	<b>70 531 761.34</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Liabilities to public and public institutions			
Other		1 300 000.00	3 800 000.00
Other liabilities			
Other liabilities	21	1 583 272.21	216 719.30
Accruals and deferred income	22	128 225.03	159 576.53
Deferred tax liabilities	20	570 864.22	344 760.17
<b>TOTAL LIABILITIES</b>		<b>3 582 361.46</b>	<b>4 521 056.00</b>
<b>EQUITY</b>			
Share capital	26	11 383 873.00	11 383 873.00
Restricted equity			
Fair value reserve		502 885.88	-2 348 679.48
Unrestricted equity			
Invested unrestricted equity		51 092 880.66	50 312 180.66
Retained earnings		1 036 219.46	4 527 595.56
Profit (loss) for the financial year		7 275 468.33	2 135 735.60
<b>TOTAL EQUITY</b>		<b>71 291 327.33</b>	<b>66 010 705.34</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>74 873 688.79</b>	<b>70 531 761.34</b>

## CASH FLOW STATEMENT, PARENT COMPANY (FAS)

EUR 1 000	2014	2013
<b>CASH FLOW FROM OPERATIONS</b>		
Operating profit	8 797	2 472
Adjustments:		
Depreciation and amortisations	1 707	1 464
Interests received	-17	-16
Interests paid	33	118
Dividends received	-2 456	-1 577
Transactions with no related payment transactions	-7 850	-
Available-for-sale investments, change	2 350	5 726
Change in working capital		
Business receivables, increase (-) decrease (+)	1 462	617
Non-interest-bearing liabilities, increase (+) decrease (-)	-47	159
Total change in working capital	1 415	776
Cash flows from operations before financial items and taxes	3 978	8 962
Interests received	17	16
Interests paid	-33	-118
Dividends received	2 456	986
Taxes	-414	-815
<b>CASH FLOW FROM OPERATIONS</b>	<b>6 005</b>	<b>9 032</b>
<b>CASH FLOW FROM INVESTMENTS</b>		
Investing activities to tangible and intangible assets	-51	-4
Investing activities to investments	1 010	126
<b>CASH FLOW FROM INVESTMENTS</b>	<b>959</b>	<b>122</b>
<b>CASH FLOW FROM FINANCING</b>		
Dividends paid	-5 466	-4 373
Share issue	781	291
Annulment of own shares	-161	-
Loans obtained	-	1 300
Repayment of borrowings	-	-4 000
<b>CASH FLOW FROM FINANCING</b>	<b>-4 846</b>	<b>-6 782</b>
Increase/decrease in liquid assets	2 118	2 372
Liquid assets 1 Jan.	4 868	2 496
Liquid assets 31 Dec.	6 986	4 868

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

## 1. PRINCIPLES FOR PREPARING THE FINANCIAL STATEMENTS

### General

When preparing the financial statements, the company has followed the Ministry of Finance Decree on financial statements and consolidated financial statements of credit institutions and investment firms (698/2014) and the Financial Supervision Authority's regulations on accounting, financial statements, and report by the Board of Directors for the financial sector (1/2013).

### Valuation principles and methods as well as periodization principles and methods

Fee and commission income is recorded when the income can be defined in a reliable manner and it is likely that the company benefits from the financial advantage related to the transaction. Dividend income is recorded when the right to the dividend has arisen.

Interest income and expenses are recorded based on time by using the effective interest method and taking into account all contractual terms of the financial instrument. Interests that have not been received on the closing date are recorded as interest income and receivable among accruals and the unpaid interests as interest expenses and liabilities among accrued expenses.

The profit distribution of the private equity fund investments made by eQ Plc is recorded among the net income from available-for-sale financial assets.

The financial assets are classified into the following categories in accordance with IAS 39 Financial instruments, recognition and measurement: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets have been acquired, and they are classified in connection with the original acquisition. All purchases and sales of financial assets are recorded on the transaction day.

The available-for-sale financial assets are valued at acquisition price. Later valuation is made at fair value. The unrealised value adjustments arising from valuation at fair value are included in the shareholders' equity under the fair value reserve. If available-for-sale financial assets are sold or if their value has decreased permanently and significantly, the profit and loss is recorded in the income statement as net income from available-for-sale financial assets. eQ Plc's private equity investments are classified as available-for-sale financial assets.

Loans and other receivables are financial assets where the related payments are fixed or can be defined. They are valued at the periodized acquisition cost using the effective interest method. Impairment is recorded through profit and loss when there is reliable proof that the company cannot recover its receivables according to the original terms.

### Depreciation principles

Tangible and intangible assets are entered in the balance sheet at acquisition cost less depreciation according to plan and impairment. The depreciation according to plan is calculated as straight-line depreciation based on the useful life of tangible and intangible assets. Depreciation has been calculated from the month the assets were taken into use. The depreciation period of intangible assets is 3 to 10 years and that of machinery and equipment 4 to 10 years.

### Foreign currency items

The receivables and debts in foreign currencies have been translated to euros according to the rate prevailing on the balance sheet day.

## NOTES TO THE INCOME STATEMENT OF THE PARENT COMPANY (FAS)

EUR 1 000	2014	2013
<b>2. FEE AND COMMISSION INCOME</b>		
Other activity	77	76
<b>3. INCOME FROM EQUITY INVESTMENTS</b>		
Dividend from group companies	2 456	1 577
<b>4. INTEREST INCOME</b>		
Receivables from credit institutions	0	-
Receivables from public and public institutions	15	16
Other interest income	3	0
<b>TOTAL</b>	<b>17</b>	<b>16</b>
<b>5. NET INCOME FROM AVAILABLE-FOR-SALE FINANCIAL ASSETS</b>		
From disposal of financial assets	1 989	4 379
From impairment losses	-977	-1 050
<b>TOTAL</b>	<b>1 012</b>	<b>3 329</b>
<b>6. FEE AND COMMISSION EXPENSES</b>		
Other fees - Management of investments eQ Asset Management	-300	-400
Limit fees	-17	-
<b>TOTAL</b>	<b>-317</b>	<b>-400</b>
<b>7. INTEREST COSTS</b>		
Liabilities to credit institutions	-	-59
To group companies	-32	-57
Other interest cost	0	-2
<b>TOTAL</b>	<b>-33</b>	<b>-118</b>
<b>8. STAFF COSTS</b>		
Salaries and remunerations	-822	-821
Pension costs	-136	-142
Other indirect employee costs	-19	-19
<b>TOTAL</b>	<b>-977</b>	<b>-982</b>
Staff during the financial period - permanent	7	9
Change during financial period	-1	1

**9. OTHER ADMINISTRATIVE EXPENSES** 2014      2013

Other personnel expenses	-52	-63
IT and connection costs	-58	-102
Other administrative expenses	-134	-131
<b>TOTAL</b>	<b>-244</b>	<b>-295</b>

**10. DEPRECIATIONS AND AMORTISATIONS**

Depreciations and amortisations on tangible and intangible assets	-34	-26
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Depreciation specification to balance sheet item is included under intangible and tangible assets.

**11. OTHER OPERATING COSTS**

Fees for advisory services	0	-16
Fees for audit services	-42	-72
Auditing fees	-27	-34
Tax consulting	-4	-9
Other fees	-11	-30
Premises and other rent costs	-109	-83
Other expenses	-163	-146
<b>TOTAL</b>	<b>-315</b>	<b>-317</b>

**12. IMPAIRMENT LOSSES FROM OTHER FINANCIAL ASSETS**

eQ Group shares	-696	-388
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**13. INCOME TAXES**

Income taxes for period		
Income taxes from the operations	-391	-815
Deferred taxes	-1 131	479
<b>TOTAL</b>	<b>-1 521</b>	<b>-336</b>

## NOTES TO THE BALANCE SHEET OF THE PARENT COMPANY (FAS)

EUR 1 000	2014	2013
<b>14. RECEIVABLES FROM CREDIT INSTITUTIONS</b>		
Repayable on demand		
From domestic credit institutions	6 986	4 868
<b>15. RECEIVABLES FROM PUBLIC AND PUBLIC INSTITUTIONS</b>		
Other than repayable on demand		
Companies and housing companies	19	1 319
<b>16. SHARES AND INVESTMENTS</b>		
Shares and investments		
Available-for-sale: Private equity investments	26 936	30 236
Available-for-sale: Units in mutual funds	3 517	-
Other shares	25	3
Shares and investments in Group companies	28 660	32 866
TOTAL	59 139	63 104
- Of which acquisition cost	28 685	32 869
<b>17. INTANGIBLE AND TANGIBLE ASSETS</b>		
Intangible rights		
Acquisition cost 1 Jan.	130	126
Increases	-	4
Acquisition cost 31 Dec.	130	130
Accumulated amortisation and impairment losses 1 Jan.	-93	-72
Amortisation for the period	-20	-21
Accumulated amortisation and impairment losses 31 Dec.	-113	-93
Carrying amount 31 Dec.	18	37
Machinery and equipment		
Acquisition cost 1 Jan.	158	158
Increases	51	-
Decreases	-10	-
Acquisition cost 31 Dec.	199	158
Accumulated amortisation and impairment losses 1 Jan.	-136	-131
Depreciation for the period	-4	-5
Accumulated amortisation and impairment losses 31 Dec.	-140	-136
Carrying amount 31 Dec.	59	23

## 18. OTHER ASSETS 2014      2013

From group companies	8 288	591
Other receivables	0	5
<b>TOTAL</b>	<b>8 288</b>	<b>596</b>

## 19. ACCRUALS AND PREPAID EXPENDITURE

Interest receivables	-	11
Other accruals	109	101
<b>TOTAL</b>	<b>109</b>	<b>113</b>

## 20. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets		
Changes in fair value	257	472
Deferred tax assets	257	472
Deferred tax liabilities		
Changes in fair value	571	345
Deferred tax liabilities	571	345
Deferred tax assets (-) / tax liabilities (+), net	314	-127

## 21. OTHER LIABILITIES

Accounts payable	91	102
Other liabilities	1 493	115
<b>TOTAL</b>	<b>1 583</b>	<b>217</b>

## 22. ACCRUALS

Other accruals	128	160
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## 23. ASSETS AND LIABILITIES DENOMINATED IN DOMESTIC AND FOREIGN CURRENCY

31 Dec. 2014	EUR	Other than EUR	Total	From Group companies
Balance sheet items				
Receivables from credit institutions	6 986	-	6 986	-
Receivables from public and public institutions	19	-	19	-
Other assets	65 629	2 240	67 868	36 948
<b>TOTAL</b>	<b>72 634</b>	<b>2 240</b>	<b>74 874</b>	<b>36 948</b>
Liabilities to public and public institutions	1 300	-	1 300	1 300
Other liabilities	2 282	-	2 282	93
<b>TOTAL</b>	<b>3 582</b>	<b>-</b>	<b>3 582</b>	<b>1 393</b>

31 Dec. 2013	EUR	Other than EUR	Total	From Group companies
Balance sheet items				
Receivables from credit institutions	4 868	-	4 868	-
Receivables from public and public institutions	1 319	-	1 319	-
Other assets	59 632	4 712	64 344	33 457
<b>TOTAL</b>	<b>65 820</b>	<b>4 712</b>	<b>70 532</b>	<b>33 457</b>
Liabilities to public and public institutions	3 800	-	3 800	3 800
Other liabilities	721	-	721	72
<b>TOTAL</b>	<b>4 521</b>	<b>-</b>	<b>4 521</b>	<b>3 872</b>

## 24. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

	2014		2013	
	Fair value	Carrying amount	Fair value	Carrying amount
Financial assets				
Receivables from credit institutions	6 986	6 986	4 868	4 868
Receivables from public and public institutions	19	19	1 319	1 319
Shares and investments	30 478	30 478	30 238	30 238
Shares in group companies	28 660	28 660	32 866	32 866
<b>TOTAL</b>	<b>66 144</b>	<b>66 144</b>	<b>69 292</b>	<b>69 292</b>
Liabilities to public and public institutions	1 300	1 300	3 800	3 800
<b>TOTAL</b>	<b>1 300</b>	<b>1 300</b>	<b>3 800</b>	<b>3 800</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.

## 25. VALUE OF FINANCIAL INSTRUMENTS ACROSS THE THREE LEVELS OF THE FAIR VALUE HIERARCHY

31 Dec. 2014	Level 1	Level 3
Available-for-sale financial assets		
Private equity investments	-	26 936
Financial securities	3 542	-
<b>TOTAL</b>	<b>3 542</b>	<b>26 936</b>

### Level 3 - Reconciliation - Available-for-sale financial assets

	Private equity investments
Opening balance on 1 Jan. 2014	30 236
Calls and returns	-5 889
Impairment loss	-977
Change in fair value	3 567
Closing balance on 31 Dec. 2014	26 936

31 Dec. 2013	Level 1	Level 3
Available-for-sale financial assets		
Private equity investments	-	30 236
Financial securities	3	-
<b>TOTAL</b>	<b>3</b>	<b>30 236</b>

### Level 3 - Reconciliation - Available-for-sale financial assets

	Private equity investments
Opening balance on 1 Jan. 2013	38 130
Calls and returns	-5 724
Impairment loss	-1 050
Change in fair value	-1 118
Closing balance on 31 Dec. 2013	30 236

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 investments are valued in accordance with a practice widely used in the sector, International Private Equity and Venture Capital Guidelines. The impairment losses of private equity investments are based on the management's assessment, as described in the principles for preparing the financial statements.



## 26. SHAREHOLDERS' EQUITY

2014

2013

Share capital 1 Jan.	11 384	11 384
Share capital 31 Dec.	11 384	11 384
Fair value reserve 1 Jan.	-2 349	-1 307
Increase	2 852	-1 042
Fair value reserve 31 Dec.	503	-2 349
Restricted equity	11 887	9 035
Invested unrestricted equity 1 Jan.	50 312	50 021
Increase	781	291
Invested unrestricted equity 31 Dec.	51 093	50 312
Retained earnings 1 Jan.		
Profit brought forward	6 663	8 899
Dividends	-5 466	-4 373
Annulment of own shares	-161	-
Other changes	-	2
Retained earnings 31 Dec.	1 036	4 528
Profit for the financial year	7 275	2 136
Non-restricted equity	59 405	56 976
Shareholders' Equity 31 Dec.	71 291	66 011
Calculation of distributable earnings 31 Dec.		
Retained earnings 1 Jan.	1 036	4 528
Profit for the financial year	7 275	2 136
Invested unrestricted equity	51 093	50 312
Distributable earnings	59 405	56 976

The share capital of the company consists of 36 727 198 shares. All share carry one vote.

## OTHER NOTES OF THE PARENT COMPANY

### 27. PLEDGES, MORTGAGES AND OBLIGATIONS (EUR 1 000)

	31 Dec. 2014	31 Dec. 2013
Remaining commitments to private equity funds	10 914	11 169
Leasing and rental commitments not later than one year	735	37
Leasing and rental commitments later than one year and not later than five years	2 837	3
TOTAL	14 486	11 209





## SHARES AND SHAREHOLDERS

Major shareholders	Number of shares	Share of shares and votes, %
Fennogens Investements SA	6 088 335	16.58
Chilla Capital	4 556 664	12.41
Ulkomarkkinat Oy	3 779 286	10.29
Veikko Laine Oy	3 672 802	10.00
Oy Hermitage Ab	2 295 693	6.25
Mandatum Henkivakuutusosakeyhtiö	2 053 296	5.59
Fazer Jan Peter	1 519 774	4.14
Oy Cevante Ab	1 419 063	3.86
Teamet Oy	1 200 000	3.27
Louko Antti Jaakko	747 918	2.04
Linnalex Ab	681 652	1.86
Lavventura Oy	550 000	1.50
Viskari Jyri	550 000	1.50
Pinomonte Ab	529 981	1.44
Ab Kelonia Oy	405 500	1.10
Leenos Oy	400 000	1.09
Liikesivistysrahaston kannatusyhdistys r.y.	276 800	0.75
Larma Janne Olavi	270 000	0.74
Leppä Jukka-Pekka	228 000	0.62
Mononen Matti	180 000	0.49
Muut	5 322 434	14.48
<b>Yhteensä</b>	<b>36 727 198</b>	<b>100.00</b>

The information is based on the situation in the shareholders register kept by Euroclear Finland Ltd on 31 December 2014

Ownership structure by sector 31 Dec. 2014	Number of shares	Share of shares and votes %
Corporations	26 301 959	71.61
Financial and insurance institutions	2 299 165	6.26
Public organisations	37	0.00
Households	7 669 844	20.88
Foreign	37 383	0.10
Others 1)	418 810	1.14
<b>TOTAL</b>	<b>36 727 198</b>	<b>100.00</b>

1) The others comprise non-profit organisations.

Ownership structure according to number of shares held

Shares No./shareholder	Number of owners	Share of shareholders %
1 -100	1 210	37.31
101 -500	994	30.65
501 -1.000	405	12.49
1.001 -5.000	463	14.28
5.001 -10.000	73	2.25
10.001 -50.000	58	1.79
50.001 -100.000	15	0.46
100.001 -500.000	11	0.34
500.001-	14	0.43
<b>TOTAL</b>	<b>3 243</b>	<b>100.00 %</b>

Shares No./shareholders	Number of shares	Share of No. of shares %
1 - 100	48 650	0.13
101 - 500	286 776	0.78
501 - 1.000	328 028	0.89
1.001 - 5.000	1 056 901	2.88
5.001 - 10.000	539 342	1.47
10.001 - 50.000	1 270 919	3.46
50.001 - 100.000	1 073 833	2.92
100.001 - 500.000	2 478 285	6.75
500.001-	29 644 464	80.72
<b>TOTAL</b>	<b>36 442 198</b>	<b>100.00</b>

### Nominee-registered

101 755 of the company shares represent 0.28 % of company votes and shares, were nominee-registered.

Shares and share capital	Number of shares	Share capital
1 Jan. 2014	36 442 198	11 383 873
Decrease	-85 000	-
Increase	370 000	-
31 Dec. 2014	36 727 198	11 383 873

eQ Plc's number of shares decreased by 85 000 on 17 June 2014, as the company annulled shares in its possession. eQ Plc's number of shares increased by 370 000 on 31 December 2014 due to the share issue of shares subscribed for with options.

Each share in eQ Plc holds one vote, and all shares have equal rights. The shares do not have any nominal value. All issued shares have been paid in full.

### Own shares

eQ Plc held no own shares at the end of the financial period on 31 December 2014.

## Management ownership

Specification for the Management ownership is shown in the notes to the related parties.

## Option programme

eQ Plc's Board of Directors has on 18 August 2010 decided to issue a maximum of 2 000 000 option rights to key employees of the eQ Group.

The option rights are intended as part of the incentive and commitment scheme of key persons.

The option rights are valued at fair value on the date of their issue and entered as expense in the income statement during the period when the right arises. The fair value of the issued options on the day of issue has been defined by using the Black-Scholes option pricing model.

Options	2010A	2010B	2010C	2010D	2010E
Number of options	400 000	400 000	400 000	400 000	400 000
Share subscription period begins	1 April 2012	1 April 2013	1 April 2014	1 April 2015	1 April 2016
Share subscription period ends	31 May 2020	31 May 2020	31 May 2020	31 May 2020	31 May 2020
Share subscription price	The share subscription price with an option right is EUR 2.50. Subscription price is reduced by the dividend and the capital return at the record rate of such event. The subscription price on 31 December 2014 was EUR 2.11.				

	2014	2013
Number of issued options at the beginning of the financial year	1 700 000	1 500 000
Options granted	0	200 000
Number of issued options at the end of the financial year	1 700 000	1 700 000
Exercised options by the end of the financial period	370 000	0
Number of outstanding options	1 330 000	1 700 000
Exercisable options at the end of the financial period	550 000	530 000

Information used in the Black-Scholes model:	2014 granted	2013 granted
Anticipated volatility	-	30%
Interest rate at the time of issue	-	1.83%

## BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The distributable means of the parent company on 31 December 2014 totalled EUR 59.4 million. The sum consisted of retained earnings of EUR 8.3 million and the means in the reserve for invested unrestricted equity of EUR 51.1 million.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.20 per share be paid out. The proposal corresponds to a dividend totalling EUR 7 345 439.60 calculated with the number of shares at the end of the financial year. Additionally, the Board proposes to the AGM that a return of capital of EUR 0.30 per share be paid out from the reserve for invested unrestricted equity. The proposal corresponds to a return of capital totalling EUR 11 018 159.40 calculated with the number of shares at the end of the financial year. The dividend and capital return shall be paid to those registered as shareholders in eQ Plc's shareholder register maintained by Euroclear Finland Ltd on 27 March 2015. The Board proposes 8 April 2015 as dividend payment date.

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 profit does not endanger the liquidity of the company.

## SIGNATURES FOR THE AND FINANCIAL STATEMENTS AND BOARD OF DIRECTORS' REPORT

Helsinki, February 12, 2015

Ole Johansson  
Chairman of the Board

Nicolas Berner

Christina Dahlblom

Georg Ehrnrooth

Jussi Seppälä

Janne Larma  
CEO

## THE AUDITOR'S NOTE

Our auditors' report has been issued today.

Helsinki, February 12, 2015

KPMG Oy Ab  
Authorized Public Accountant Firm

Raija-Leena Hankonen  
KHT

”

The backbone of fund operations is risk management and a professional back office





# AUDITOR'S REPORT

## To the Annual General Meeting of eQ Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of eQ Plc for the financial period 1.1. - 31.12.2014. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flow, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

## Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated the financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director 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.

## Auditor's responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with requirements of professional ethics. We conducted our audit accordance with good auditing practice in Finland. Good auditing practice requires that we and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors of the parent company and the Managing Directors are guilty of an act of negligence which may result in liability in damages towards the company or violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal

control relevant to the entity's preparation of financial statements and the report of the Board of Directors that give true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

## Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

## Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

## Other opinions

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the result and other free equity shown in the balance sheet is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors of the parent company and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki February 12, 2015

KPMG Oy Ab  
Authorized Public Accountant Firm

Raija-Leena Hankonen  
Authorized Public Accountant

## eQ Emerging Dividend Fund continued with its strong growth



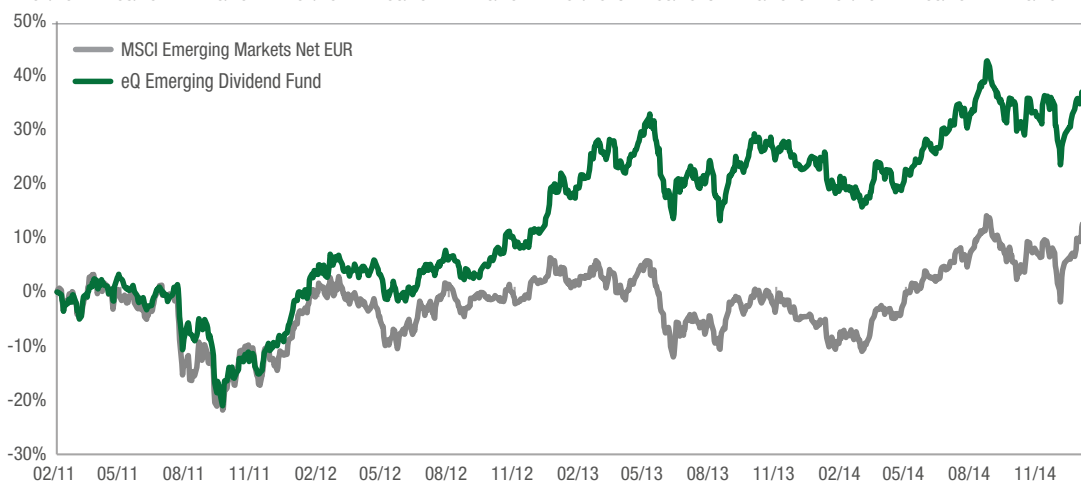
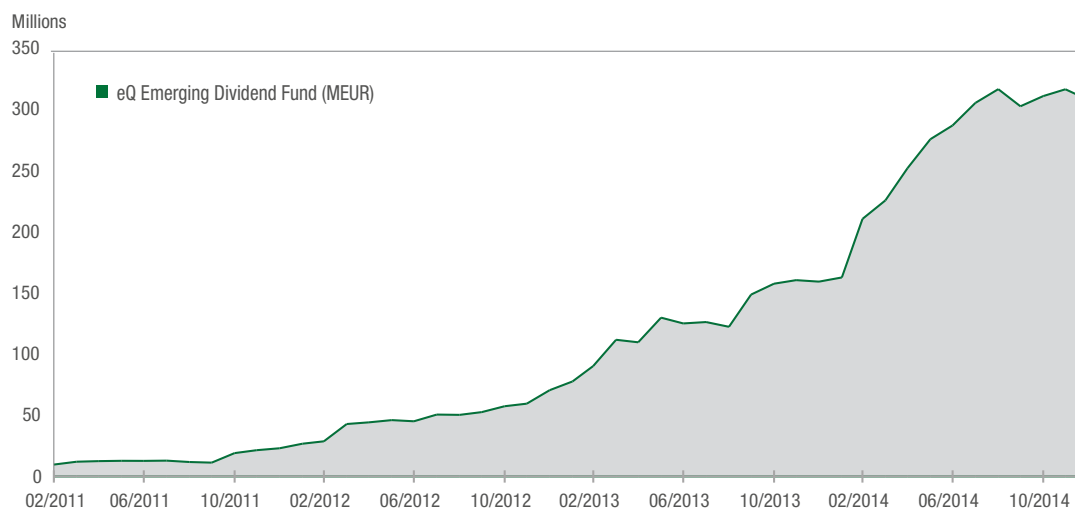
eQ Emerging Dividend Fund continued with its strong growth the fourth year in a row. The size of the fund almost doubled in 2014 to

EUR 308 million at the year-end. The strong growth was influenced by the fund's three-year return history, recorded in February, according to which the fund was the best fund investing in emerging markets among more than 500 funds. In addition, the fund received full five stars in Morningstar's classification. Since the beginning of operations, the fund's return has been 7.4 per cent annually on average, which is very close to the portfolio's annual dividend yield. During the same period, the emerging markets index has given an annual return of 1.7 per cent.

The secret of the success is the strong and disciplined investment process. The fund favours companies with a strong balance sheet and growing dividend yield. More than half of the portfolio companies have no net debt. This means a more even value development and thereby hopefully well-slept nights for investors.

The starting point for 2015 is interesting. Oil price has fallen by 60 dollars during the past six months. This is a major income transfer from oil exporters to oil importers, and it also speeds up economic growth considerably. According to OECD, a ten dollar fall in the price of oil will increase global economic growth by 0.2 per cent. The situation is very favourable for the fund, as its weight in countries dependent on oil exports is only seven per cent. Above all Asia (weight in the portfolio 65%) profits from the lower price of oil. This is an excellent starting point for the current year.

Jukka-Pekka Leppä  
Portfolio Manager



# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE STATEMENT 2014

This Corporate Governance Statement has been drawn up separately from the report by the Board of Directors. The statement is not part of the official financial statements.

### General

In addition to acts and regulations applicable to listed companies, eQ Plc complies with the Finnish Corporate Governance Code published by the Securities Market Association in June 2010. The entire Code is available on the website of the Securities Market Association at [www.cgfinland.fi](http://www.cgfinland.fi).

### General Meeting of Shareholders

The General Meeting is eQ Plc's highest decision-making body, at which the shareholders participate in the supervision and control of the company. eQ Plc convenes one Annual General Meeting (AGM) during each financial period. An Extraordinary General Meeting may be convened when necessary. Shareholders exercise their right to vote and voice their views at the General Meeting.

eQ Plc provides shareholders with sufficient information about the agenda of the General Meeting in advance. The advance information is provided in the notice of the General Meeting, other releases and on the company website. The General Meeting is organised in such a way that shareholders can effectively exercise their ownership rights. The goal is that the CEO, Chairman of the Board, and a sufficient number of directors attend the General Meeting. A person proposed as director for the first time shall participate in the General Meeting that decides on his or her election, unless there are wellfounded reasons for his or her absence.

The Annual General Meeting of eQ Plc was held on 27 March 2014.

### Board of Directors

The General Meeting elects the directors. The director candidates put forward to the Board shall be mentioned in the notice of the General Meeting, if the candidate is supported by shareholders holding at least 10 per cent of the total votes carried by all the shares of the company, provided that the candidate has given his or her consent to the election. The candidates proposed after the delivery of the notice of the meeting will be disclosed separately. The company's Articles of Association do not contain any provisions on the manner of proposing prospective directors. In its Annual Report, the company

states the number of Board meetings held during the financial period as well as the average attendance of the directors. The directors are elected for one year at a time.

A person elected director must have the qualifications required by the work of a director and sufficient time for taking care of the duties. The company facilitates the work of the Board by providing the directors with sufficient information on the company's operations. eQ Plc's Board of Directors consists of 5 to 7 members. The Board of Directors elects the Chairman from among its members. The Board's aim is to promote the versatility of the Board's composition for its part. eQ's Board has defined a target regarding equal representation of genders on the Board. According to it, there should always be representatives of both genders among the directors.

The company reports the following biographic details and holdings of the directors: name, year of birth, education, main occupation, primary working experience, date of inception of Board membership, key positions of trust, and shareholdings in the company.

The members of eQ's Board of Directors shall provide the Board and the company with sufficient information for the evaluation of their qualifications and independence and notify of any changes in such information.

The Annual General Meeting held on 27 March 2014 elected the following persons to the Board:

**Ole Johansson**, born 1951, member of the Board since 2011, Chairman of the Board, B.Sc. (Econ)

Svenska Handelsbanken AB (publ.), member of the Board, 2012 -; Aker Arctic Technology Oy, Chairman of the Board, 2014-; Hartwall Capital Oy Ab, Deputy Chairman 2014-; Outokumpu Oyj, Chairman of the Board, 2008-2013; Confederation of Finnish Industries (EK), Chairman of the Board, 2011-2012; Varma Mutual Pension Insurance Company, Deputy Chairman of the Board, 2005-2012; Technology Industries of Finland, member of the Board, 2010-2012; Finnish Business and Policy Forum EVA, member of the Board, 2010-2013.

Independent of the company and significant shareholders.

**Nicolas Berner**, born 1972, member of the Board since 2013, LL.B.

2011- Berner Ltd, Chief Financial Officer; Berner Ltd, Member of the Board, 2006-; Nbe Holding Oy, Member of the Board, 2006-.

Independent of the company and significant shareholders.

**Christina Dahlblom**, born 1978, member of the Board since 2012, D.Sc. (Econ)

2011- Dahlblom & Sparks Ltd, founder and Managing Director; Nordman Invest Oy, member of the Board, 2012-; Oy Transmeri Ab, member of the Board, 2012-; Diamanten i Finland rf, member of the Board, 2012-; Stiftelsen Svenska Handelshögskolan, member of the Board, 2014-; Soprano Plc, member of the Board, 2013-2014.

Independent of the company and significant shareholders.

**Georg Ehrnrooth**, born 1966, member of the Board since 2011, studies in agriculture and forestry

Pöyry Oyj, member of the Board, 2010-; Norvestia Oyj, member of the Board 2010-; Forcit Oy, member of the Board, 2010-; Paavo Nurmi Foundation, member of the Board, 2005-; Anders Wall Foundation, member of the Board, 2008-; Louise and Göran Ehrnrooth Foundation, Chairman of the Board, 2013-; Semerca Investments S.A, Chairman of the Board, 2009-; Corbis S.A, Chairman of the Board, 2009-; Fennogens Investments S.A, Chairman of the Board, 2009-; OE Capital Ab, Chairman of the Board, 2010-; Vicus Oy, member of the Board, 2012-.

Independent of the company, but not independent of its significant shareholders.

**Jussi Seppälä**, born 1963, member of the Board since 2011, M.Sc. (Econ)

Oy Cardos Ab, member of the Board, 1999-; Deamia Oy, deputy member of the Board, 1999-.

Independent of the company and significant shareholders.

eQ Plc's Board of Directors has drawn up a written charter for its operations. Below is a list of the most important principles and duties presented in the charter:

- the Board draws up the company strategy,
- based on the strategy, the Board approves the annual plan of operation and budget and supervises their outcome,
- the Board is responsible for the administration of the company and the appropriate organisation of the company's operations,
- the Board goes through the major risks related to the company's operations and their management at least once a year and gives instructions on them to the CEO, when necessary,
- the Board confirms the organisation structure,
- the Board appoints and dismisses the CEO, sets

personal targets for the CEO and assesses their realisation,

- the Board appoints and dismisses the members of the Management Team and steers and supervises the company's executive management,
- the Board decides on the incentive schemes and annual bonuses of the CEO and the personnel,
- the Board decides on major investments, corporate acquisitions and divestments and on investments that exceed two million euros,
- the Board goes through and approves the interim reports, report by the Board of Directors and financial statements,
- the Board defines the company's dividend policy and makes a proposal on dividend distribution to the AGM,
- the Board convenes General Meetings,
- the Board assesses the independence of its members,
- the Board shall promote the interests of the company and all its shareholders,
- the members of the Board do not represent the parties who proposed them as directors when working for the company,
- the Board assesses its performance and working methods annually, either by means of internal self-evaluation or by using an external evaluator.

During the financial period 2014, the Board of Directors of eQ Plc convened eight times, average attendance being 95%.

The majority of the members of eQ Plc's Board of Directors are independent of the company and of the company's significant shareholders. The Board of Directors assesses the independence of the directors and states on the company website which of the directors have been deemed independent. When evaluating independence, the circumstances of private individuals or legal entities regarded as related parties will be taken into consideration in all situations. Companies belonging to the same group as a company are comparable with that company.

## Board Committees

eQ Plc does not have any Board Committees.

## CEO

The CEO is in charge of the day-to-day administration of the company in accordance with the rules and regulations of the Finnish Limited Liability Companies Act and instructions and orders issued by the Board of Directors. The CEO may take measures that, considering the scope and nature of the operations of the company, are unusual or extensive with the authorisation of the Board. The CEO ensures that the accounting practices of the company comply with the law and that finances are organized in a reliable manner. eQ Plc's Board of Directors appoints the CEO.

Janne Larma, M.Sc. (Econ), (born 1965) was appointed CEO on 16 March 2011. The company discloses the

same biographic details and information on the holdings of the CEO as of the directors. The CEO shall not be elected Chairman of the Board.

eQ Plc does not have a substitute for the CEO.

## Other executives

eQ Plc's Management Team during the financial period 2014:

Janne Larma, born 1965, M.Sc. (Econ), Chairman, CEO, eQ Plc

Staffan Jåfs, born 1974, M.Sc. (Econ), Director, Private Equity, eQ Asset Management Ltd

Mikko Koskimies, born 1967, M.Sc. (Econ), CEO, eQ Asset Management Ltd

Lauri Lundström, born 1962, M.Sc. (Econ), Director, Group Administration, eQ Plc

Juha Surve, born 1980, LL.M., M.Sc. (Econ), Group General Counsel, eQ Asset Management Ltd

## Remuneration

### Board of Directors

Remuneration and other financial benefits of the Board of Directors

The General Meeting decides on the remuneration of the directors annually.

The 2014 Annual General Meeting decided that the directors would receive remuneration according to following: Chairman of the Board EUR 3 300 per month (2013: 3 300) and the directors EUR 1 800 per month (2013: 1 800). The remuneration is paid in cash. The members of eQ Plc's Board of Directors have no share-related rights, nor are they covered by any other remuneration scheme.

### CEO and other executives

Decision-making process and main principles of remuneration

eQ's Board of Directors decides annually on the remuneration system of the Group, as well as on the principles of performance-based remuneration and the persons included in the system. The Board of Directors also decides the remuneration of the CEO and the members of the Management Team, based on a proposal by the CEO. The Compliance Officer reviews annually that eQ Group has complied with the remuneration system defined by the Board and reports directly to eQ Plc's Board.

The main principles of eQ's remuneration systems are:

- The remuneration systems support eQ Group's long-

term goals, such as improving the profitability of the business in a long term, sufficient capital adequacy, return on investments and cost efficiency.

- Remuneration must be designed to prevent un-sound risk-taking.
- The Board decides on the payment of the performance bonuses based on the systems. The decision will be made annually after the end of the incentive period.
- A performance bonus will not be paid and it may be recovered as unfounded, partly or in full, if it is found that the person concerned has acted contrary to eQ's internal guidelines, laws, or regulations or guidelines issued by authorities.
- eQ may also refrain from paying out remuneration, if eQ Group's solvency, capital expenditure or liquidity or their foreseeable future development do not make payment possible.
- The decision about remuneration is always made by the superior of the concerned person's superior.
- The share of the variable remuneration may basically not exceed 100% of the total fixed salary of the recipient. If the General Meeting so expressly decides, the variable remuneration can amount to 200% of the total fixed salary, however.
- eQ Group has decided that the maximum amount of the variable remuneration is EUR 500 000 per person annually.
- When paying out variable remuneration, the company shall take into consideration at least the risks that it is aware of when making the assessment, and future risks, eQ Group's capital expenditure and necessary liquidity. The total amount of the remuneration to be paid out may not be so large that it would restrict the consolidation of eQ Group's capital base.
- The remuneration of persons engaged in supervisory operations may not be dependent on the result of the unit they supervise. The remuneration of persons engaged in supervisory operations may, however, be dependent on the result of the entire eQ Group.
- As a rule, the Group does not undertake to pay any absolute remuneration. This is only possible, if eQ Plc's Board makes a decision about it for especially substantial reasons, and even in this case the absolute remuneration may only apply to the first year of employment.

eQ's remuneration systems can be divided into:

- long-term incentive schemes, and
- the annual performance bonus system.

### Long-term incentive scheme

The aim of the long-term incentive scheme is to commit key personnel of the Group to eQ Group and its objectives. The long-term incentive scheme primarily consists of eQ's option scheme. Options are issued to those who can influence the development of the entire eQ Group through their performance. eQ's Board of Directors decides on the issue of options.

In addition, eQ Group can introduce other long-term incentive schemes based on the consideration of the Board of Directors. Such incentive schemes shall basically be tied to the company's share price development, either directly or indirectly.

### Annual bonus system

All employees of eQ Group are basically covered by the annual bonus system. It is common that annual bonuses are mostly paid to experts, however. The amount of the annual bonus is determined based on the achievement of personal goals and the result of the own business unit and eQ Group. The share of eQ Group's result is the higher, the more the person concerned is able to influence the result of eQ Group.

eQ's Board of Directors determines annually in advance on what basis annual bonuses will be paid and what their size is. In addition, the Board decides on the distribution of the annual bonuses after the incentive period has ended taking into consideration, e.g. the above presented central principles of remuneration.

### Remuneration and other financial benefits of the CEO

The Board of Directors appoints the CEO and decides on the CEO's salary, benefits and other terms related to the CEO's employment relationship. The terms of the CEO's employment relationship have been specified in writing in the CEO's contract of employment approved by the Board. Both parties may give notice on this contract with a period of notice of two (2) months. When notice is given by the company for whatever reason or if the contract is terminated through mutual agreement by the company and the CEO, the CEO is entitled to a severance pay corresponding to his or her overall remuneration for six (6) months preceding the termination of the contract, which is paid on the day when the contract is terminated.

The remuneration of the CEO consists of a fixed monthly salary in cash (monthly salary and fringe benefits), performance bonus as short-term incentive and an option scheme. The Board of Directors decides on the CEO's remuneration. The retirement age and pension of the CEO are determined in accordance with the Finnish Employees Pensions Act. The CEO does not have a supplementary pension scheme.

In 2014, the CEO was paid an overall remuneration of EUR 233 727 (2013: 240 074), the share of variable remuneration being EUR 22 178 (2013: 50 000).

As part of the long-term incentive scheme, Janne Larma, CEO, has been granted 450 000 option rights (90 000 2010A options, 90 000 2010B options, 90 000 2010C options, 90 000 2010D options and 90 000 2010E options). Of these options, altogether 270 000 had been exercised by the end of 2014.

### Remuneration and other financial benefits of the other executives

The Board of Directors decides on the remuneration system of the Management Team based on the CEO's proposal. The remuneration system consists of a fixed salary in cash (monthly salary and fringe benefits), performance bonus as short-term incentive and a long-term incentive scheme. Management Team members do not receive remuneration when acting as Board members in the subsidiaries of eQ Plc. The retirement age and pension of the Management Team are determined in accordance with the Finnish Employees Pensions Act. The Management Team members do not have a supplementary pension scheme.

In 2014, the other Management Team members than the CEO were paid an overall remuneration of EUR 546 932 (2013: 546 693), the share of the variable remuneration being EUR 25 373 (2013: 44 209).

Mikko Koskimies, member of the Management Team, has been granted 200 000 option rights as part of the long-term incentive scheme (50 000 2010B options, 50 000 2010C options, 50 000 2010D options and 50 000 2010E options) and Staffan Jåfs, member of the Management Team, 250 000 options (50 000 2010A options, 50 000 2010B options, 50 000 2010C options, 50 000 2010D options and 50 000 2010E options).

### Description of the main features of the internal control and risk management systems related to the financial reporting process

The objective of the financial reporting process is to produce timely financial information and to ensure that decision-making is based on reliable information. The aim is to ensure that the financial statements and interim reports are prepared according to applicable laws, generally accepted accounting principles and other requirements on listed companies.

The financial reporting process produces eQ Group's monthly and quarterly reports. The Management Team of the Group reviews eQ Group's result and financial performance monthly. The Group management presents the result and financial position of the Group quarterly to the Board of Directors. The Board of Directors supervises that the financial reporting process produces high-quality financial information.

The Group's subsidiaries report their results monthly to the parent company. The financial administration of the Group takes care of the bookkeeping of the subsidiaries for the most part. At Group level, this makes it easier to ensure that the financial reporting of the subsidiaries is reliable. The Group's interim reports and financial statements are prepared in accordance with the IFRS reporting standards. The financial administration of the Group monitors the changes that take place in IFRS standards.

Based on risk assessments, the company has developed measures for controlling the risks pertaining to financial reporting, which make sure that financial reporting is reliable. The companies use various reconciliations, checks and analytical measures, for instance. The financial administration of the Group prepares monthly analyses of income statement and balance sheet items, both at company and segment level. In addition, tasks related to risk-exposed work combinations are separated, and there are appropriate approval procedures and internal guidelines. The reliability of financial reporting is also supported by various system controls in the reporting systems. Other basic principles of control are a clear division of responsibility and clear roles as well as regular reporting routines.

The Group does not have a separate internal audit organisation. The CEO is responsible for the tasks of the internal audit function. The CEO may assign external evaluators to carry out audits on areas that the CEO deems necessary. The risk management and compliance functions of the Asset Management segment are responsible for risk management related to the business and the compliance of the operations to rules and regulations. The risk management and compliance functions carry out sample checks of the operations. The CEO reports the observations to the Board of Directors.

### Insider administration

eQ Plc complies with the Guidelines for Insiders issued by NASDAQ OMX Helsinki Ltd on 1 July 2013.

The company maintains an insider register on statutory insiders and company-specific insiders. The statutory insider register, which is public, includes the members of the company's Board of Directors, the CEO, the Management Team, and the auditor with main responsibility. In addition, the personnel of financial administration, the risk management, compliance and IT functions, the secretary of the CEO, and the persons responsible for the business operations are regarded as company-specific insiders. The insider register is maintained by the Euroclear Finland Ltd.

Those who are regarded as eQ Plc's insiders or those whose interests they protect (persons under guardianship) or corporations they control are not permitted to trade in eQ Plc's shares on a short-term basis. Investments are regarded as short-term investments when the period between the purchase and transfer or the transfer and purchase of the security is less than one (1) month.

Company insiders may not trade in securities issued by the company for 14 days prior to the publication of the company's interim report and financial statements release. It is recommended that insiders schedule their trading, as far as possible, to periods during which the market has as complete information as possible on issues influencing the value of the share.

The restriction on trading is applied to the company's permanent insiders, those under their guardianship and the organisations they control, as referred to in chapter 2, section 4 of the Securities Markets Act (746/2012). The restriction on trading does not apply to auditors, nor corporations in which insiders exercise significant influence.

It is contrary to good practice and forbidden to circumvent the trading restriction by trading in shares on one's own behalf in the name of a related party or through other intermediaries, such as organisations in which the insider exercises significant influence.

The company uses a register on project-specific insiders in issues or arrangements that deviate from the company's regular business activities due to their nature or size. The company evaluates on a case-by-case basis whether an issue or arrangement under preparation is to be deemed a project. The purpose of the project-specific register is to clarify the moment at which a person is to be regarded as an insider and to make the processing of insider information more efficient.

eQ Plc has informed its permanent insiders of the company's Guidelines for Insiders. The company has a designated person in charge of insider issues, who carries out tasks related to the management of insider issues. The company checks the information to be declared with the permanent insiders annually. In addition, the company checks at least once a year the trading of the permanent insiders based on the register information of the Euroclear Finland Ltd.

### Audit

The proposal for the election of an auditor prepared by the Board of Directors of the company will be disclosed in the notice of the General Meeting. If the Board has not arrived at a decision on the prospective auditor by the time the notice is sent, the candidacy will be disclosed separately.

In 2014, KPMG Oy Ab, a firm of authorised public accountants, acted as auditor of eQ Plc. The auditor with main responsibility was Raija-Leena Hankonen, APA.

### Auditors' fees

The auditors have been paid the following amounts for the services related to the audit and for other services: fees for the audit and closely related fees in 2014 totalled EUR 146 514 (2013: 187 378). The other services in 2014 amounted to EUR 22 240 (2013: 49 099).

### Disclosure of information

The major issues concerning eQ Plc's administration are disclosed on the company website ([www.eQ.fi](http://www.eQ.fi)). The stock exchange releases are available on the company website immediately after their publication.

## BOARD OF DIRECTORS

### The Board of Directors since 26 March 2013



#### Ole Johansson

Member of the Board since 2011  
Chairman of the Board  
Born 1951

#### Education

B.Sc. (Econ.), Swedish School of Economics, Helsinki.

#### Primary working experience

2000-2011 Wärtsilä Corporation, President & CEO, 1975-79 and rejoined in 1981 Wärtsilä Group; 1984-86 Wärtsilä Diesel Inc., Vice President; 1986-94 Wärtsilä Diesel Group, Vice President & Controller; 1994-96 Metra Corporation, Senior Vice President & CFO; 1996-98 Metra Corporation, Executive Vice President & CFO; 1998-2000 Wärtsilä NSD Corporation, President & CEO.

#### Positions of trust

Svenska Handelsbanken AB (publ.), member of the Board, 2012 -; Aker Arctic Technology Oy, Chairman of the Board, 2014-; Hartwall Capital Oy Ab, Deputy Chairman 2014-; Outokumpu Oyj, Chairman of the Board, 2008-2013; Confederation of Finnish Industries (EK), Chairman of the Board, 2011-2012; Varma Mutual Pension Insurance Company, Deputy Chairman of the Board, 2005-2012; Technology Industries of Finland, member of the Board, 2010-2012; Finnish Business and Policy Forum EVA, member of the Board, 2010-2013.

Independent of the company and significant shareholders.

#### Nicolas Berner

Member of the Board since 2013  
Born 1972

#### Education

LL.B., Helsinki University

#### Primary working experience

2011 - Berner Ltd, Chief Financial Officer; 1998-2011 Hannes Snellman Ltd and as a partner 2006-2011.

#### Positions of trust

2006 - Berner Ltd, member of the Board; 2006 - Nbe Holding Ltd, member of the Board.

Independent of the company and significant shareholders.





## Christina Dahlblom

Member of the Board since 2012  
Born 1978

### Education

D.Sc (Econ), Swedish School of Economics, Helsinki  
Business Coach

### Primary working experience

2011- Dahlblom & Sparks Ltd, Founder and Managing Director; 2006–2011 Hanken & SSE Executive Education Ab, Managing Director; 2004–2006 TNS Gallup Ltd, Director; 2001–2004 Svenska handelshögskolan, Researcher.

### Positions of trust

2011- Dahlblom & Sparks Ltd, founder and Managing Director; Nordman Invest Oy, member of the Board, 2012-; Oy Transmeri Ab, member of the Board, 2012-; Diamanten i Finland rf, member of the Board, 2012-; Stiftelsen Svenska Handelshögskolan, member of the Board, 2014-; Soprano Plc, member of the Board, 2013-2014.

Independent of the company and significant shareholders



## Georg Ehrnrooth

Member of the Board since 2011  
Born 1966

### Education

Studies in agriculture and forestry, Högre Svenska Läroverket, Åbo.

### Primary working experience

2005 eQ Corporation and eQ Bank Ltd, Chief Executive Officer.

### Positions of trust

Pöyry Oyj, Member of the Board, 2010-; Norvestia Oyj, Member of the Board, 2010-; Forcit Oy, Member of the Board, 2010-; Paavo Nurmi Foundation, Member of the Board, 2005-; Anders Wall Foundation, Member of the Board, 2008-; Louise and Göran Ehrnrooth Foundation, Chairman of the Board, 2013-; Semerca Investments S.A, Chairman of the Board, 2009-; Corbis S.A, Chairman of the Board, 2009-; Fennogens Investments S.A, Chairman of the Board, 2009-; OE Capital Ab, Chairman of the Board, 2010-; Vicus Plc, Member of the Board 2012-.

Independent of the company, but not independent of its significant shareholders.

## Jussi Seppälä

Member of the Board since 2011  
Born 1963

### Education

M.Sc. (Econ), Helsinki School of Economics

### Primary working experience

2008-2013 Minerva Group, Managing Director of Minerva Partnership Oy; 1999-2008 FIM Group Oyj / Glitnir Oyj, 2008 Head of Equities, Moscow, 2006-2007 Marketing Director, 1999-2006 Managing director of FIM Fund Management Oy; 1996-1999 SEB, Fixed income sales; 1992-1995 JP Bank, Stockholm, Fixed income research and sales.; 1988-1991 Entrepreneur, Software development for banking sector (interest rate risk management).

### Positions of trust

Oy Cardos Ab, Member of the Board, 1999-; Deamia Oy, Deputy Member of the Board, 1999-.

Independent of the company and significant shareholders.



## MANAGEMENT TEAM



### Janne Larma

Chairman of the Management Team

Janne Larma, M.Sc. (Econ), (born 1965) is CEO of eQ Plc. He founded Advium Corporate Finance Ltd in 2000, prior to which he had gained more than ten years of experience within investment banking. In addition, Janne Larma has experience in the asset management business, as Board member of the parent company of eQ Asset Management Group and as member of eQ Bank's management team from 2004 to 2009.

### Staffan Jåfs

Staffan Jåfs, M.Sc. (Econ), (born 1974) is responsible for the group's investments and private equity funds. Staffan has worked in the private equity business since 2000 and with eQ Plc since 2007. Previously, he worked at Proventure Ltd as CFO, responsible for the group's financial administration. Staffan started his career as Financial Manager at Kantarellis, a hotel and restaurant chain.



### Mikko Koskimies

Mikko Koskimies M.Sc. (Econ), (born 1967) is CEO of eQ Asset Management Ltd. He previously worked as a Managing Director of Pohjola Asset Management Ltd and was a member of the Executive Committee of Pohjola Bank. Mikko Koskimies also worked from 1998 to 2005 as a Managing Director of Alfred Berg Asset Management Ltd. During the years from 1989 to 1997 he worked within the current Nordea Group. From 1993 to 1997 Mikko worked in Private Banking for Merita Bank Luxembourg S.A. in Luxembourg.



### Lauri Lundström

Lauri Lundström, M.Sc. (Econ), (born 1962) is Director, Group Administration. He has worked as CEO of eQ Asset Management Ltd and from 2006 to 2009 he was responsible for the asset management business of eQ Bank. Before this, he was CEO of Pohjola Fund Management Company from 2001 to 2006, CFO of Conventum Investment Bank from 1999 to 2001, CEO, responsible for asset management, of the fund management company of Arctos Investment Bank Group from 1996 and CFO of Arctos Group from 1993.

### Juha Surve

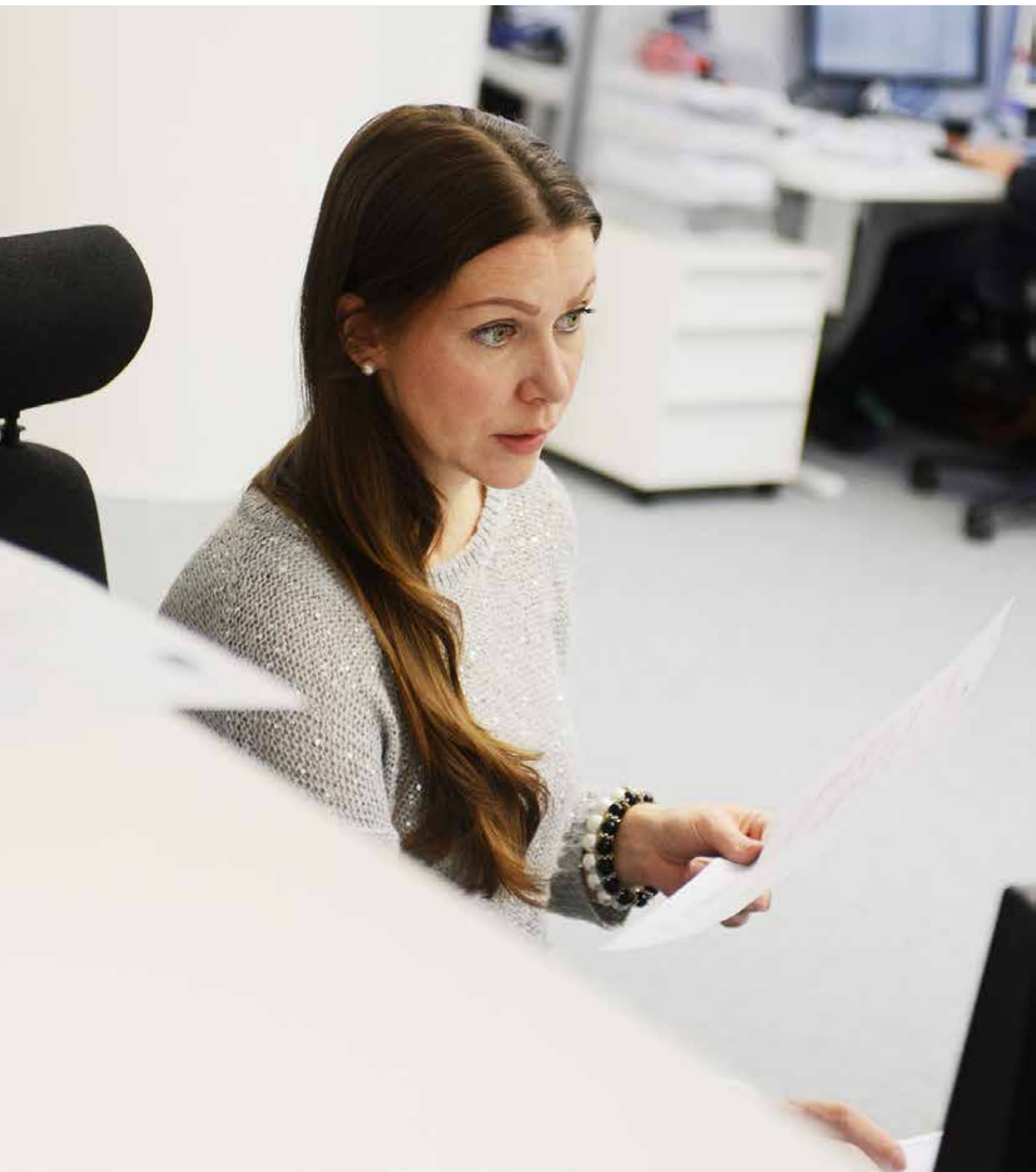
Juha Surve, LL.M and M.Sc. (Econ.), (born 1980) is Group General Counsel of eQ Group, and he also acts as a secretary of the Board of eQ Plc. Juha has worked among financial sector and capital markets since 2003 and with eQ Plc since the beginning of year 2012. From 2008 to 2012 he worked at Castrén & Snellman Attorneys Ltd expertising in M&A transactions, capital markets and corporate law. Prior to that he gained over five years' experience in various asset management related duties e.g. in OP-Pohjola Group and Nordea Bank. In addition, he has been involved in many law-drafting projects relating to Finnish securities market legislation.



## CEO

The Board of Directors appointed Janne Larma as CEO of eQ Plc in the constitutive meeting of March 16, 2011. Janne Larma (born 1965) founded Advium Corporate Finance Ltd in 2000, prior to which he had gained over 10 years of experience within investment banking. In addition, Janne Larma has gained experience in asset management, as a board member of eQ Asset Management as well as a member of the management group of eQ Bank during the years 2004-2009. Janne Larma acts as a Chairman of the Management Team.

” The employees have enjoyed working in the new premises



# FINANCIAL REPORTS IN 2015

Interim reports of eQ will be published as follows in 2015:

Interim Report	Interim Report	Interim Report
January-March	January-June	January-September
Thursday, May 7	Thursday, August 13	Thursday, November 5

Interim reports, stock exchange releases and the Annual Report are available and printable at eQ's website [www.eQ.fi](http://www.eQ.fi).

# INVESTMENTS

## eQ's own Fund of Funds

Amanda III Eastern Private Equity L.P.	
Vintage Year	2006
Management company	Amanda III Eastern GP Ltd
Total size of the Fund	110.2 MEUR
eQ's commitment	10.0 MEUR
Financing stage	Buyout
Geographical focus	Russia, IVY, CIS countries, Central and Eastern Europe
Target funds	No sector preference
www pages	www.eQ.fi

eQ PE VI North L.P.	
Vintage Year	2013
Management company	eQ PE VI North GP Ltd
Total size of the Fund	100,0 MEUR
eQ's commitment	5,0 MEUR
Financing stage	Buyout
Geographical focus	Northern Europe
Industry focus	No sector preference
www pages	www.eQ.fi

Amanda IV West L.P.	
Vintage year	2007
Management company	Amanda IV West GP Ltd
Total size of the fund	90.0 MEUR
eQ's commitment	5.0 MEUR
Financing stage	Buyout
Geographical focus	Western Europe
Target funds	No sector preference
www pages	www.eQ.fi

European Fund Investments L.P. (EFI II)	
Vintage Year	2001
Management company	Nordic Venture Managers Ltd
Total size of the Fund	88.4 MEUR
eQ's commitment	0.88 MEUR
Financing stage	Buyout/venture capital
Geographical focus	Europe
Target funds	No sector preference
www pages	www.eQ.fi

Amanda V East L.P.	
Vintage year	2008
Management company	Amanda V East GP Ltd
Total size of the Fund	50,0 MEUR
eQ's commitment	5.0 MEUR
Financing stage	Buyout
Geographical focus	Russia, East Europe
Industry focus	No sector preference
www pages	www.eQ.fi

## Other Funds

<b>Atlas Venture VI L.P.</b>	
Vintage Year	2001
Management company	Atlas Venture Advisors, Inc.
Total size of the Fund	599.7 MUSD
eQ's commitment	1.9 MUSD
Financing stage	Venture capital
Geographical focus	Europe, U.S.
Industry focus	Information technology, life science
www pages	www.atlasventure.com

<b>EQT V L.P.</b>	
Vintage Year	2006
Management company	EQT Partners
Total size of the Fund	4,250.0 MEUR
eQ's commitment	5.0 MEUR
Financing stage	Large buyout
Geographical focus	Northern Europe
Industry focus	Middle-sized and large companies
www pages	www.eqt.se

<b>Balderton Capital I L.P.</b>	
Vintage Year	2000
Management company	Balderton Capital Partners
Total size of the Fund	500.0 MUSD
eQ's commitment	2.0 MUSD
Financing stage	Venture capital
Geographical focus	Europe
Industry focus	Software, internet, media, and telecom
www pages	www.balderton.com
Other	Fund name previously Benchmark Europe I L.P.

<b>Finnventure Rahasto V Ky</b>	
Vintage Year	1999
Management company	CapMan Capital Management Oy
Total size of the Fund	169.9 MEUR
eQ's commitment	4.3 MEUR
Financing stage	Midmarket, venture capital
Geographical focus	Finland, Nordic countries
Industry focus	Middle-sized and technology companies
www pages	www.capman.fi

<b>Charterhouse Capital Partners VII L.P.</b>	
Vintage Year	2002
Management company	Charterhouse Development Capital Limited
Total size of the Fund	2,708.0 MEUR
eQ's commitment	3.0 MEUR
Financing stage	Buyout
Geographical focus	Europe
Industry focus	Middle-sized and large companies
www pages	www.charterhouse.co.uk

<b>Gresham Fund III</b>	
Vintage Year	2003
Management company	Gresham LLP
Total size of the Fund	236.9 MGBP
eQ's commitment	2.0 MGBP
Financing stage	Midmarket
Geographical focus	UK
Industry focus	Small and middle-sized companies
www pages	www.greshampe.com

<b>EQT IV (No. 1) L.P.</b>	
Vintage Year	2004
Management company	EQT Partners
Total size of the Fund	2,500.0 MEUR
eQ's commitment	3.0 MEUR
Financing stage	Large buyout
Geographical focus	Northern Europe
Industry focus	Middle-sized and large industrial companies
www pages	www.eqt.se

<b>Gresham IV Fund L.P.</b>	
Vintage Year	2006
Management company	Gresham LLP
Total size of the Fund	346.7 MEUR
eQ's commitment	3.0 MEUR
Financing stage	Midmarket
Geographical focus	UK
Industry focus	Small and middle-sized companies
www pages	www.greshampe.com

<b>Industri Kapital 1997 L.P.</b>	
Vintage Year	1997
Management company	Industri Kapital 1997 Limited
Total size of the Fund	750.0 MEUR
eQ's commitment	3.1 MEUR
Financing stage	Buyout
Geographical focus	Mainly Nordic countries
Industry focus	Middle-sized and large companies
www pages	<a href="http://www.ikininvest.com">www.ikininvest.com</a>

<b>PAI Europe IV</b>	
Vintage Year	2005
Management company	PAI Partners
Total size of the Fund	2,697.1 MEUR
eQ's commitment	5.0 MEUR
Financing stage	Buyout
Geographical focus	Europe
Industry focus	Middle-sized and large companies
www pages	<a href="http://www.paipartners.com">www.paipartners.com</a>

<b>Innovacom 4 FCPR</b>	
Vintage Year	2000
Management company	Innovacom s.a.
Total size of the Fund	200.7 MEUR
eQ's commitment	5.0 MEUR
Financing stage	Venture capital
Geographical focus	France, Germany, U.S., United Kingdom
Industry focus	Communications, computer related, computer software, electronic related
www pages	<a href="http://www.innovacom.com">www.innovacom.com</a>

<b>Permira Europe II L.P.</b>	
Vintage Year	2000
Management company	Permira Advisers Limited
Total size of the Fund	3,300.0 MEUR
eQ's commitment	4.2 MEUR
Financing stage	Buyout
Geographical focus	Europe
Industry focus	Middle-sized and large companies
www pages	<a href="http://www.permira.com">www.permira.com</a>

<b>Montagu III L.P.</b>	
Vintage Year	2005
Management company	Montagu Private Equity LLP
Total size of the Fund	2,260.6 MEUR
eQ's commitment	5.0 MEUR
Financing stage	Buyout
Geographical focus	Europe
Industry focus	Middle-sized companies
www pages	<a href="http://www.montagu.com">www.montagu.com</a>

<b>Permira Europe III L.P.</b>	
Vintage Year	2003
Management company	Permira Advisers Limited
Total size of the Fund	4,955.3 MEUR
eQ's commitment	3.0 MEUR
Financing stage	Buyout
Geographical focus	Europe
Industry focus	Middle-sized and large companies
www pages	<a href="http://www.permira.com">www.permira.com</a>

<b>Nexit Infocom 2000 Fund L.P.</b>	
Vintage Year	2000
Management company	Nexit Ventures Oy
Total size of the Fund	66.3 MEUR
eQ's commitment	3.2 MEUR
Financing stage	Venture capital
Geographical focus	Nordic countries and U.S.
Industry focus	Mobile, wireless internet infrastructure, mobile internet
www pages	<a href="http://www.nexitventures.com">www.nexitventures.com</a>

<b>Permira Europe IV L.P.</b>	
Vintage Year	2006
Management company	Permira Advisers Limited
Total size of the Fund	9,411.2 MEUR
eQ's commitment	4.0 MEUR
Financing stage	Buyout
Geographical focus	Europe, USA and Asia
Industry focus	Large companies
www pages	<a href="http://www.permira.com">www.permira.com</a>



Triton Fund II L.P.	
Vintage Year	2006
Management company	Triton Advisers Limited
Total size of the Fund	1,126.0 MEUR
eQ's commitment	5.0 MEUR
Financing stage	Midmarket
Geographical focus	Europe
Industry focus	Middle-sized companies
www pages	www.triton-partners.com

## Capital market in 2015



The year 2014 ended under lucky stars in the investment market. Who would have believed that government bonds would give a return exceeding 10 per cent at a historically low low yield. The returns of other bond investments were good as well, and in equity investments, risk-taking was awarded amply. Investment portfolios gave a very good return across the board in 2014.

The year 2015 is certain to bring surprises, but the main scenario of the economy will remain unaltered. The high government debt of Western countries will steer political decision-making, and the central banks will continue to have a central role. Growth and sound inflation must be created in order to

avoid disturbances in the financing of debts. It is encouraging that the stimulus measures by the Fed already bear results, and economic growth in the US is expected to be 3 to 3.5 per cent. Growth in China is stabilising round 7 per cent, and the country will continue to drive global growth in 2015. Restructuring will continue, however, the credit growth will be held back and the market will be opened in stages. The impacts of changes on growth will be evened out through stimulus measure. Even in the euro zone, there is a sparkle of hope, even though the deflation and recession risks have not vanished. The European Central Bank is launching more extensive quantitative easing, and the euro has already weakened. There must, however, be preparedness for courageous political decisions if Europe wants to prevent similar development as in Japan. All large economic regions take advantage of the fall in oil prices.

The outlook of the investment market is positive, even though the stability of the market is likely to be tested from time to time. Equities continue to interest investors thanks to the moderately recovering growth, strong central bank support and a sound dividend flow. Share valuations are no problem, when the alternative is historically expensive bond investments. Investors should, however, build their equity portfolios so that they can reasonably tolerate market corrections of 10 to 15 percent from time to time. A euro investor can stabilise his equity portfolio by

making investments in American equities, as their returns in euros tolerate best the recession and crises of the euro zone. Asian shares, above all Chinese, bear the strongest return potential. The Chinese equity market still offers companies with strong growth and dividend at an inexpensive price. Investors must be prepared for market fluctuations, however. It is important for the European and Finnish equity market that the euro will continue to weaken and that the ECB will strengthen its balance sheet. In these circumstances, the weak margins of companies in the euro zone should be seen as more of an opportunity than a threat, and the results of exports companies may even provide big positive surprises.

In addition to equity investments, real estate and private equity investments are popular. Investments traditionally allocated to bonds are invested to half-open real estate funds that strive for a 7 to 10 per cent returns. The private equity (buyout) market offers, in its turn, an additional return of about 4 to 5 percentage points compared with the listed equity market. We will make our investment portfolios more efficient though above described allocations in order to reach our return targets.

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Strategist



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