

2020

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# FINANCIAL STATEMENTS RELEASE





5 February 2021 at 8:00 A.M.

## eQ Plc's financial statements release 2020 – eQ's profit increased by 17%, distribution proposal of EUR 0.70 per share to the shareholders

### January to December 2020 in brief

- The Group's net revenue during the financial period was EUR 56.7 million (EUR 50.6 million from 1 Jan. to 31 Dec. 2019).
  - The Group's net fee and commission income was EUR 56.7 million (EUR 49.5 million).
  - The Group's net investment income from own investment operations was EUR 0.0 million (EUR 1.1 million), including the return from private equity and real estate fund investments and liquid fixed income funds.
- The Group's operating profit grew by 17% to EUR 30.8 million (EUR 26.3 million).
- The Group's profit was EUR 24.6 million (EUR 21.0 million).
- The consolidated earnings per share were EUR 0.64 (EUR 0.55).
- The net revenue of the Asset Management segment increased by 19% to EUR 52.8 million (EUR 44.3 million) and the operating profit by 26% to EUR 32.1 million (EUR 25.4 million).
- The net revenue of the Corporate Finance segment was EUR 4.1 million (EUR 5.4 million) and the operating profit was EUR 1.1 million (EUR 1.9 million).
- The net cash flow from the Group's own private equity and real estate fund investment operations was EUR 0.6 million (EUR 1.7 million).
- Dividend proposal EUR 0.64 (EUR 0.55) and proposal for equity repayment EUR 0.06 (EUR 0.07) per share.

### October to December 2020 in brief

- In the last quarter, the Group's net revenue totalled EUR 20.1 million (EUR 15.6 million from 1 Oct. to 31 Dec. 2019).
  - The Group's net fee and commission income was EUR 19.5 million (EUR 15.0 million).
  - The Group's net investment income from own investment operations was EUR 0.7 million (EUR 0.6 million), including the return from private equity and real estate fund investments and liquid fixed income funds.
- The Group's operating profit was EUR 11.5 million (EUR 8.4 million).
- The Group's profit was EUR 9.2 million (EUR 6.7 million).
- The consolidated earnings per share were EUR 0.24 (EUR 0.18).

Key ratios	1-12/20	1-12/19	Change	10-12/20	10-12/19	Change
Net revenue, Group, M€	56.7	50.6	12%	20.1	15.6	29%
Net revenue, Asset Management, M€	52.8	44.3	19%	18.1	12.5	45%
Net revenue, Corporate Finance, M€	4.1	5.4	-24%	1.4	2.5	-46%
Net revenue, Investments, M€	-0.1	0.8	-110%	0.6	0.6	1%
Net revenue, Group administration and eliminations, M€	0.0	0.1		0.0	0.0	
Operating profit, Group, M€	30.8	26.3	17%	11.5	8.4	37%
Operating profit, Asset Management, M€	32.1	25.4	26%	11.3	7.2	57%
Operating profit, Corporate Finance, M€	1.1	1.9	-41%	0.4	1.2	-63%
Operating profit, Investments, M€	-0.1	0.8	-110%	0.6	0.6	1%
Operating profit, Group administration, M€	-2.4	-1.8		-0.8	-0.5	
Profit for the period, M€	24.6	21.0	17%	9.2	6.7	37%



Key ratios	1-12/20	1-12/19	Change	10-12/20	10-12/19	Change
Earnings per share, €	0.64	0.55	16%	0.24	0.18	35%
Proposal for dividend and equity repayment per share, €	0.70	0.62	13%			
Equity per share, €	1.74	1.70	2%	1.74	1.70	2%
Cost/income ratio, Group, %	45.6	48.1	-5%	42.5	46.0	-8%
Liquid assets, M€	36.3	32.3	12%	36.3	32.3	12%
Private equity and real estate fund investments, M€	15.7	16.2	-3%	15.7	16.2	-3%
Interest-bearing loans, M€	0.0	0.0	0%	0.0	0.0	0%
Assets under management excluding reporting services, € billion	7.5	6.8	10%	7.5	6.8	10%
Assets under management total, € billion	9.0	11.7	-23%	9.0	11.7	-23%

## Janne Larma, CEO

The year 2020 was very exceptional in the investment market. At the beginning of the pandemic in March, share prices plummeted for a month, but recovered during the year so that equity indices were, as a rule, higher at the end of the year than they had been at the beginning January. The crisis in March raised the VIX index describing volatility almost as high as during the financial crisis, but towards the end of the year the index fell, although not quite to the level at the beginning of year.

eQ succeeded excellently in this challenging market, and our result was once more very good in 2020. The Group's net revenue increased by 12% to EUR 56.7 million. The Group's operating profit was EUR 30.8 million and the profit for the period was EUR 24.6 million, growth on the previous year being 17%. eQ's profit has already grown for 27 consecutive quarters. The consolidated earnings per share were 64 cents as compared with 55 cents in 2019. The Group's cost/income ratio continued to fall in 2020 and amounted to 45.6%.

### eQ Asset Management's profit continued to grow very strongly – operating profit grew by 26%

The asset management business continues to drive the Group's growth. Its operations and profit grew once more exceptionally well. eQ Asset Management's net revenue grew by 19% and operating profit by 26% in 2020. This was the first time that the cost/income ratio of the Asset Management segment was below 40% during the entire financial period, i.e. 39%.

eQ Asset Management is the leading institutional asset manager in Finland. According to the study conducted by SFR last year, eQ is the most frequently used institutional asset manager in Finland, and what is best, investors regarded eQ as the best company in the entire market quality-wise for the second time in a row. I am very happy that we can offer our clients asset management services of the highest quality in Finland. SFR interviews approximately the 100 largest Finnish institutional asset managers annually.

The low market rates and the willingness to decentralise investment portfolios have contributed to the continuing increase in the demand for alternative investment products. This is true both in Finland and internationally.

Considerable growth continued in eQ's private equity asset management last year. We managed to raise altogether EUR 375 million to our private equity funds. We raised EUR 205 million to the eQ PE XII North Fund and EUR 170 million to the eQ PE SF III Secondary Fund. In addition, we also obtained new private equity asset management programmes. The assets managed under the private equity funds and programmes totalled EUR 2.7 billion at the close of the year. In addition to private equity, we raised EUR 36 million to the eQ Private Credit III Fund, and the raising of means to the Private Credit Fund will continue during the spring of 2021.



The COVID-19 crisis increased redemptions in eQ's real estate funds above all in March, but after this the interest in our real estate funds has once more been strong: subscriptions in our real estate funds totalled EUR 125 million in 2020. COVID-19 had a negative impact on the volume of the real estate market. In Finland, the sales of commercial properties fell by 84% in the second quarter of the year, compared with the corresponding period the year before. Despite COVID-19, the returns of our two open real estate funds were also excellent for investors last year, i.e. the eQ Care Fund 9.0% and the eQ Finnish Real Estate Fund 4.6%. Last year, we expanded our real estate asset management portfolio by launching the eQ Residential Fund. We will continue to raise means to the fund during the first months of 2021. The assets managed under real estate asset management were EUR 1.9 billion at the end of the year, and the real estate assets of the funds totalled almost EUR 2.4 billion.

We are also very pleased with the returns of our traditional asset management operations. During the past three years, 77% of eQ's fixed income and equity funds registered in Finland that it manages itself have surpassed their benchmark indices. In 2020, 71% of the funds surpassed their benchmark indices. Consequently, Morningstar recognised eQ Asset Management with its "Best Fund House" award last year based on the five-year risk adjusted return of the funds.

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

The transaction activity in the M&A and real estate market increased considerably in the second half, compared with the first half of the year. The overall volumes were lower than the year before, however. The other half was more active for Advium as well, but as for the whole year, Advium's fee and commission income and revenue fell from the previous year. Last year, Advium acted as advisor in nine published transactions. Among these can be mentioned, for instance, the merger of Cargotec and Konecranes, which still needs to be approved by competition authorities among others, Solidium's sale of its holding in Neles Corporation to Valmet, as well as Peab AB, which acquired YIT's paving- and mineral aggregates business. Advium also acted as financial advisor to Elo Mutual Pension Insurance Company, as a fund managed by Corum AM bought a storage, business and office property in Jätkäsaari in Helsinki.

Advium's net revenue was EUR 4.1 million, which is 24% less than the year before. Advium's operating profit was EUR 1.1 million, compared with previous year's EUR 1.9 million.

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

Last year, the operating profit of the Investments segment was EUR 0.1 million negative (EUR 0.8 million in 2019). The net cash flow of the segment was EUR 0.6 million (EUR 1.7 million). The market value of the private equity and real estate investments was EUR 15.7 million at the end of the year (EUR 16.2 million on 31 Dec. 2019).

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

The Group has no interest-bearing liabilities, and its balance sheet is very strong. The Group's profit in 2020 was 64 cents per share and its cash flow was strong. Due to the strong balance sheet and capital adequacy, the Board of Directors have decided to propose to the Annual General Meeting that a dividend of 64 cents and an equity repayment of 6 cents per share be paid to the shareholders.

### **Outlook**

The year 2021 started off in a positive tone in the equity market. The eQ PE XIII US private equity fund raised a record amount of USD 131 million in its first closing in January. This only strengthens our view that the demand for alternative investment products continues to be strong. With regard to the above, we expect the net revenue and operating profit of the Asset Management segment to grow in 2021.

In accordance with our disclosure policy, we do not issue profit guidance for the Corporate Finance and Investments segments. The results of these segments are highly dependent on factors that are not dependent on the company. Consequently, their operating profits may vary considerably and are difficult to foresee.



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eQ's financial statements release 1 January to 31 December 2020 is enclosed to this release and it is also available on the company website at [www.eQ.fi](http://www.eQ.fi).

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

eQ Group is a group of companies that concentrates on asset management and corporate finance business. eQ Asset Management offers a wide range of asset management services (including private equity funds and real estate asset management) for institutions and private individuals. The assets managed by the Group total approximately EUR 9.0 billion. Advium Corporate Finance, which is part of the Group, offers services related to mergers and acquisitions, real estate transactions and equity capital markets.

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



# eQ PLC FINANCIAL STATEMENTS RELEASE 1 JAN. TO 31. DEC. 2020

## Result of operations and financial position 1 January to 31 December 2020

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## Operating environment

The year 2020 started in a cautiously positive tone. Economic growth had accelerated, and stock exchanges went up. The sentiment changed rapidly, however, as the COVID-19 virus started to spread, first in China and in March and April in the whole world. In several countries, entire branches of industry were closed, the GDP shrank considerably, and unemployment increased. During the summer, the situation improved, and economies were opened up. When autumn came, the situation worsened once more, and several countries announced new restriction measures. At the moment, the BDP growth estimate for the year 2020 is -3.5% for the US, -7.3% for Europe and +2.1% for China. The situation in China has deviated markedly from the rest of the world: the country initiated fierce measures and closed down the economy already in January but managed to raise its total production to the same level as early in the year already in the summer.

Central banks all over the world initiated enormous stimulus measures, and together with fiscal stimulus, the support for economies reached record proportions. As a result of the COVID-19 pandemic the European Union is launching its first supranational support package where a considerable share of the means is assigned for sustainable development objects. Despite the enormous increase in liquidity, inflation has not accelerated globally.

The equity and bond market reacted very fiercely to the spreading of the pandemic and the financial crisis that followed. The steepest fall in share prices was experienced in March, and at the same time, the liquidity of the bond market became almost non-existent. Trust in the future was, however, rapidly restored thanks to fiscal stimulus, and the whole investment year 2020 was in the end good and partly excellent. Regional



differences were large: the Finnish stock exchange rose by 15.7% in 2020, even though the MSCI Index that describes the stock exchange development in Europe gave a -3.2% return. The US stock exchange rose by 17.8% in dollars, but due to the weakening dollar, the return in euros was 8.0%. The emerging market index rose by 8.5%, but regional differences were large. China was strongly positive, and above all Brazil and Russia clearly negative.

The support measures of central banks brought the interest rate levels in Europe and the US further down. Euro government bonds gave a 4.9% return at index level, investment grade bonds 2.7%, high yield bonds 2.9%, and emerging market corporate loans as euro hedged 5.5%.

## Major events during the financial period

eQ Plc's Annual General Meeting was held on 25 March 2020. Nicolas Berner, Georg Ehrnrooth, Timo Kokkila, Lotta Kopra and Tomas von Rettig were re-elected to the Board. Georg Ehrnrooth will continue as Chair of the Board. The decisions by the Annual General Meeting have been presented in a separate chapter below.

During the period under review, the number of eQ Plc's shares increased with new shares subscribed for with option rights. The number of shares increased by 415 000 shares on 10 September 2020 and by 150 000 shares on 26 November 2020.

## Group net revenue and result development

During the financial period, the Group's net revenue totalled EUR 56.7 million (EUR 50.6 million from 1 Jan. to 31 Dec. 2019). The Group's net fee and commission income was EUR 56.7 million (EUR 49.5 million). The Group's net investment income from own investment operations was EUR 0.0 million (EUR 1.1 million), including the return from private equity and real estate fund investments and liquid fixed income funds.

The Group's expenses and depreciation totalled EUR 26.0 million (EUR 24.3 million). Personnel expenses were EUR 21.5 million (EUR 19.8 million), other administrative expenses totalled EUR 2.0 million (EUR 2.2 million), and the other operating expenses were EUR 1.4 million (EUR 1.4 million). Depreciation was EUR 1.1 million (EUR 1.0 million). The salary expenses increased from the year before due to result-related remuneration.

The Group's operating profit was EUR 30.8 million (EUR 26.3 million) and the profit for the period was EUR 24.6 million (EUR 21.0 million).

## Business areas

### Asset Management

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

#### *Mutual funds and asset management*

At the end of the period, eQ had 24 traditional mutual funds registered in Finland. The number of funds increased in the first half of the year with two funds that were transferred from Aurejärvi Asset Management. The new funds are eQ Global and eQ Europe Small Cap.

eQ's fixed income funds gave good returns towards the end of the year and were mainly positive during the entire year. The negative return of the eQ Emerging Markets Corporate Bond Local Currency Fund, mainly due to a currency movement, was an exception to this. The best returns came from the eQ Emerging Markets Corporate Bond and eQ Government Bond funds. As compared with benchmark indices, the eQ Floating Rate and eQ Investment Grade funds succeeded best. The eQ Euro Investment Grade fund was awarded as the best fund measured with a five-year return in the Lipper Scandinavian "Bond EUR Corporates" award series.



After the collapse in March, equity funds continued to grow strongly during the remaining part of the year, and the year turned out to be good for equity fund investors. The best returns came from the eQ Nordic Small Cap, eQ Europe Small Cap and eQ Finland funds. The return of the eQ Nordic Small Cap Fund was almost 60%. As compared with their benchmark indices, the eQ Nordic Small Cap, eQ Europe Small Cap and eQ Blue Planet funds gave excellent returns. On 11 March 2020, eQ Asset Management won one of the major prizes awarded by Morningstar. Morningstar recognised the entire equity fund range of eQ with its "Best Equity Fund House" award. This extremely highly esteemed award is based on the five-year risk-adjusted returns of eQ's equity funds.

Of the funds managed by eQ, 71% surpassed their benchmark indices in 2020, and in the past three years, 77% of the funds managed by eQ have surpassed their benchmark indices. The average Morningstar rating of funds managed by eQ was 3.5 stars at the end of the year. The returns of the discretionary asset management portfolios that eQ manages varied approximately between +2.2 and +11.4% based on the allocation of the investment portfolio. The return of portfolios that are only invest in Finnish shares was +14,1%. The ESG ratings of the eQ funds are better than the average, and eQ obtained excellent ESG ratings in the 2020 PRI assessment.

### *Private Equity*

The first close of the new eQ PE XII North private equity fund was held at the end of January 2020 at EUR 126 million. In the closing of the fund in June, the size of the fund grew to EUR 190 million, and in the final close, the size was EUR 205 million. The eQ PE XII North fund makes investments in private equity funds that invest in unlisted, small and mid-sized companies in Northern Europe. In January 2020, eQ also established its third secondary market fund eQ PE SF III. The first close of the fund was held at EUR 75 million. In the closing of the fund in June, the size of the fund grew to EUR 155 million, and in the final close, the size was EUR 170 million. Both new funds are clearly larger than their predecessors. During the first half of 2020, eQ also launched four new private equity asset management programmes. Towards the end of the year, we also raised EUR 36 million to our third fund that invests in the European private credit market, eQ Private Credit III, and the raising of means to the fund will continue during the spring of 2021.

eQ's private equity ESG integration and reporting are at an excellent level and the company continues with the development work. At the end of the year, the assets in private equity funds managed by eQ totalled EUR 1 814 million (EUR 1 609 million) and the assets managed under private equity asset management programmes were EUR 878 million (EUR 677 million).

### *Real estate investments*

The net subscriptions in the eQ Finnish Real Estate Fund were EUR -21 million in the last quarter and EUR -39 million during the whole year. At the end of the year, the size of the fund was EUR 661 million, and its real estate property amounted to almost EUR 1.0 billion. The return of the fund in 2020 was 4.6% and since establishment 8.4% p.a. The fund has more than 2 200 unit holders. Towards the end of the year, the eQ Finnish Real Estate fund sold seven business properties for a total of EUR 100 million.

In the fourth quarter, new net subscriptions worth EUR 33 million were made in the eQ Care fund. During the year, the subscriptions totalled EUR 87 million. At the end of the year, the size of the fund was EUR 1 127 million, and its real estate property amounted to almost EUR 1.3 billion. The return of the fund in 2020 was 9.0% and since establishment also 9.0% p.a. The fund has approximately 4 200 unit holders. Towards the end of the year, the eQ Care Fund sold altogether 55 properties for EUR 222 million.

In May, eQ established a new real estate fund eQ Residential. In the first close, underwritings worth EUR 33 million were gathered to the fund. The second close of the fund took place in October at EUR 51 million, and at the end of the year, the size of the fund grew to EUR 75 million. The investment capacity increased thereby to about EUR 250 million. The investment operations have proceeded well and the raising of means will continue in early 2021. The target size of the fund is EUR 100 million, which will enable investments exceeding EUR 300 million in residential real estate. eQ Residential makes investments in the Helsinki metropolitan area, Tampere and Turku. The fund targets complete residential buildings and aims to manage approximately 1,500 rental units in total. Unlike eQ Care and eQ Finnish Real Estate, the eQ Residential Fund is restricted to professional investors only in a closed-end fund structure.

Overall, eQ's real estate funds had real estate property worth almost EUR 2.4 billion at the end of the year, and eQ has become a major Finnish real estate investor. The real estate investment team has consequently





been expanded and now consists of 13 persons. eQ Real Estate fund participated in the CRESB sustainability assessment for the second year in row and the results improved clearly.

### Assets under management and clients

At the end of the year, the assets managed by eQ Asset Management, excluding assets covered by private equity reporting services, were EUR 7 457 million. The assets increased by EUR 690 million from the beginning of the year, excluding private equity reporting services, and fell by EUR 2 714 million (EUR 6 767 / 11 686 million on 31 Dec. 2019). The considerable fall in the private equity reporting services was due to one large institutional investor, who went over to an international service provider. The transfer has no impact on the company profit. At the end of the year, the assets managed by mutual funds registered in Finland totalled EUR 3 439 million (EUR 3 276 million). The assets increased by EUR 163 million during the year. Mutual funds managed by international partners and assets covered by other asset management operations totalled EUR 1 252 million (EUR 1 206 million). The assets managed under private equity funds and private equity asset management totalled EUR 4 282 million (EUR 7 204 million), the share of eQ private equity funds being EUR 1 814 million (EUR 1 609 million), private equity asset management programmes EUR 878 million (EUR 676 million) and that of closed-end real estate funds EUR 75 million (EUR - ). The assets covered by the private equity reporting service totalled EUR 1 515 million (EUR 4 919 million).

### Result of the Asset Management segment

During the financial period, the net revenue of the Asset Management segment increased by 19% and the operating profit by 26% to EUR 32.1 million (EUR 25.4 million from 1 Jan. to 31 Dec. 2019). The management fees of the real estate and private equity operations increased by 19% during the financial period. Performance fees increased by 54% due to the very strong returns of the last quarter. Performance fees typically fluctuate strongly per quarter and financial period. The cost/income ratio was 39.0% (42.7%). Calculated as full-time resources, the Asset Management segment had 75 employees at the end of the year.

Asset Management	1-12/20	1-12/19	Change	10-12/20	10-12/19	Change
Net revenue, M€	52.8	44.3	19%	18.1	12.5	45%
Operating profit, M€	32.1	25.4	26%	11.3	7.2	57%
Assets under management excluding reporting services, € billion	7.5	6.8	10%	7.5	6.8	10%
Assets under management total, € billion	9.0	11.7	-23%	9.0	11.7	-23%
Cost/income ratio, %	39.0	42.7	-9%	37.6	42.4	-11%
Personnel as full-time resources	75	69	9%	75	69	9%

Fee and commission income, Asset Management, M€	1-12/20	1-12/19	Change	10-12/20	10-12/19	Change
Management fees from traditional asset management	8.1	8.0	1%	2.2	2.1	4%
Real estate and private equity management fees	38.1	32.1	19%	10.0	8.6	17%
Other fee and commission income	0.2	0.3	-15%	0.1	0.1	-21%
Performance fees	6.7	4.4	54%	5.9	1.8	222%
Total	53.2	44.7	19%	18.2	12.6	45%

### Corporate Finance

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

The expectations for the M&A market were positive at the beginning of 2020, but when the COVID-19 pandemic hit the world in February and March 2020, these expectations and the activity of the market

deteriorated clearly for a while. After the first reaction, the worst threat scenarios regarding market activity were not realised, however, and the M&A market picked up considerably towards the end of the year.

During the financial period, Advium acted as advisor in nine finalised transactions, five of which were M&As and four real estate transactions. In addition, Advium acted as advisor to Cargotec in the largest Finnish M&A arrangement of the year, when Cargotec and Konecranes were merged creating a global leader in sustainable material flow. This arrangement is subject to approval by competition authorities.

During the last quarter, Advium acted as advisor in the following finalised and signed M&As, for instance:

- Advium acted as advisor to Alma Media in an arrangement where Alma Media Corporation acquired a 35% minority share in Alma Mediapartners Oy for EUR 53 million.
- Advium acted as advisor to Avain Yhtiöt and the owners of the Group, as Ahlström Capital Oy's investment company made a major minority investment in Avain Yhtiöt Group, which specialises in residential property and care.

The COVID-19 pandemic slowed down the real estate transaction market during the first half of the year, but the market picked up later in the year. During the last quarter, Advium acted as advisor in the following real estate arrangements:

- Advium acted as advisor to the seller, as the Special Investment Fund eQ Finnish Real Estate sold seven office properties to Cibus Nordic Real Estate AB for approximately EUR 100 million.
- Advium acted as advisor to the seller, as Regenero, a joint venture of HGR Property Partners and YIT, acquired a major office property in Espoo.

### *Result of the Corporate Finance segment*

In 2020, Advium's net revenue was EUR 4.1 million, compared with EUR 5.4 million the year before. The operating profit was EUR 1.1 million (EUR 1.9 million from 1 Jan. to 31 Dec. 2019). The segment had 14 employees 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	1-12/20	1-12/19	Change	10-12/20	10-12/19	Change
Net revenue, M€	4.1	5.4	-24%	1.4	2.5	-46%
Operating profit, M€	1.1	1.9	-41%	0.4	1.2	-63%
Cost/income ratio, %	72.3	64.1	13%	67.9	53.4	27%
Personnel as full-time resources	14	15	-7%	14	15	-7%

### **Investments**

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

During the period, the operating profit of the Investments segment was EUR -0.1 million (EUR 0.8 million from 1 Jan. to 31 Dec. 2019). At the end of the period, the fair value of the investments was EUR 15.7 million (EUR 16.2 million on 31 Dec. 2019) and the amount of the remaining investment commitments was EUR 7.1 million (EUR 6.7 million).

During the period, the investment objects returned capital for EUR 1.8 million (EUR 2.3 million from 1 Jan. to 31 Dec. 2019) and distributed a profit of EUR 0.3 million (EUR 1.8 million). Capital calls totalled EUR 1.6 million (EUR 2.4 million). The net cash flow from investments during the period was EUR 0.6 million (EUR 1.7 million). The value changes of the private equity fund investments recognised through profit or loss were EUR -0,3 million during the period (EUR -0,8 million). During the financial period, the COVID-19 crisis influenced the profit distribution and value changes of investments.



During the financial period, eQ Plc made a EUR 1.0 million investment commitment in the eQ PE XII North private equity fund. eQ Plc also made an investment commitment of EUR 1.0 million in the eQ Residential real estate fund.

The income of eQ's Investments segment is recognised due to factors independent of the company. Due to this, the segment's result may vary considerably.

Investments	1-12/20	1-12/19	Change	10-12/20	10-12/19	Change
Operating profit, M€	-0.1	0.8	-110%	0.6	0.6	-1%
Fair value of investments, M€	15.7	16.2	-3%	15.7	16.2	-3%
Investment commitments, M€	7.1	6.7	5%	7.1	6.7	5%
Net cash flow of investments, M€	0.6	1.7	-67%	0.8	0.9	-18%

## Balance sheet and capital adequacy

At the end of the period, the consolidated balance sheet total was EUR 91.5 million (EUR 85.4 million on 31 Dec. 2019) and the shareholders' equity was EUR 67.5 million (EUR 65.1 million). During the period, the shareholders' equity was influenced by the profit for the period of EUR 24.6 million, the dividend distribution of EUR -21.1 million, the repayment of equity of EUR -2.7 million from the reserve for invested unrestricted equity, the subscription for new shares with option rights of EUR 1.4 million and the accrued expense of EUR 0.2 million related to the option scheme and enter in shareholders' equity. The changes are specified in detail in the tables attached to this release.

At the end of the period, liquid assets totalled EUR 21.5 million (EUR 22.4 million) and liquid investments in mutual funds EUR 14.9 million (EUR 9.9 million). In order to safeguard the availability of financing, the Group has access to a credit limit of EUR 4.0 million. At the end of the period, the Group's short-term receivables amounted to EUR 7.6 million (EUR 4.7 million).

The lease liability entered in the balance sheet was EUR 2.0 million (EUR 2.6 million) at the end of the period, the share of short-term liabilities being EUR 0.9 million (EUR 0.6 million). Interest-free short-term debt was EUR 21.9 million (EUR 17.7 million). The Group had no interest-bearing loans at the end of the period (EUR - million). eQ's equity to assets ratio was 73.8% (76.2%).

A subsidiary called eQ Asset Management Ltd, which is engaged in investment firm operations and fully owned by eQ Plc, is part of the Group. eQ Asset Management Ltd, as investment firm, and eQ Plc as the holding company, apply the CRR/CRD regulations. The requirement for eQ Group's and eQ Asset Management Ltd's own funds is calculated according to article 95 of EU's Capital Requirements Regulation. The amount of the total risk exposure is calculated as the larger of the following: a) total amount of credit and market risks or b) the total risk based on fixed overheads.

The Group's CET1 (Common Equity Tier 1) and capital adequacy ratio of the own funds was 18.0% (22.2% on 31 Dec. 2019) at the end of the period. According to regulations, the absolute minimum requirement for own funds is 8%. At the end of the period, the Group's own funds based on capital adequacy calculations totalled EUR 10.6 million (EUR 11.9 million on 31 Dec. 2019), and the total risk exposure was EUR 58.8 million (EUR 53.5 million). In capital adequacy calculations, the amount of the total risk exposure is based on credit and market risks, as the total risk exposure based on fixed overheads was lower at the end of the period under review. The total risk exposure based on fixed overheads was EUR 52.4 million at the end of the period. Detailed information on the Group's capital adequacy can be found in the tables section.

## Shares and share capital

At the end of the period on 31 December 2020, the number of eQ Plc's shares was 38 872 198 and the share capital was EUR 11 383 873.

During the financial period, on 19 September 2020, the number of eQ Plc's shares increased by 415 000 new shares subscribed for with option rights 2015. The subscription price of the new shares totalled EUR 1 033 350.00. The entire subscription was entered in the reserve for invested unrestricted equity.



During the financial period, 26 November 2020, the number of eQ Plc's shares increased by 150 000 new shares subscribed for with option rights 2015. The subscription price of the new shares totalled EUR 373 500.00. The entire subscription was entered in the reserve for invested unrestricted equity. There were no changes in the share capital during the period.

The closing price of eQ Plc's share on 31 December 2020 was EUR 16.75 (EUR 12.45 on 31 Dec. 2019). The market capitalisation of the company was thus EUR 651.1 million (EUR 476.9 million) at the end of the financial period. During the financial period, 2 721 819 shares were traded on Nasdaq Helsinki (1 615 771 shares from 1 Jan. to 31 Dec. 2019). In euros, the turnover was EUR 35.8 million (EUR 15.9 million).

## Own shares

On 31 December 2020, eQ Plc held no own shares.

## Shareholders

### Ten major shareholders on 31 December 2020

	Shares	Share, %
1 Fennogens Investments S.A.	7 943 137	20.43
2 Anchor Oy Ab	6 058 963	15.59
3 Chilla Capital S.A.	6 045 275	15.55
4 Teamet Oy	4 100 000	10.55
5 Oy Cevante Ab	1 419 063	3.65
6 Fazer Jan Peter	1 298 306	3.34
7 Procurator-Holding Oy	793 892	2.04
8 Lavventura Oy	650 000	1.67
9 Linnalex Ab	631 652	1.62
10 Pinomonte Ab	529 981	1.36
10 major shareholders, total	29 470 269	75.81
Nominee registered	360 753	0.93
Other shares	9 041 176	23.26
Total	38 872 198	100.00

On 31 December 2020, eQ Plc had 7 261 shareholders (5 945 shareholders on 31 Dec. 2019).

## Option schemes

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

### Option scheme 2015

At the end of the period, altogether 1 575 000 options had been allocated from option scheme 2015. The subscription period of shares with option rights 2015 began on 1 April 2019 and will end on 1 April 2021. The options have been listed on Nasdaq Helsinki.

Of these options, altogether 815 000 had been exercised by the end of the period. The number of outstanding options was 760 000 at the end of the period. No options of the option scheme 2015 can any longer be allocated.

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



## **Option scheme 2018**

At the end of the period, altogether 1 775 000 options had been allocated from option scheme with a purchase price 2018. The subscription period of shares with option rights 2018 will begin on 1 April 2022 and end on 1 April 2024.

In the first quarter of 2020, 25 000 options with a purchase price of EUR 18 000.00 were returned to eQ Plc due to the termination of employment. The purchase price of the returned options was entered in its entirety at the original subscription price in the reserve for invested unrestricted equity. The number of outstanding options was 1 775 000 at the end of the period. No options of the option scheme 2018 can any longer be allocated.

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

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

eQ Plc's Annual General Meeting (AGM), held on Monday 25 March 2020 in Helsinki, decided upon the following:

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

eQ Plc's AGM confirmed the financial statements of the company, which included the consolidated financial statements, the report by the Board of Directors, and the auditors' report for the financial year 2019.

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

The AGM confirmed the proposal by the Board of Directors that a dividend of EUR 0.55 per share and a repayment of equity of EUR 0.07 from the reserve for invested unrestricted equity be paid out. The dividend and equity repayment were paid to shareholders who, on the record date for the dividend payment, i.e. 27 March 2020, were recorded in the shareholder register of eQ Plc held by Euroclear Finland Ltd. Payment date of the dividend and equity repayment was 3 April 2020.

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

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

### **Remuneration Policy for governing bodies**

The Annual General Meeting adopted the Remuneration Policy for the governing bodies.

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

According to the decision of the AGM, five members shall be elected to eQ Plc's Board of Directors. Nicholas Berner, Georg Ehrnrooth, Timo Kokkila, Lotta Kopra and Tomas von Rettig were re-elected for a term of office that will end at the close of the next Annual General Meeting. The AGM decided that the directors would receive remuneration as follows: the Chair of the Board will receive EUR 4 000 and the other directors EUR 2 500 per month. The Directors will also be paid EUR 500 for each Board meeting that they attend. Travel and lodging costs will be compensated in accordance with the company's expense policy. The Board elected Georg Ehrnrooth Chair of the Board at its meeting held immediately after the AGM.



## Auditors and auditors' compensation

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

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

The AGM authorised the Board of Directors to decide on a share issue or share issues and/or the issuance of special rights entitling to shares referred to in Chapter 10 Section 1 of the Limited Liability Companies Act, in one or several transactions, comprising a maximum total of 3 500 000 new shares. The amount of the authorisation corresponded to approximately 9.14% of all shares in the company on the date of the notice of the AGM.

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

## Personnel and organisation

At the end of the period, the number of Group personnel calculated as full-time resources was 94 (89 persons on 31 December 2019). Calculated as full-time resources, the Asset Management segment had 75 (69) employees and the Corporate Finance segment 14 (15) employees. Group administration had 5 (5) employees.

The overall salaries paid to the employees of eQ Group during the period totalled EUR 21.5 million (EUR 19.8 million from 1 Jan. to 31 Dec. 2019). The salary expenses increased from the year before due to result-related remuneration.

## Major risks and short-term uncertainties

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

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

The risks related to the operations of eQ Group's Investments segment are the market risk and currency risk, for instance. Of said risks, the market risk has the greater impact on investments. The company's own investments are well diversified, which means that the impact of one investment made by one individual fund in one single investment object on the return is often small. The income from eQ Group's Investment segment is recognised in different quarters due to factors independent of the company, depending on the



exits from funds. The income from investment operations and changes in value may vary considerably from quarter to quarter.

## Proposal for the distribution of profit

The distributable means of the parent company on 31 December 2020 totalled EUR 49 830 472.00. The sum consisted of retained earnings of EUR 26 495 131.62 and the means in the reserve of invested unrestricted equity of EUR 23 335 340.38.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.64 per share be paid out. The proposal corresponds to a dividend totalling EUR 24 878 206.72 calculated with the number of shares at the close of the financial year. Additionally, the Board proposes to the AGM that an equity repayment of EUR 0.06 per share be paid out from the reserve of invested unrestricted equity. The proposal corresponds to an equity repayment totalling EUR 2 332 331.88 calculated with the number of shares at the close of the financial year. The dividend and equity repayment shall be paid to those who are registered as shareholders in eQ Plc's shareholder register maintained by Euroclear Finland Ltd on the record date 26 March 2021. The Board proposes 6 April 2021 as the payment date of the dividend and equity repayment.

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

## Events after the financial period

eQ Plc's shareholders with more than 60% of the company shares and votes have made a proposal to the Annual General Meeting to be held on 24 March 2021 regarding the number of directors, their remuneration and the principles for compensating expenses as well as the election of the directors. The shareholders propose that Nicolas Berner, Georg Ehrnrooth, Timo Kokkila, Lotta Kopra and Tomas von Rettig be re-elected to the Board and that Janne Larma be elected as new director. Janne Larma has been eQ Plc's CEO since 2011 and will continue to hold this position to 31 March 2021, after which he is to become full-time Chair of eQ Plc's Board of Directors from 1 April 2021.

eQ Plc's Board of Directors has decided to appoint Mikko Koskimies CEO of eQ Plc. At the moment, Mikko Koskimies is CEO of eQ Asset Management Ltd, and he will continue to hold this position after the appointment. The appointment will become effective on 1 April 2021.

The eQ PE XIII US private equity fund held its first close at USD 131 million in January 2021. eQ Plc made an investment commitment of USD 1.0 million in the fund.

## Outlook

The year 2021 started off in a positive tone in the equity market. The eQ PE XIII US private equity fund raised a record amount of USD 131 million in its first closing in January. This only strengthens our view that the demand for alternative investment products continues to be strong. With regard to the above, we expect the net revenue and operating profit of the Asset Management segment to grow in 2021.

In accordance with our disclosure policy, we do not issue profit guidance for the Corporate Finance and Investments segments. The results of these segments are highly dependent on factors that are not dependent on the company. Consequently, their operating profits may vary considerably and are difficult to foresee.

eQ Plc Board of Directors



## **TABLES**

### **Principles for drawing up the report**

The financial statements release has been prepared in accordance with IFRS standards and the IAS 34 Interim Reports standard, approved by the EU. At the beginning of the financial period, the company has adopted certain new or amended IFRS standards and IFRIC interpretations. However, the introduction of these new and amended standards has not had any essential impact on the reported figures. For other parts, the Group has applied the same accounting principles as in the financial statements for the year 2019. The calculation principles and formulae of the key ratios remain unaltered, and they have been presented in the Annual Report 2019.

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

The financial statement figures presented in this release are based on the company's audited financial statements. The Auditors' Report has been issued on 4 February 2021.





## CONSOLIDATED INCOME STATEMENT, EUR 1 000

	1-12/20	1-12/19	10-12/20	10-12/19
Fee and commission income	57 193	49 933	19 584	15 102
Interest income	1	4	1	1
Net income from financial assets	32	1 132	673	630
Operating income, total	57 226	51 069	20 258	15 733
Fee and commission expenses	-459	-428	-116	-109
Interest expenses	-23	-26	-5	-6
NET REVENUE	56 744	50 614	20 136	15 618
Administrative expenses				
Personnel expenses	-21 523	-19 758	-7 260	-5 942
Other administrative expenses	-1 979	-2 185	-657	-625
Depreciation on tangible and intangible assets	-1 086	-968	-284	-245
Other operating expenses	-1 399	-1 411	-387	-380
OPERATING PROFIT (LOSS)	30 757	26 292	11 549	8 426
Income tax	-6 148	-5 257	-2 334	-1 696
PROFIT (LOSS) FOR THE PERIOD	24 610	21 035	9 214	6 730

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1-12/20	1-12/19	10-12/20	10-12/19
Other comprehensive income:	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	24 610	21 035	9 214	6 730
Profit for the period attributable to:				
Equity holders of the parent company	24 610	21 035	9 214	6 730
Non-controlling interests	-	-	-	-
Comprehensive income for the period attributable to:				
Equity holders of the parent company	24 610	21 035	9 214	6 730
Non-controlling interests	-	-	-	-
Earnings per share calculated from the profit of equity holders of the parent company:				
Earnings per average share, EUR	0.64	0.55	0.24	0.18
Diluted earnings per average share, EUR	0.60	0.51	0.22	0.16



## CONSOLIDATED BALANCE SHEET, EUR 1 000

	31 Dec. 2020	31 Dec. 2019
<b>ASSETS</b>		
Liquid assets	80	72
Claims on credit institutions	21 372	22 303
Financial assets		
Financial securities	14 920	9 956
Private equity and real estate fund investments	15 656	16 156
Intangible assets		
Fair value and brands	29 212	29 212
Client agreements	308	-
Other intangible assets	240	253
Tangible assets		
Right-of-use assets	1 703	2 433
Tangible assets	349	261
Other assets	6 969	4 151
Accruals and prepaid expenditure	544	528
Income tax receivables	55	58
Deferred tax assets	66	34
<b>TOTAL ASSETS</b>	<b>91 476</b>	<b>85 418</b>
<b>LIABILITIES AND EQUITY</b>		
<b>LIABILITIES</b>		
Other liabilities	5 218	4 780
Accruals and deferred income	14 956	12 057
Lease liabilities	2 035	2 604
Income tax liabilities	1 722	831
Deferred tax liabilities	-	29
<b>TOTAL LIABILITIES</b>	<b>23 931</b>	<b>20 301</b>
<b>EQUITY</b>		
Attributable to equity holders of the parent company:		
Share capital	11 384	11 384
Reserve for invested unrestricted equity	25 190	26 482
Retained earnings	6 362	6 215
Profit (loss) for the period	24 610	21 035
<b>TOTAL EQUITY</b>	<b>67 545</b>	<b>65 117</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>91 476</b>	<b>85 418</b>



## CONSOLIDATED CASH FLOW STATEMENT, EUR 1 000

	1-12/2020	1-12/2019
<b>CASH FLOW FROM OPERATIONS</b>		
Operating profit	30 757	26 292
Depreciation and write-downs	1 086	968
Interest income and expenses	22	22
Transactions with no related payment transactions	389	904
Financial assets' cash flow – private equity and real estate fund investments	243	-61
Change in working capital		
Business receivables, increase (-) / decrease (+)	-2 776	1 157
Interest-free debt, increase (+) / decrease (-)	2 506	919
Total change in working capital	-270	2 076
Cash flow from operations before financial items and taxes	32 227	30 202
Interests received	1	4
Interests paid	-23	-26
Taxes	-4 542	-4 532
<b>CASH FLOW FROM OPERATIONS</b>	<b>27 663</b>	<b>25 648</b>
<b>CASH FLOW FROM INVESTMENTS</b>		
Investments in intangible and tangible assets	-739	-197
Investments/redemptions in other investments – liquid mutual funds	-4 916	93
<b>CASH FLOW FROM INVESTMENTS</b>	<b>-5 655</b>	<b>-103</b>
<b>CASH FLOW FROM FINANCING</b>		
Dividends paid/equity repayments	-23 750	-20 551
Option issue with a subscription price	-18	816
Subscription of new shares	1 407	1 296
Decrease in the lease liability capital	-568	-578
<b>CASH FLOW FROM FINANCING</b>	<b>-22 930</b>	<b>-19 017</b>
<b>INCREASE/DECREASE IN LIQUID ASSETS</b>	<b>-922</b>	<b>6 527</b>
Liquid assets on 1 Jan.	22 375	15 848
Liquid assets on 31 Dec.	21 453	22 375

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

Equity attributable to equity holders of the parent company						
	Share capital	Reserve for invested unrestricted equity	Fair value reserve	Retained earnings	Total	Total equity
Shareholders' equity on 1 Jan. 2019	11 384	27 034		23 831	62 249	62 249
Profit (loss) for the period				21 035	21 035	21 035
Other comprehensive income						
Financial assets				-	-	-
Total comprehensive income				21 035	21 035	21 035
Dividend/equity repayment		-2 664		-17 887	-20 551	-20 551
Option issue with a subscription price		1 296			1 296	1 296
Subscription of shares		816			816	816
Options granted, cost accrual				271	271	271
Shareholders' equity on 31 Dec. 2019	11 384	26 482		27 251	65 117	65 117
Shareholders' equity on 1 Jan. 2020	11 384	26 482		27 251	65 117	65 117
Profit (loss) for the period				24 610	24 610	24 610
Other comprehensive income						
Financial assets				-	-	-
Total comprehensive income				24 610	24 610	24 610
Dividend/equity repayment		-2 682		-21 069	-23 750	-23 750
Option issue with a subscription price		-18			-18	-18
Subscription of shares		1 407			1 407	1 407
Options granted, cost accrual				180	180	180
Shareholders' equity on 31 Dec. 2020	11 384	25 190		30 972	67 545	67 545



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

	1-12/20	1-12/19	10-12/20	10-12/19
Asset management fees				
Management fees from traditional asset management	8 118	8 003	2 174	2 083
Real estate and private equity management fees	37 990	31 852	9 994	8 508
Other fee and commission income	238	281	107	137
Performance fees	6 731	4 379	5 936	1 845
Total	53 077	44 514	18 211	12 573
Corporate finance fees	4 117	5 419	1 373	2 530
Fee and commission income, total	57 193	49 933	19 584	15 102

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

	1-12/20	1-12/19	10-12/20	10-12/19
Private equity and real estate fund investment operations				
Profit distribution of funds	326	1 810	181	795
Changes in fair value and losses	-257	-813	442	-167
Total	69	996	623	629
Other investment operations				
Changes in fair value	48	181	50	1
Sales profit/loss	-84	-45	-	-
Total	-36	135	50	1
Net income from financial assets, total	32	1 132	673	630

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

	31 Dec. 2020		31 Dec. 2019	
	Fair value	Book value	Fair value	Book value
Financial assets				
Investments				
Private equity and real estate fund investments	15 656	15 656	16 156	16 156
Financial securities	14 920	14 920	9 956	9 956
Accounts receivable and other receivables	1 378	1 378	1 655	1 655
Liquid assets	21 453	21 453	22 375	22 375
Total	53 406	53 406	50 142	50 142
Financial liabilities				
Accounts payable and other liabilities	139	139	166	166
Lease liabilities	2 035	2 035	2 604	2 604
Total	2 174	2 174	2 769	2 769

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

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

	31 Dec. 2020		31 Dec. 2019	
	Level 1	Level 3	Level 1	Level 3
Financial assets				
Private equity and real estate fund investments	-	15 656	-	16 156
Financial securities	14 920	-	9 956	-
Total	14 920	15 656	9 956	16 156

Level 3 reconciliation: Private equity fund investments

1-12/2020	
Opening balance on 1 Jan. 2020	16 156
Calls	1 567
Returns	-1 809
Value change and loss through profit or loss	-257
Closing balance on 31 Dec. 2020	15 656

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

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

## PRIVATE EQUITY FUND INVESTMENTS, EUR 1 000

Market value	31 Dec. 20	31 Dec. 19
<b>Funds managed by eQ:</b>		
Funds of funds:		
eQ PE XII North LP	22	0
eQ PE XI US LP	87	32
eQ PE X North LP	282	199
eQ PE IX US LP	565	266
eQ PE VIII North LP	1 980	1 586
eQ PE VII US LP	1 903	1 786
eQ PE VI North LP	2 161	1 935
Amanda V East LP	4 296	4 387
Amanda IV West LP	697	982
Amanda III Eastern PE LP	1 830	2 743
Total	13 823	13 917
Real estate funds:		
eQ Residential	43	0
Private equity funds managed by others:		
Large buyout funds	754	994
Midmarket funds	378	531
Venture funds	658	715
<b>Total</b>	<b>15 656</b>	<b>16 156</b>



## REMAINING INVESTMENT COMMITMENTS OF PRIVATE EQUITY AND REAL ESTATE FUND INVESTMENTS, EUR 1 000

Investment commitment	31 Dec. 20	31 Dec. 20
Funds managed by eQ:		
Funds of funds:		
eQ PE XII North LP	980	0
eQ PE XI US LP	711	846
eQ PE X North LP	638	761
eQ PE IX US LP	400	686
eQ PE VIII North LP	736	1 183
eQ PE VII US LP	424	727
eQ PE VI North LP	477	602
Amanda V East LP	645	595
Amanda IV West LP	427	427
Amanda III Eastern PE LP	348	348
Total	5 786	6 175
Real estate funds:		
eQ Residential	950	0
Private equity funds managed by others:		
Large buyout funds	132	132
Midmarket funds	211	433
Venture funds	0	0
<b>Total</b>	<b>7 079</b>	<b>6 740</b>





## SEGMENT INFORMATION, EUR 1 000

1-12/20	Asset Man.	Corporate Finance	Invest- ments	Other	Elimin- ations	Group total
Fee and commission income	53 077	4 117	-	-		57 193
From other segments	150	-	-	-	-150	-
Interest income	-	-	-	1		1
Net income from financial assets	-	-	69	-36		32
Other operating income	-	-	-	-		-
From other segments	-	-	-	77	-77	-
Operating income, total	53 227	4 117	69	41	-227	57 226
Fee and commission expenses	-451	-	-	-8		-459
To other segments	-	-	-150	-	150	-
Interest expenses	-14	-4	-	-5		-23
NET REVENUE	52 761	4 112	-81	29	-77	56 744
Administrative expenses						
Personnel expenses	-17 433	-2 373	-	-1 716		-21 523
Other administrative expenses	-1 475	-288	-	-293	77	-1 979
Depreciation on tangible and intangible assets	-800	-182	-	-104		-1 086
Other operating expenses	-981	-133	-	-285		-1 399
OPERATING PROFIT (LOSS)	32 072	1 137	-81	-2 370	0	30 757
Income tax				-6 148		-6 148
PROFIT (LOSS) FOR THE PERIOD				-8 517		24 610

1-12/19	Asset Man.	Corporate Finance	Invest- ments	Other	Elimin- ations	Group total
Fee and commission income	44 514	5 419	-	-		49 933
From other segments	200	-	-	-	-200	-
Interest income	-	-	-	4		4
Net income from financial assets	-	-	996	135		1 132
Other operating income	-	-	-	-		-
From other segments	-	-	-	77	-77	-
Operating income, total	44 714	5 419	996	217	-277	51 069
Fee and commission expenses	-420	-	-	-8		-428
To other segments	-	-	-200	-	200	-
Interest expenses	-17	-5	-	-4		-26
NET REVENUE	44 276	5 413	796	205	-77	50 614



1-12/19	Asset Man.	Corporate Finance	Invest- ments	Other	Elimin- ations	Group total
Administrative expenses						
Personnel expenses	-15 620	-2 770	-	-1 368		-19 758
Other administrative expenses	-1 646	-367	-	-248	77	-2 185
Depreciation on tangible and intangible assets	-677	-176	-	-116		-968
Other operating expenses	-971	-159	-	-281		-1 411
<b>OPERATING PROFIT (LOSS)</b>	<b>25 363</b>	<b>1 941</b>	<b>796</b>	<b>-1 809</b>	<b>0</b>	<b>26 292</b>
Income tax				-5 257		-5 257
<b>PROFIT (LOSS) FOR THE PERIOD</b>				<b>-7 065</b>		<b>21 035</b>

10-12/20	Asset Man.	Corporate Finance	Invest- ments	Other	Elimin- ations	Group total
Fee and commission income	18 211	1 373	-	-		19 584
From other segments	38	-	-	-	-38	-
Interest income	-	-	-	1		1
Net income from financial assets	-	-	623	50		673
Other operating income	-	-	-	-		-
From other segments	-	-	-	19	-19	-
<b>Operating income, total</b>	<b>18 248</b>	<b>1 373</b>	<b>623</b>	<b>70</b>	<b>-57</b>	<b>20 258</b>
Fee and commission expenses	-114	-	-	-2		-116
To other segments	-	-	-38	-	38	-
Interest expenses	-4	-1	-	-1		-5
<b>NET REVENUE</b>	<b>18 130</b>	<b>1 372</b>	<b>585</b>	<b>67</b>	<b>-19</b>	<b>20 136</b>
Administrative expenses						
Personnel expenses	-5 857	-768	-	-634		-7 260
Other administrative expenses	-505	-79	-	-91	19	-657
Depreciation on tangible and intangible assets	-213	-44	-	-27		-284
Other operating expenses	-264	-41	-	-82		-387
<b>OPERATING PROFIT (LOSS)</b>	<b>11 290</b>	<b>440</b>	<b>585</b>	<b>-767</b>	<b>0</b>	<b>11 549</b>
Income tax				-2 334		-2 334
<b>PROFIT (LOSS) FOR THE PERIOD</b>				<b>-3 101</b>		<b>9 214</b>



10-12/19	Asset Man.	Corporate Finance	Invest- ments	Other	Elimin- ations	Group total
Fee and commission income	12 573	2 530	-	-		15 102
From other segments	50	-	-	-	-50	-
Interest income	-	-	-	1		1
Net income from financial assets	-	-	629	1		630
Other operating income	-	-	-	-		-
From other segments	-	-	-	19	-19	-
Operating income, total	12 623	2 530	629	21	-69	15 733
Fee and commission expenses	-107	-	-	-2		-109
To other segments	-	-	-50	-	50	-
Interest expenses	-4	-1	-	-1		-6
NET REVENUE	12 511	2 529	579	18	-19	15 618
Administrative expenses						
Personnel expenses	-4 424	-1 129	-	-389		-5 942
Other administrative expenses	-472	-121	-	-51	19	-625
Depreciation on tangible and intangible assets	-172	-44	-	-29		-245
Other operating expenses	-242	-55	-	-82		-380
OPERATING PROFIT (LOSS)	7 200	1 180	579	-533	0	8 426
Income tax				-1 696		-1 696
PROFIT (LOSS) FOR THE PERIOD				-2 229		6 730

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

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



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

	Q4/20	Q3/20	Q2/20	Q1/20	Q4/19
<b>Asset Management</b>					
Net revenue	18 130	11 941	11 419	11 271	12 511
Operating profit	11 290	7 773	6 612	6 396	7 200
<b>Corporate Finance</b>					
Net revenue	1 372	1 014	1 277	449	2 529
Operating profit	440	365	449	-116	1 180
<b>Investments</b>					
Net revenue	585	-316	-981	630	579
Operating profit	585	-316	-981	630	579
<b>Other segments and eliminations</b>					
Net revenue	48	59	171	-327	0
Operating profit	-767	-294	-408	-901	-533
<b>Group total</b>					
Net revenue	20 136	12 698	11 886	12 024	15 618
Operating profit	11 549	7 528	5 672	6 009	8 426
Profit for the period	9 214	6 012	4 592	4 791	6 730



## CAPITAL ADEQUACY, EUR 1 000

	CRR 31 Dec. 2020 eQ Group	CRR 31 Dec. 2019 eQ Group
Equity	67 545	65 117
Common equity tier 1 (CET 1) before deductions	67 545	65 117
Deductions from CET 1		
Intangible assets	-29 761	-29 465
Unconfirmed profit for the period	-24 610	-21 035
Dividend proposal by the Board*	-2 601	-2 715
Common equity tier 1 (CET1)	10 574	11 901
Additional tier 1 (AT1)	0	0
Tier 1 (T1 = CET1 + AT1)	10 574	11 901
Tier 2 (T2)	0	0
Total capital (TC = T1 + T2)	10 574	11 901
Risk-weighted items total – Total risk exposure	58 830	53 499
of which credit risk	54 064	48 183
of which market risk - currency risk	4 766	5 316
of which extra risk due to fixed expenses	-	-
Common equity tier 1 (CET1) / risk weights, %	18.0%	22.2%
Tier 1 (T1) / risk weights, %	18.0%	22.2%
Total capital (TC) / risk weights, %	18.0%	22.2%
Excess of total capital compared with the minimum level (8% capital adequacy ratio)	5 867	7 621
Total capital compared with the target level (10% capital adequacy ratio)	4 691	6 551

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



## GROUP KEY RATIOS

31 Dec. 2020 31 Dec. 2019

Profit (loss) for the period to the equity holders of the parent company, EUR 1 000	24 610	21 035
Earnings per average share, EUR	0.64	0.55
Diluted earnings per average share, EUR	0.60	0.51
Equity per share, EUR	1.74	1.70
Equity per average share, EUR *)	1.76	1.71
Return on investment, ROI % p.a.	35.9	32.4
Return on equity, ROE % p.a.	37.1	33.0
Equity to assets ratio, %	73.8	76.2
Cost/income ratio, Group, %	45.6	48.1
Share price at the end of the period, EUR	16.75	12.45
Market value, EUR million	651.1	476.9
Personnel calculated as full-time resources at the end of the period	94	89

\*) Weighted average number of shares outstanding.

eQ applies the guidelines of the European Securities and Markets Authority, ESMA, on alternative performance measures. An alternative performance measure is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework (IFRS). eQ presents alternative measures in order to describe the financial development of its operations. Capital adequacy performance measures are presented based on European legislation concerning companies in the finance sector. The calculation principles and formulae of the key ratios are presented in the company's 2019 Annual Report, which is available on the company website at [www.eQ.fi](http://www.eQ.fi). The key ratios presented by eQ can be directly calculated with the calculation formulae based on the information in the income statement, balance sheet and notes thereto.

## REMAINING COMMITMENTS

On 31 December 2020, eQ's remaining investment commitments in private equity and real estate funds totalled EUR 7.1 million (EUR 6.7 million on 31 Dec. 2019). Other commitments at the end of the period totalled EUR 0.0 million (EUR 0.0 million on 31 Dec. 2019).



## PERFORMANCE FEES OF PRIVATE EQUITY FUNDS MANAGED BY eQ

It is possible for eQ Group to obtain a performance fee based on the return of the fund (carried interest / profit distribution-share return) from the private equity funds that it manages. The performance fee, which is based on fund agreements and belongs to the management company, is not obtained until the return rate defined by the hurdle rate (IRR) has been achieved at cash flow level. Typically, the performance fee will become payable first towards the end of a fund's life cycle. If the return from the fund remains below the hurdle rate, the management company receives no performance fee. eQ Group begins to recognise a performance fee from a private equity fund belonging to it when the private equity fund has returned the entire required return to investors and the fund has begun to pay a performance fee. The fee is not recognised when the calculated hurdle rate is exceeded, as a significant revenue reversal can still be possible. When the hurdle rate has been reached, the management company will receive the coming cash flow until the entire performance fee accumulated this far has been obtained (catch up stage, catch up share 100%). After the catch up stage, the cash flows distributed by the fund will be divided between the management company and investors according to the fund agreement (e.g. 7.5% / 92.5%).

### Present funds

Fund	Size of the fund	Vintage year	Hurdle rate	Performance fee	eQ's share of performance fee	Estimate on reaching the hurdle rate (cash flow)			
						Will not be reached	2021-2022	2023-2027	After 2017
Amanda III	MEUR 110	2006	6.0%	10.0%	100%	x			
Amanda IV <sup>1)</sup>	MEUR 90	2007	8.0%	7.5%	100%		x		
Amanda V	MEUR 50	2011	6.0%	10.0%	100%	x			
eQ PE VI	MEUR 100	2013	7.0%	7.5%	100%			x	
eQ PE VII	MUSD 80	2015	7.0%	7.5%	45%			x	
eQ PE VIII	MEUR 160	2016	7.0%	7.5%	100%			x	
eQ PE IX	MUSD 105	2017	7.0%	7.5%	45%			x	
eQ PE SF II	MEUR 135 <sup>2)</sup>	2018	10.0%	10.0%	100%			x	
eQ PE X	MEUR 175	2018	7.0%	7.5%	100%				x
eQ PE XI	MUSD 217	2019	7.0%	7.5%	45%				x
eQ PE SF III	MEUR 170 <sup>3)</sup>	2020	10.0%	10.0%	100%			x	
eQ PE XII	MEUR 205	2020	7.0%	7.5%	100%				x
eQ Residential	75 MEUR <sup>4)</sup>	2020	7.0%	20.0%	100%				x

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

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

2) Capital covered by performance fee MEUR 75

3) Capital covered by performance fee MEUR 104

4) eQ Residential is a closed-end real estate fund. Its size was MEUR 75 on 31 December 2020. The raising of means to the fund will continue during the spring of 2021, and the target size is MEUR 100. Deviating from private equity funds, the catch up share of the eQ Residential Fund is 35%.



### Previous funds

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

### Example of the calculation of a performance fee

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

\*\*\*Return before the performance fee