

# INTERIM REPORT

Q1 2014



Private Equity  
Corporate Finance  
Asset Management

8 May 2014, at 12:30 p.m.

## eQ PLC'S INTERIM REPORT 1 JANUARY TO 31 MARCH 2014 – RESULT OF CLIENT OPERATIONS SHOWED STRONG GROWTH

### January to March 2014 in brief

- During the period under review, the Group's net revenue totalled EUR 4.4 million (EUR 5.7 million from 1 Jan. to 31 March 2013).
  - The Group's net fee and commission income totalled EUR 4.5 million (EUR 3.5 million).
  - The Group's net investment income from own investment operations was EUR -0.1 million (EUR 2.3 million).
- The operating profit of client operations (Asset Management and Corporate Finance) was EUR 1.5 million (EUR 0.5 million).
- The Group's operating profit was EUR 0.9 million (EUR 2.2 million).
- Earnings per share were EUR 0.02 (EUR 0.04).
- The assets under management totalled EUR 6.8 billion at the end of the period (EUR 6.7 billion on 31 Dec. 2013).
- The net cash flow from own investment operations was EUR 1.9 million (EUR 3.8 million from 1 Jan. to 31 March 2013).

Key ratios	1-3/ 2014	1-3/ 2013	Change %	1-12/ 2013
Net revenue, Group, EUR million	4.4	5.7	-23%	18.8
Net revenue, Asset Management, EUR million	3.3	3.2	3%	13.6
Net revenue, Corporate Finance, EUR million	1.3	0.4	206%	2.2
Net revenue, Investments, EUR million	-0.2	2.2	-108%	3.0
Net revenue, other segments and eliminations, EUR million	0.0	0.0	79%	0.0
Operating profit, Group, EUR million	0.9	2.2	-60%	4.9
Operating profit, Asset Management, EUR million	1.0	0.5	109%	3.1
Operating profit, Corporate Finance, EUR million	0.5	0.0	2352%	0.4
Operating profit, Investments, EUR million	-0.2	2.2	-108%	3.0
Operating profit, other segments, EUR million	-0.4	-0.5	10%	-1.6
Profit for the period, EUR million	0.7	1.5	-55%	3.4
Earnings per share, EUR	0.02	0.04	-50%	0.10
Equity per share, EUR	1.87	1.89	-1%	1.97
Liquid assets and interest-bearing receivables, EUR million	14.5	14.3	2%	11.3
Private equity investments, EUR million	29.7	34.9	-15%	30.6
Interest-bearing liabilities, EUR million	0.0	4.0	-100%	0.0
Assets under management, EUR billion	6.8	6.5	4%	6.7

## Janne Larma, CEO

The first months of the year have been a restless time in the equity market. Developed markets have managed to maintain their position reasonably well, however, and the MSCI World Index rose by 1.3 per cent in the first quarter. The greatest loser has been the Russian equity market with a fall by about 14 per cent due to the uncertainty caused by the crisis in Ukraine, and the emerging markets in general have fallen slightly from the beginning of January. Long interest rates have come down since the beginning of the year and given investors good yields.

eQ Asset Management's sales were excellent in the first quarter. Our net sales in funds registered in Finland totalled about EUR 150 million. The eQ Emerging Dividend Fund saw the greatest increase, and its size grew to EUR 226 million by the end of March. The fund continued with its growth in April as well. The new subscriptions in the eQ Care Fund totalled EUR 30 million in the first three months of the year. After the period under review, the eQ PE VI North investment programme established by eQ Asset Management grew by EUR 20 million to EUR 84 million, as the fund had its second close. The final close will take place before the end of June 2014, the overall target being at least EUR 100 million.

The business operations of Advium also developed in a positive manner during the first months of the year, and it acted as advisor in five transactions during the first four months. Advium acted, e.g. as advisor for Sanoma in the sale of the Sanomatalo office property in the city centre of Helsinki and, after the end of the period under review, as advisor for Pöyry Plc, as the company sold a major part of its real estate planning, consulting and construction operations in Finland to Ramboll Finland Oy. The arrangement will require approval by competition authorities.

In the first quarter, the result of client operations grew markedly from the previous year. The operating profit of Asset Management was doubled to EUR 1.0 million from EUR 0.5 million in 2013. The improvement is partly due to larger returns but also to the lower costs resulting from synergy effects. The result of the Corporate Finance segment grew clearly and the operating profit was EUR 0.5 million, as compared with last year's EUR 0.0 million. In the Investments segment, the net cash flow was EUR 1.9 million positive, but the operating profit remained EUR 0.2 million negative due to permanent write-downs of EUR 0.7 million.

The balance sheet of the Group is in excellent shape. At the end of March, the Group's liquid assets and interest-bearing receivables totalled EUR 14.5 million, while the balance sheet value of the private equity investments was EUR 29.7 million.

We will continue with the year in a confident spirit. We strongly believe that the services offered by eQ Asset Management are competitive and raise interest among investors. We also believe that Advium will take advantage of the rising corporate transaction and real estate volumes.

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eQ's interim report 1 January to 31 March 2014 is enclosed to this release and it will also be available on the company website [www.eQ.fi](http://www.eQ.fi).

Additional information: Janne Larma, CEO, tel. +358 40 500 4366

Distribution: NASDAQ OMX Helsinki, [www.eQ.fi](http://www.eQ.fi)

eQ Group is a Finnish group of companies specialising in asset management and corporate finance business. eQ Asset Management offers a wide range of asset management services (including private equity funds) for institutions and individuals. The assets managed by the Group total approximately EUR 6.8 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 at [www.eQ.fi](http://www.eQ.fi).

# eQ PLC'S INTERIM REPORT 1 JAN. TO 31 MARCH 2014

## Result of operations and financial position 1 January to 31 March 2014

- During the period under review, the Group's net revenue totalled EUR 4.4 million (EUR 5.7 million from 1 Jan. to 31 March 2013).
  - The Group's net fee and commission income totalled EUR 4.5 million (EUR 3.5 million).
  - The Group's net investment income from own investment operations was EUR -0.1 million (EUR 2.3 million).
- The operating profit of client operations (Asset Management and Corporate Finance) was EUR 1.5 million (EUR 0.5 million).
- The Group's operating profit was EUR 0.9 million (EUR 2.2 million).
- Consolidated earnings after taxes were EUR 0.7 million (EUR 1.5 million).
- Earnings per share were EUR 0.02 (EUR 0.04).
- Equity per share was EUR 1.87 (EUR 1.97 on 31 Dec. 2013).
- The assets under management totalled EUR 6.8 billion (EUR 6.7 billion on 31 Dec. 2013).
- The net cash flow from own investment operations was EUR 1.9 million (EUR 3.8 million from 1 Jan. to 31 March 2013).

## Operating environment

The sentiment at the beginning of 2014 was positive and global economic growth was expected to speed up clearly during the year. In the US, the exceptionally cold weather had a negative impact on the performance of the first months of the year and, consequently, economic activity remained weaker than expected. For example the ISM Index describing the confidence of the industrial sector fell and came close to the level of the turn of the year first in March. The situation in Europe was mostly more stable, and slow recovery continued during the entire quarter. In China, weather and the timing of the new year celebrations hampered statistics, but overall, economic growth expectations had to be lowered slightly in the first quarter. The currencies of several emerging countries experienced pressure during the beginning of the year, and central banks carried out even drastic interest rate increases in order to put a stop to the fall of currencies. This combined with improved exports figures consolidated currencies already towards the end of the quarter. At the end of February, the conflict involving Russia, the Crimea and Ukraine caused uncertainty, but as for both macro data and market reactions, the impacts were restricted to Russia and individual companies that are dependent on trade with Russia.

## Equity market

In the western equity market, January began in a positive tune, but after the middle of the month, the FED's decision to continue with its bond-buying programme and the economic figures in the US, which were weaker than expected, led to a share price fall of about five per cent. The market recovered from this in February, but the share prices turned once more down towards the end of March as a result of the uncertainty about economic growth and the situation in Ukraine. As a whole, the first quarter, was positive, however, and share prices in the US rose by 1.7 per cent, in Europe by 2.4 per cent and in Finland by 1.9 per cent. The development in Japan and the emerging markets was weaker. The global emerging equity markets index fell by 0.4 per cent and MSCI Japan by no less than 5.6 per cent. Due to the crisis in Ukraine, the Russian equity market fell by 14 per cent. As for company results in 2013, the majority of American companies exceeded the profit expectations of analysts, but in Europe the results remained weaker. The first Q1 results above all in the US have mainly exceeded forecasts by analysts.

## Bond market

The first quarter of the year was very good for bond investors, and with the exception of the money market, the yields exceeded those of equities. The weak development during the first months of the year in the US, the reassuring interest rate statements of the FED and ECB, and the situation in Ukraine lead to a fall in the interest rates of government bonds. Neither the pick-up of the US economy in March nor the somewhat more hawkish comments by the FED had an impact on the yields of the first quarter. The yield of government bonds in the Euro zone was no less than 3.9 per cent in the first quarter. In addition to the interest rate fall of German government bonds, the major narrowing of the bond spreads of so-called fringe states contributed to this. During the quarter, the credit rating of both Ireland and Spain (Moody's) was raised. The yield of investment grade corporate bonds was 2.4 per cent and that of high yield loans 2.6 per cent. Emerging bond markets experienced fluctuations in January and February due to weakening currencies, but towards the end of the quarter, interest rates fell in these markets as well, and the index measuring the yield of corporate loans in emerging markets rose by 2.6 per cent in the first quarter, while the prices of Russian loans fell.

## Major events during the period under review

The business operations of the Group's subsidiary Finnreit Fund Management Company Ltd were transferred to another subsidiary, eQ Fund Management Company Ltd. Finnreit Fund Management Company Ltd will be merged with eQ Fund Management Company Ltd during the financial period 2014.

The Annual General Meeting of eQ Plc was held on 27 March 2014. The decisions by the Annual General Meeting have been presented in a separate chapter below.

## Group net sales and result development

During the period under review, the consolidated net revenue totalled EUR 4.4 million (EUR 5.7 million from 1 Jan. to 31 March 2013). The Group's net fee and commission income rose to EUR 4.5 million (EUR 3.5 million). On the other hand, the income from own investment operations fell from the comparison period. The net investment income was EUR -0.1 million (EUR 2.3 million), including a write-down of EUR 0.7 million (EUR 0.0 million) with a result impact.

The Group's expenses and depreciation totalled EUR 3.5 million (EUR 3.5 million). Personnel expenses were EUR 2.4 million (EUR 2.0 million), other administrative expenses totalled EUR 0.4 million (EUR 0.7 million), and the other operating expenses were EUR 0.4 million (EUR 0.5 million). Depreciation was EUR 0.2 million (EUR 0.3 million), including EUR 0.1 million (EUR 0.2 million) in depreciation of customer agreements allocated to intangible assets in connection with corporate acquisitions.

The Group's operating profit was EUR 0.9 million (EUR 2.2 million). The reason for the fall is the lower net income from own investment operations. Operating profit of client operations rose however to EUR 1.5 million (EUR 0.5 million). The profit for the period was EUR 0.7 million (EUR 1.5 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 beginning of 2014, eQ Asset Management had 34 mutual funds. The yields of all fixed-income funds were very good and among the best in the market during the first months of the year. Among the equity funds, the yields were mainly positive despite the relatively large fluctuations. Only the values of the funds

making investments in Japan and Russia fell clearly. The best relative yields were given by the eQ Emerging Asia, eQ Finland and eQ Europe Property funds.

The year began with excellent sales, and the net sales of our funds registered in Finland were about EUR 150 million. The success in 2013 continued, and the eQ Emerging Dividend Fund grew from about EUR 160 million to more than EUR 225 million during the quarter. The fund, which was established three years ago, is one of the best funds worldwide making investments in global emerging markets.

#### *Private equity*

On 1 October 2013, eQ launched a new fund called eQ PE VI North, which makes investments in private equity funds that make investments in small and mid-sized companies in Northern Europe. The fund continued to raise funds during the quarter, and we carried out its second close on 17 April. There were five new investors with new investment commitments totalling EUR 20 million. The total investment capacity of the parallel investment programme and fund is at the moment EUR 84 million, and the investment operations of the fund are advancing exceptionally well thanks to a secondary market transaction made in it. The fund will continue to raise funds, and the final close will take place before the end on June 2014. The overall target of the investment programme is EUR 100 million.

#### *Real estate investments*

New subscriptions for EUR 30 million were made in the eQ Care Fund on 31 March. At the end of the first quarter, the size of the eQ Care fund was almost EUR 110 million, and its investment capacity already clearly exceeds EUR 200 million. The fund had 41 objects in its portfolio, and its 12-month return was almost 11 per cent. The fund accepts subscriptions four times a year and redemptions twice a year.

#### *Assets under management and clients*

At the end of the quarter, the assets managed by eQ Asset Management totalled EUR 6 761 million, which is an increase by one per cent since the beginning of the year (EUR 6 700 million on 31 Dec. 2013). At the end of the period under review, the assets managed by mutual funds registered in Finland totalled EUR 1 291 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 2 733 million (EUR 2 846 million). The assets managed under private equity funds and asset management totalled EUR 2 737 million (EUR 2 704 million). EUR 1 461 million (EUR 1 414 million) of these assets were covered by the reporting service.

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

The net revenue of the Asset Management segment increased slightly from the first quarter of 2013 and the operating profit more than doubled from the first quarter of 2013. The increase of the Asset Management segment's net revenue from last year was cut down by the end of the term of one Private Equity fund at the close of 2013. The Asset Management segment had 53 employees at the end of the quarter.

Asset Management	1-3/ 2014	1-3/ 2013	Change %	1-12/ 2013
Net revenue, EUR million	3.3	3.2	3%	13.6
Operating profit, EUR million	1.0	0.5	109%	3.1
Assets under management, EUR billion	6.8	6.5	4%	6.7
Personnel	53	60	-12%	59

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 general economic situation has once more become somewhat more uncertain in Finland and other parts of the world, mainly due to the instable situation in Ukraine. This did not influence the corporate and real estate transactions that Advium carried out during the period, however, as it was able to finalise transaction processes that had been going on for a long time.

During the period under review, Advium acted as advisor in two projects. Advium acted as advisor of the seller as Sanoma Plc sold its printing facility and office properties located in Vantaankoski, Finland to Swedish AB Sagax. In addition, Advium acted as Sanoma's advisor in the sale of the of the Sanomatalo office property in the city centre of Helsinki to German Deka Immobilien for EUR 176 million. This was the largest sale of office property in Finland ever.

After the period under review, Advium acted as advisor for the seller as the Schroder Nordic Property Fund sold Kauppakeskus Grani in Kauniainen to a fund managed by VTT Kiinteistösijoitus Oy. In addition, Advium acted as advisor for the seller, as Pöyry Plc sold a major part of its real estate planning, consulting, and construction operations in Finland to Ramboll Finland Oy. The arrangement will require approval by competition authorities.

The number of personnel in the Corporate Finance segment remained unaltered during the period under review and was 13 at the end of March.

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	1-3/ 2014	1-3/ 2013	Change %	1-12/ 2013
Net revenue, EUR million	1.3	0.4	206%	2.2
Operating profit, EUR million	0.5	0.0	2352%	0.4
Personnel	13	13	0%	13

## 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 period under review, the net revenue of the Investments segment totalled EUR -0.2 million (EUR 2.2 million from 1 Jan. to 31 March 2013). At the end of the period, the fair value of the private equity fund investments was EUR 29.7 million (EUR 30.6 million on 31 December 2013). As for private equity investments, the amount of the remaining investment commitments was EUR 10.7 million (EUR 11.2 million). During the period, the investment objects returned capital for EUR 2.0 million (EUR 2.5 million from 1 Jan. to 31 March 2013) and distributed a profit of EUR 0.6 million (EUR 2.3 million). Capital calls totalled EUR 0.7 million (EUR 0.9 million). The net cash flow from the investments during the period was consequently EUR 1.9 million (EUR 3.8 million). A write-down of EUR 0.7 million (EUR 0.0) with an impact on the result was recorded in the first quarter.

The largest exits and cash flows in the first quarter of 2014 were:

- The EQT IV Fund returned assets from the sale of Sanitec's shares that were listed in the autumn of 2013. The company was listed on the Stockholm Stock Exchange in December. The cash flow generated to eQ was EUR 0.6 million.

- The exit of the Gresham IV Fund from ICR Integrity. The company was sold to another private equity investor Graphite Capital. The company provides services in the international energy sector. The cash flow generated to eQ from the exit was EUR 0.9 million.
- The exit of the Gresham IV Fund from Hotter Shoes. The company was sold to another private equity investor Electra Partners. The company develops, manufactures and sells design shoes in the UK. The cash flow generated to eQ was EUR 0.6 million.

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	1-3/ 2014	1-3/ 2013	Change %	1-12/ 2013
Net revenue, EUR million	-0.2	2.2	-108%	3.0
Operating profit, EUR million	-0.2	2.2	-108%	3.0
Fair value of investments, EUR million	29.7	34.9	-15%	30.6
Investment commitments, EUR million	10.7	10.2	5%	11.2

## Balance sheet

At the end of the period under review, the consolidated balance sheet total was EUR 79.8 million (EUR 77.7 million on 31 Dec. 2013). At the end of the period, eQ Plc's shareholders' equity was EUR 67.9 million (EUR 71.8 million). During the period, the shareholders' equity was influenced by the profit for the period of EUR 0.7 million, the change in the fair value reserve of EUR 0.9 million, and the decided dividend distribution of EUR -5.5 million. The changes are specified in detail in the tables attached to this release.

At the end of the period, liquid assets and interest-bearing receivables totalled EUR 14.5 million (EUR 11.3 million). In order to safeguard the availability of financing, the Group has access to a credit limit of EUR 6.0 million. At the end of the period under review, the Group had no interest-bearing liabilities (EUR 4.0 million). At the end of the period, interest-free long-term debt was EUR 1.5 million (EUR 1.4 million) and interest-free short-term debt EUR 10.4 million (EUR 4.4 million), including a liability of EUR 5.5 million related to the decided dividend distribution. eQ's equity to assets ratio was 85.1% (92.4%).

## Shares and share capital

At the end of the period on 31 March 2014, the number of eQ Plc's shares was 36 442 198 and the share capital was EUR 11 383 873. There were no changes in the number of shares or share capital during the period.

## Own shares

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



## Shareholders

### Ten major shareholders on 31 March 2014

	Share of votes and shares, %
Fennogens Investements SA	16.72%
Chilla Capital	11.72%
Ulkomarkkinat Oy	10.26%
Veikko Laine Oy	10.07%
Oy Hermitage Ab	6.30%
Mandatum Life Insurance Company	5.63%
Oy Cevante Ab	3.89%
Teamet Oy	3.29%
Fazer Jan Peter	2.92%
Louko Antti Jaakko	2.05%

On 31 March 2014, eQ Plc had 3 275 shareholders.

### Option scheme 2010

At the end of the 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 under review, altogether 1 700 000 options had been allocated. Based on the authorisation given to the Board on 14 April 2010 by the Annual General Meeting, there were 30 000 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).

### Decisions by the Annual General Meeting

eQ Plc's Annual General Meeting (AGM), held on Thursday 27 March 2014 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 2013.

#### Decision in respect of the result shown on the balance sheet

The AGM confirmed the proposal by the Board of Directors that a dividend of EUR 0.15 per share be paid. The dividend was paid to shareholders who, on the record date for the dividend payment, i.e. 1 April 2014, were recorded in the shareholder register held by Euroclear Finland Ltd. The dividend was paid on 8 April 2014.

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

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

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

According to the decision of the AGM, five members shall be elected to eQ Plc's Board of Directors. Nicholas Berner, Christina Dahlblom, Georg Ehrnrooth, Ole Johansson, and Jussi Seppälä were re-elected to the Board for a term of office that will end at the close of the next Annual General Meeting. The AGM decided that the directors would receive remuneration as follows: the Chairman of the Board will receive EUR 3 300 and the other directors EUR 1 800 per month. Travel and lodging costs will be compensated in accordance with the company's expense policy. The Board elected Ole Johansson Chairman of the Board at its meeting held immediately after the AGM.

## **Auditors and auditors' compensation**

The AGM decided to elect the corporation of authorised public accountants KPMG Oy Ab auditor of the company. The auditor with main responsibility appointed by the company is Raija-Leena Hankonen, 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 repurchase of the company's own shares**

The AGM 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 structure, 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.

## **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, 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.

## Personnel and organisation

At the end of the period, the number of Group personnel was 75 (82 on 31 December 2013). The Asset Management segment had 53 (59) employees, the Corporate Finance segment 13 (13) employees and the Investments segment 1 (1) employee. Group administration had 8 (9) employees. The personnel of both the Asset Management segment and Group administration comprise one person with fixed-term employment. Of the personnel, 74 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 under review totalled EUR 2.4 million (EUR 2.0 million from 1 Jan. to 31 March 2013).

## Major risks and short-term uncertainties

The result of the Asset Management segment depends on the development of the assets under management, which is highly dependent of the development of the capital market. On the other hand, the management fees of private equity funds are based on long-term agreements that produce a stable cash flow.

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. 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 yield 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.

## 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 second or third quarter of 2014, is estimated to be about EUR 0.7 million, of which the estimated distribution of profits accounts for about EUR 0.2 million.

On 17 April 2014, eQ Plc repurchased, based on the authorisation of the AGM, 85 000 own shares, which had been issued to the employees of eQ Group in a directed share issue. The company purchased the shares, in accordance with the terms of the share issue, at original subscription price based on the termination of employment. The company aims to cancel the shares.

The eQ PE VI North Fund, managed by eQ, had its second close on 17 April 2014. With the close, the eQ PE VI North investment programme grew to EUR 84 million. The fund will continue to raise funds, and the final close will take place before the end on June 2014.

After the period under review, Advium acted as advisor for the seller as the Schroder Nordic Property Fund sold Kauppakeskus Grani in Kauniainen to a fund managed by VTT Kiinteistösijoitus Oy. In addition, Advium acted as advisor of the seller as Pöyry Plc sold a major part of its real estate planning, consulting, and construction operations in Finland to Ramboll Finland Oy. The arrangement will require approval by competition authorities.

eQ Plc  
Board of Directors

## TABLES

### Principles for drawing up the report

The interim report has been prepared in accordance to IFRS standards and the IAS 34 Interim Reports standard, approved by the EU.

The income of eQ's own investment operations is recognised due to factors independent of the company. Due to this, the net income from available-to-sale financial assets may vary considerably.

On 30 September 2013, eQ increased its holding in Finnreit Fund Management Company Ltd from 50 to 100 per cent. Finnreit Fund Management Company has been consolidated as subsidiary from 1 October 2013.

The interim report has not been audited.

### CONSOLIDATED INCOME STATEMENT, EUR 1 000

	1-3/14	1-3/13	1-12/13
Fee and commission income	4 561	3 573	15 670
Net income from foreign exchange dealing	0	5	-24
Interest income	4	4	28
Net income from available-for-sale financial assets	-103	2 251	3 430
Operating income, total	4 463	5 832	19 105
Fee and commission expenses	-55	-66	-269
Interest expenses	-7	-33	-69
<b>NET REVENUE</b>	<b>4 401</b>	<b>5 734</b>	<b>18 767</b>
Administrative expenses			
Personnel expenses	-2 426	-2 023	-8 052
Other administrative expenses	-441	-666	-2 263
Depreciation on tangible and intangible assets	-188	-313	-1 388
Other operating expenses	-442	-546	-2 136
Impairment losses of other financial assets	-38	-	-
<b>OPERATING PROFIT (-LOSS)</b>	<b>867</b>	<b>2 186</b>	<b>4 928</b>
Share of associated companies' results	-	-36	-71
<b>PROFIT BEFORE TAXES</b>	<b>867</b>	<b>2 150</b>	<b>4 857</b>
Income tax	-214	-688	-1 443
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>653</b>	<b>1 462</b>	<b>3 414</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1-3/14	1-3/13	1-12/13
Other comprehensive income:			
Items that may be reclassified subsequently to the income statement:			
Available-for-sale financial assets, net	861	-1 667	-1 083
Translation differences	-5	-3	15
Other comprehensive income after taxes	857	-1 670	-1 068
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>1 510</b>	<b>-208</b>	<b>2 346</b>

Profit for the period attributable to:			
Equity holders of the parent company	628	1 491	3 487
Non-controlling interests	25	-28	-73
Comprehensive income for the period attributable to:			
Equity holders of the parent company	1 485	-180	2 419
Non-controlling interests	25	-28	-73
Earnings per share calculated from the profit of equity holders of the parent company:			
Earnings per average share, EUR	0.02	0.04	0.10
Diluted earnings per average share, EUR	0.02	0.04	0.09

## CONSOLIDATED BALANCE SHEET, EUR 1 000

	31 March 2014	31 March 2013	31 Dec. 2013
<b>ASSETS</b>			
Liquid assets	42	30	28
Claims on credit institutions	13 187	12 933	9 955
Claims on the public and public sector entities	1 300	1 336	1 300
Available-for-sale financial assets			
Financial securities	64	50	51
Private equity investments	29 669	34 941	30 600
Shares in associated companies	-	329	-
Intangible assets	30 920	29 137	31 120
Tangible assets	109	128	116
Other assets	2 572	1 717	2 214
Accruals and prepaid expenditure	1 048	1 406	1 647
Income tax receivables	340	944	96
Deferred tax assets	511	52	527
<b>TOTAL ASSETS</b>	<b>79 762</b>	<b>83 003</b>	<b>77 653</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Liabilities to credit institutions	-	4 000	-
Other liabilities	8 786	5 954	2 618
Accruals and deferred income	1 953	2 832	2 382
Income tax liabilities	393	381	131
Deferred tax liabilities	755	841	732
<b>TOTAL LIABILITIES</b>	<b>11 887</b>	<b>14 008</b>	<b>5 863</b>
<b>EQUITY</b>			
Attributable to equity holders of the parent company:			
Share capital	11 384	11 384	11 384
Fair value reserve	-1 706	-3 151	-2 567
Translation difference	5	-9	10
Reserve for invested unrestricted equity	52 167	52 167	52 167
Retained earnings	5 713	7 426	7 654
Profit (loss) for the period	628	1 491	3 487
Attributable to non-controlling interests	-316	-313	-345
<b>TOTAL EQUITY</b>	<b>67 875</b>	<b>68 994</b>	<b>71 790</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>79 762</b>	<b>83 003</b>	<b>77 653</b>

## CONSOLIDATED CASH FLOW STATEMENT, EUR 1 000

	1-3/2014	1-3/2013	1-12/2013
<b>CASH FLOW FROM OPERATIONS</b>			
Operating profit	867	2 186	4 929
Depreciation and write-downs	923	313	2 438
Interest income and expenses	3	33	41
Transactions with no related payment transactions	38	79	337
Available-for-sale investments, change	1 298	1 543	5 883
<b>Change in working capital</b>			
Business receivables, increase (-) / decrease (+)	215	1 102	1 473
Interest-free debt, increase (+) / decrease (-)	278	-1 106	-1 722
Total change in working capital	493	-4	-249
<b>Cash flow from operations before financial items and taxes</b>	<b>3 622</b>	<b>4 149</b>	<b>13 378</b>
Interests received	4	4	28
Interests paid	-7	-37	-69
Taxes	-372	-553	-1 870
<b>CASH FLOW FROM OPERATIONS</b>	<b>3 248</b>	<b>3 563</b>	<b>11 467</b>
<b>CASH FLOW FROM INVESTMENTS</b>			
Acquisition of subsidiaries excluding acquired cash	-	-162	-1 932
Investments in intangible and tangible assets	-	-82	-438
<b>CASH FLOW FROM INVESTMENTS</b>	<b>0</b>	<b>-243</b>	<b>-2 370</b>
<b>CASH FLOW FROM FINANCING</b>			
Dividends paid	-	-37	-4 411
Income from share issue	-	291	291
Repayment of loans	-	-	-4 000
Changes in subsidiary holdings	-	-	-386
<b>CASH FLOW FROM FINANCING</b>	<b>0</b>	<b>254</b>	<b>-8 505</b>
<b>INCREASE/DECREASE IN LIQUID ASSETS</b>	<b>3 248</b>	<b>3 574</b>	<b>593</b>
Liquid assets on 1 Jan.	9 982	9 389	9 389
Liquid assets on 31 March/31 Dec.	13 230	12 963	9 982



## 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	Translation differences	Retained earnings	Total	Share of non-controlling interests	Total equity
Shareholders' equity on 1 Jan. 2013	11 384	51 875	-1 484	-5	11 758	73 528	77	73 604
Profit (loss) for the period					1 491	1 491	-28	1 462
Other comprehensive income								
Available-for-sale financial assets			-1 667			-1 667		-1 667
Translation differences				-3		-3		-3
Total comprehensive income			-1 667	-3	1 491	-180	-28	-208
Share issue		291				291		291
Dividend distribution					-4 411	-4 411		-4 411
Other changes					0	0		0
Options granted					79	79		79
Changes in subsidiary holdings							-361	-361
Shareholders' equity on 31 March 2013	11 384	52 167	-3 151	-9	8 917	69 307	-313	68 994
Shareholders' equity on 1 Jan. 2014	11 384	52 167	-2 567	10	11 141	72 135	-345	71 790
Profit (loss) for the period					628	628	25	653
Other comprehensive income								
Available-for sale financial assets			861			861		861
Translation differences				-5		-5		-5
Total comprehensive income			861	-5	628	1 485	25	1 510
Dividend distribution					-5 466	-5 466		-5 466
Options granted					38	38		38
Other changes							4	4
Shareholders' equity on 31 March 2014	11 384	52 167	-1 706	5	6 341	68 191	-316	67 875

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

	31 March 2014		31 March 2013		31 Dec. 2013	
	Fair value	Book value	Fair value	Book value	Fair value	Book value
Financial assets						
Available-for-sale financial assets						
Private equity investments	29 669	29 669	34 941	34 941	30 600	30 600
Financial securities	64	64	50	50	51	51
Loan receivables	1 300	1 300	1 336	1 336	1 300	1 300
Accounts receivable and other receivables	3 960	3 960	4 068	4 068	3 957	3 957
Liquid assets	13 230	13 230	12 963	12 963	9 982	9 982
Total	48 222	48 222	53 357	53 357	45 890	45 890
Financial liabilities						
Liabilities to credit institutions	-	-	4 000	4 000	-	-
Accounts payable and other liabilities	11 132	11 132	9 168	9 168	5 131	5 131
Total	11 132	11 132	13 168	13 168	5 131	5 131

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 March 2014		31 March 2013		31 Dec. 2013	
	Fair value	Level 3	Fair value	Level 3	Fair value	Level 3
Available-for-sale financial assets						
Private equity investments	29 669	29 669	34 941	34 941	30 600	30 600
Financial securities	64	64	50	50	51	51
Total	29 733	29 733	34 991	34 991	30 652	30 652

Level 3 reconciliation – Available-for-sale financial assets:

	Private equity investments	Financial securities	Total
Opening balance on 1 Jan. 2014	30 600	51	30 652
Calls	726	13	739
Returns	-2 037	-	-2 037
Impairment loss	-697	-	-697
Change in fair value	1 077	-	1 077
Closing balance on 31 March 2014	29 669	64	29 733

	Private equity investments	Financial securities	Total
Opening balance on 1 Jan. 2013	38 691	50	38 741
Calls	930	-	930
Returns	-2 473	-	-2 473
Impairment loss	-	-	0
Change in fair value	-2 208	-	-2 208
Closing balance on 31 March 2013	34 941	50	34 991

	Private equity investments	Financial securities	Total
Opening balance on 1 Jan. 2013	38 691	50	38 741
Calls	3 046	-	3 046
Returns	-8 928	-	-8 928
Impairment loss	-1 050	-	-1 050
Change in fair value	-1 158	1	-1 157
Closing balance on 31 Dec. 2013	30 600	51	30 652

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.

**SEGMENT INFORMATION, EUR 1 000**

1-3/14	Asset Management	Corporate Finance	Investments	Other	Elim.	Group total
Fee and commission income	3 284	1 278	-	-		4 562
From other segments	75	-	-	-	-75	-
Net income from foreign exchange dealing	0	-	-	0		0
Interest income	-	-	-	4		4
Net income from available-for sales financial assets	-	-	-103	-		-103
Other operating income	-	-	-	-		-
From other segments	-	-	-	19	-19	-
Operating income, total	3 359	1 278	-103	24	-94	4 463
Fee and commission expenses	-50	-	-	-5		-55
To other segments	-	-	-75	-	75	-
Interest expenses	-	-	-	-7		-7
<b>NET REVENUE</b>	<b>3 309</b>	<b>1 278</b>	<b>-178</b>	<b>12</b>	<b>-19</b>	<b>4 401</b>
Administrative expenses						
Personnel expenses	-1 545	-587	-	-294		-2 426
Other administrative expenses	-328	-67	-	-66	19	-441
Depreciation on tangible and intangible assets	-179	-3	-	-6		-188
Other operating expenses	-296	-68	-	-78		-442
Impairment losses of other financial assets	-	-38	-	-		-38
<b>OPERATING PROFIT (LOSS)</b>	<b>961</b>	<b>515</b>	<b>-178</b>	<b>-431</b>	<b>0</b>	<b>867</b>
Share of associated companies' results	-	-	-	-		-
<b>PROFIT BEFORE TAXES</b>	<b>961</b>	<b>515</b>	<b>-178</b>	<b>-431</b>		<b>867</b>
Income tax				-214		-214
<b>PROFIT (LOSS) FOR THE PERIOD</b>				<b>-645</b>		<b>653</b>

1-3/13	Asset Management	Corporate Finance	Investments	Other	Elim.	Group total
Fee and commission income	3 155	418	-	-		3 573
From other segments	100	-	-	-	-100	-
Net income from foreign exchange dealing	9	-	-	-5		5
Interest income	-	-	-	4		4
Net income from available-for-sale financial assets	-	-	2 251	-		2 251
Other operating income	-	-	-	-		-
From other segments	-	-	-	18	-18	-
Operating income, total	3 264	418	2 251	18	-118	5 832
Fee and commission expenses	-66	-	-	-		-66
To other segments	-	-	-100	-	100	-
Interest expenses	-	-	-	-33		-33
<b>NET REVENUE</b>	<b>3 198</b>	<b>418</b>	<b>2 151</b>	<b>-15</b>	<b>-18</b>	<b>5 734</b>

1-3/13	Asset Management	Corporate Finance	Investments	Other	Elim.	Group total
Administrative expenses						
Personnel expenses	-1 490	-264	-	-270		-2 023
Other administrative expenses	-528	-63	-	-94	18	-666
Depreciation on tangible and intangible assets	-304	-3	-	-7		-313
Other operating expenses	-383	-68	-	-96		-546
OPERATING PROFIT (LOSS)	495	21	2 151	-481	0	2 186
Share of associated companies' results	-36	-	-	-		-36
PROFIT BEFORE TAXES	459	21	2 151	-481		2 150
Income tax				-688		-688
PROFIT (LOSS) FOR THE PERIOD				-1 168		1 462

1-12/13	Asset Management	Corporate Finance	Investments	Other	Elim.	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 sales 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.

## GROUP KEY RATIOS

	31 March 2014	31 March 2013	31 Dec. 2013
Profit (loss) for the period to the equity holders of the parent company (EUR 1 000)	628	1 491	3 487
Earnings per average share, EUR	0.02	0.04	0.10
Diluted earnings per average share, EUR	0.02	0.04	0.09
Equity per share, EUR	1.87	1.89	1.97
Equity per average share, EUR *)	1.87	1.90	1.97
Return on investment, ROI % p.a.	3.8	8.2	4.7
Return on equity, ROE % p.a.	3.7	8.4	4.7
Equity to assets ratio, %	85.1	83.1	92.4
Share price at the end of the period, EUR	2.49	2.18	2.29
Number of personnel at the end of the period	75	82	82

\*) Weighted average number of shares outstanding.

## RELATED PARTY TRANSACTIONS

### Open balances with key persons belonging to the company management

On 4 September 2012, eQ Plc's Board decided 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. On 31 March 2014, EUR 1.3 million of this loan was an open receivable.

The acquired shares in eQ Plc function as security for the loan. The interest rate of the loan is market-based. The entire loan will be repaid within five years at the latest. The company wholly owned by Koskimies has the right to repay the loan prematurely at any time. The transfer of the eQ shares owned by the company is restricted for three years during the duration of the scheme.

**Transactions with related parties and receivables from related parties, EUR 1 000**

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

	1-3/14	1-3/13	1-12/13
Sales	-	20	156
Receivables	-	16	-

**REMAINING COMMITMENTS**

On 31 March 2014, eQ's remaining commitments in private equity funds totalled EUR 10.7 million (EUR 11.2 million on 31 Dec. 2013). Other commitments at the end of the period under review totalled EUR 0.4 million (EUR 0.4 million on 31 Dec. 2013).