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ANNUAL REPORT

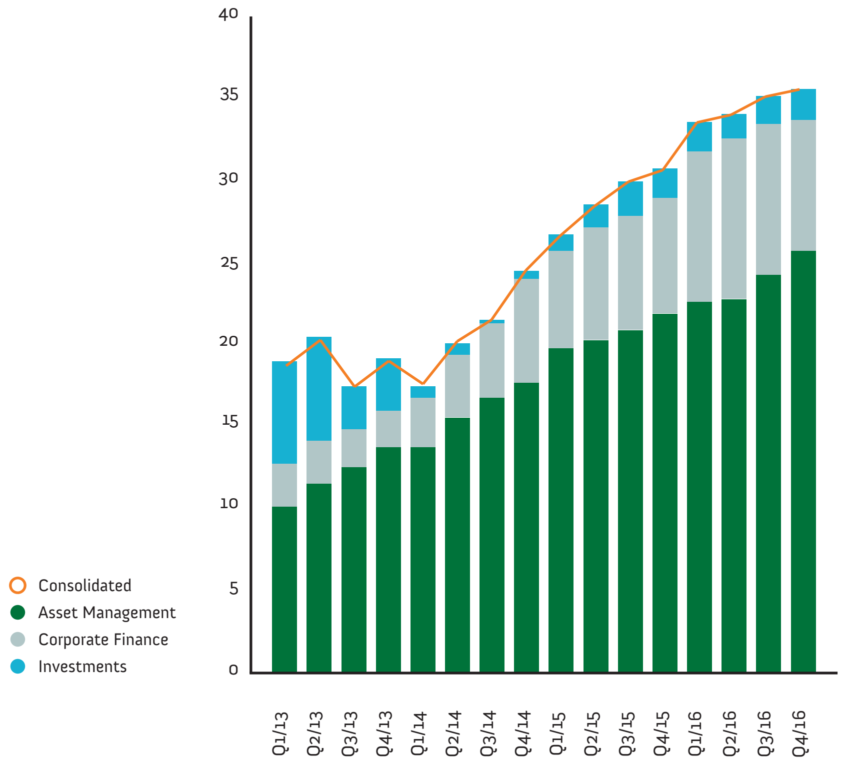
ANNUAL REPORT 2016


STOCKMAN

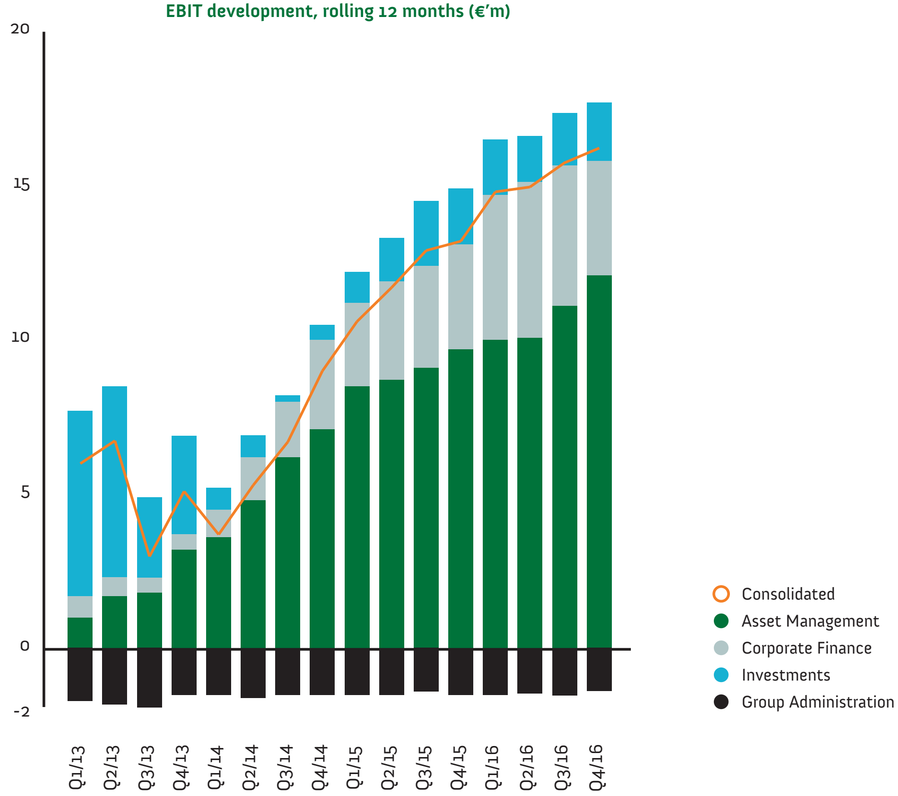
eQ Group is a Finnish group of companies that concentrates on asset management and corporate finance operations. The share of the parent company eQ Plc is listed on Nasdaq Helsinki. The Group offers its clients services related to mutual and private equity funds, discretionary asset management, structured investment products, investment insurance policies, and a large range of mutual funds offered by international partners. The asset management clients are institutional investors and private individuals. At the end of 2016, the assets managed by the Group totalled 8.8 billion. In addition, Advium Corporate Finance Ltd, which is part of the Group, offers services related to mergers and acquisitions, real estate transactions and equity capital markets. The Group employs about 80 experts in the finance sector. ■

eQ GROUP – ROLLING 12 MONTHS

Net sales development, rolling 12 months (€'m)



EBIT development, rolling 12 months (€'m)



eQ HAD AN EXCELLENT year in 2016. We were able to increase our net revenue by 16 per cent to EUR 35.4 million and our operating profit to EUR 16.2 million. The Group's profit for the financial period increased by 25 per cent to EUR 12.8 million.

eQ Asset Management has become one of the most widely used institutional asset managers in Finland

eQ has improved its position year after year and become one of the leading institutional asset managers in Finland. According to a survey by SFR, we were already number three among institutional asset managers in Finland last year, and 54 per cent of the interviewed institutional investors used eQ's services in 2016. The corresponding figure in 2012 was 22 per cent, which means that the increase has been very significant.

eQ's success is the sum of many factors, and last year we succeeded on a broad front:

(i) the returns that our clients obtained were very good, (ii) our product range, above all in real estate and private equity asset management, is very well suited to the present market situation, (iii) we emphasise good customer service, and (iv) we are an interesting and attractive employer in our sector. With these means, we have managed to grow faster than the market.

Our clients received very good returns in 2016. During the past three years, 93 per cent of all fixed-income and equity funds managed by eQ have surpassed their benchmark indices. In addition, the eQ Care and eQ Finnish Real Estate funds gave investors a return of about 10 per cent last year.

The excellent returns of the real estate funds and the increasing interest of investors in real estate contributed to the record amount of new subscriptions of EUR 260 million in our real estate funds in 2016. The assets managed by our real estate funds exceed EUR 660 million, and they had made investment for almost EUR 900 million.

Our private equity asset management also consolidated its position and gained a lot of new capital last year. We raised a record amount of capital, EUR 160 million, to the eQ PE VIII North Fund, in addition to which we received several new mandate clients. At the beginning of 2017, we held the first closing of the eQ PE IX US Fund, as USD 45 million was raised to the fund. The final close will take place at the beginning of June.

Advium had a successful year

The transaction volume in the Finnish real estate market was EUR 7.2 billion, which is an all-time high. In 2016, Advium acted as advisor in 10 real estate transactions and was once more the biggest advisor in large real estate transactions in Finland, based on market share. Last year, Advium acted as advisor to the seller in real estate transactions for Elo, Lemminkäinen, Tapiola, Varma and VVO, for instance.

Activity in the market for mergers and acquisitions was also high last year. We acted, for instance, as advisor to Finnish Government, as it sold 49.9 per cent of Patria to Norwegian Kongsberg and to Viking Malt Oy as it bought three malting plats of Carlsberg Group.

eQ's result was excellent

eQ's result was excellent in 2016. The Group's profit for the financial period increased by 23 per cent to EUR 12.8 million, i.e. to 35 cents per share. The results of all segments grew from the previous year.

eQ Asset Management's profitability improved markedly, and its operating profit grew by 25 per cent to EUR 12.0 million. The operating profit of Advium grew by 9 per cent to EUR 3.7 million and the operating profit of the Investments segment rose to EUR 1.9 million. Our balance sheet continues to be very strong.

The improved profit and strong cash flow make it possible for the Board to propose a dividend of 35 cents and a repayment of equity of 15 cents per share for the year 2016, i.e. in total the same as in previous year.

Thanks to our clients, partners and personnel

Last year was excellent for eQ, and my sincere thanks go to all our clients and partners for it. I hope that we will turn out to be worth your confidence this year as well. I would also like to thank eQ's entire personnel for successful and committed work in 2016.

About the year 2017

The year 2017 has begun with a positive sentiment in the equity market, even though there is a lot of political uncertainty in several markets. Our year has started according to plans, and I believe that we have good preconditions to succeed excellently this year as well. We held the first closing of the eQ PE IX US Fund at USD 45 million in January, and our aim is to launch a fund called eQ Private Credit by the end of March. We expect the net revenue and operating profit of the Asset Management segment to grow in 2017. Advium's assignment stock is at the moment almost at last year's level, but it is difficult to estimate to what extent and how fast the assignments will turn into concrete deals. ■

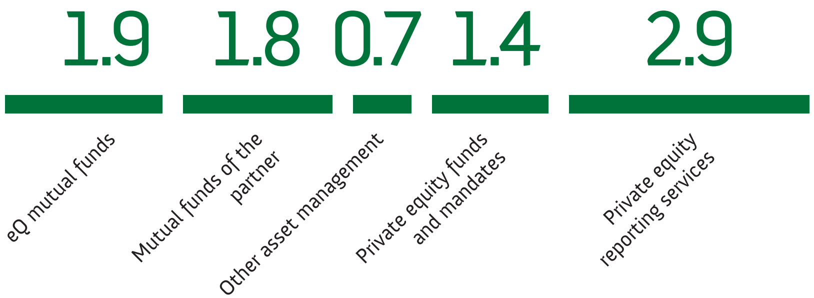
Helsinki, 22 February 2017

Janne Larma
CEO

Asset Management

eQ'S ASSETS UNDER MANAGEMENT, bn

Assets under management total EUR 8.8 bn.

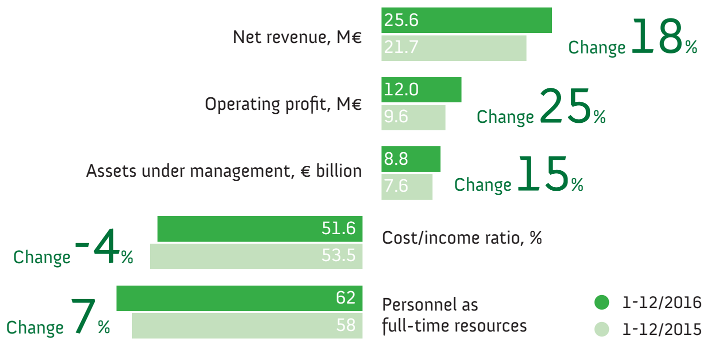


THE ASSET MANAGEMENT segment consists of eQ Plc's subsidiary, the investment firm eQ Asset Management Ltd, and other Group companies engaged in asset management operations, the most important of which is eQ Fund Management Company Ltd.

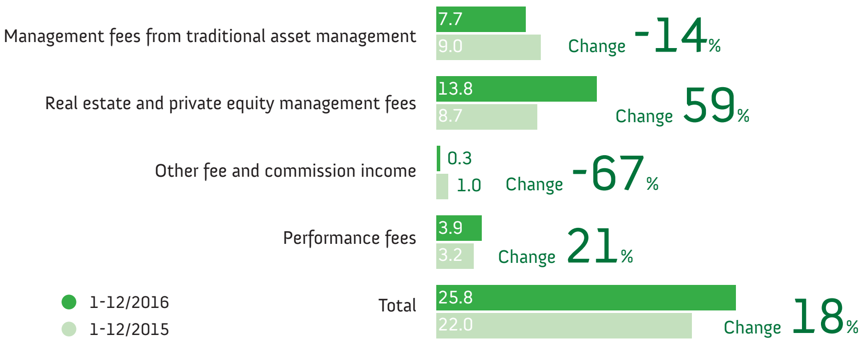
The aim of eQ Asset Management is to offer its clients good investment returns, innovative investment solutions and excellent customer service. Through its own organisation and international partners, eQ can offer its clients an extensive and international range of investment solutions. eQ Asset Management offers its clients services related to mutual and private equity funds, discretionary asset management, structured investment products, and investments insurance policies.
eQ has a wide range of actively managed and successful funds, which offer diversified investment alternatives with different strategies. The investment range covers 26 mutual funds registered in Finland as well as funds managed by our international partners, covering all major investment categories and markets.

The assets managed by the Group totalled EUR 8.8 billion at the end of 2016. Measured with assets under management, eQ is one of the largest asset managers in Finland that is independent of the major bank groups. The position of eQ in the market for institutional investments continued to improve in 2016 in the so-called SFR study, which covers approximately the 100 largest institutional investors in Finland. According to the study, about 54 per cent of them use eQ's services.
eQ Asset Management succeeded excellently in several different areas in 2016.

ASSET MANAGEMENT



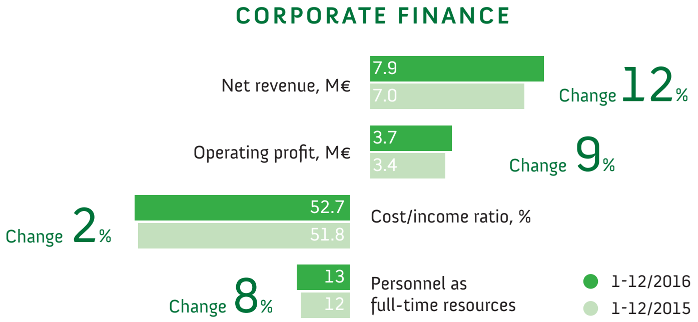
FEE AND COMMISSION INCOME, ASSET MANAGEMENT, M€



The Asset Management segment was able to increase its net revenue by 18 per cent to EUR 25.6 million. The segment's profitability improved, and the operating profit grew by 25 per cent to EUR 12.0 million. eQ Asset Management grew faster than the market due to, above all, the good sales development of real estate funds and private equity products. In 2016, eQ's real estate funds gathered EUR 247 million of new capital and offered an extremely competitive return. The return of the eQ Care Fund in 2016 was 9.8 per cent and that of the eQ Finnish Real Estate Fund 10.5 per cent. The interest in eQ's real estate funds is wide, among both institutional and private investors. The eQ Care Fund already has almost 2 400 unit holders and the eQ Finnish Real Estate Fund 1 200 unit holders. Towards the end of the year, eQ also established a new non-UCITS fund that is especially designed for institutions, eQ Forest.

The private equity asset management also consolidated its position and gained a lot of new capital. eQ Asset Management raised a record amount of capital, EUR 160 million, to the eQ PE VIII North Fund, of almost 80 investors. In addition, the segment obtained several new asset management clients to private equity asset management. The fixed-income and equity funds as well as asset management portfolios of eQ were also successful. During the past three years, 93% per cent of eQ's funds registered in Finland have surpassed their benchmark indices. ■

Corporate Finance



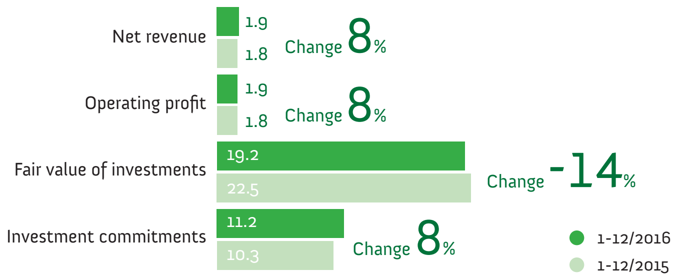
eQ'S CORPORATE FINANCE services are offered by eQ Plc's subsidiary Advium Corporate Finance Ltd. The services cover mergers and acquisitions, large real estate transactions, equity capital markets, and advisory services in general. The clients are mainly Finnish companies that make corporate or real estate transactions in Finland and abroad, but also international companies engaged in corporate and real estate transactions in Finland. Advium is one of the most experienced and highly esteemed advisors in Finland. The company has carried out more than 160 corporate and real estate transactions during the past fifteen years, and in many of them, at least one of the parties has been an international actor. The total value of the transactions has been approximately EUR 13 billion.

Advium had a successful year in 2016. Advium acted as advisor in 14 finalised transactions, and its net revenue increased by 12 per cent to EUR 7.9 million. The operating profit of Advium increased to EUR 3.7 million. Advium held its market leading position in large real estate transactions and was chosen the best Finnish investment bank in the real estate sector, already for the tenth time, in a survey by the distinguished Euromoney magazine. In addition, Advium took the fourth place in TNS Prospera's M&A Advisors 2016 Finland inquiry.

Advium acted, for instance, as advisor to the Finnish Government, as it sold 49.9 per cent of Patria to Norwegian Kongsberg for EUR 279 million. In addition, Advium advised Elo Mutual Pension Insurance Company as it divested six office properties to funds managed by NIAM for EUR 160 million. Advium further acted as advisor to the LocalTapiola Group in three separate real estate transactions in 2016.
It is typical of the corporate finance business that clients pay a success fee when the transaction has been carried out. Consequently, transaction dates have a major impact on invoicing, and the net revenue may vary considerably. ■

Investments

INVESTMENTS, M€



THE BUSINESS OPERATIONS of the Investments segment consist of private equity fund investments made from eQ Group's own balance sheet. During the financial period 2016, the operating profit of the Investments segment totalled EUR 1.9 million, and at the end of the period, the fair value of the private equity investments was EUR 19.2 million. The amount of the remaining investment commitments was EUR 11.2.

During the financial period 2016, the investment objects returned capital for EUR 4.3 million and distributed a profit of EUR 2.5 million. Capital calls totalled EUR 2.4 million. The net cash flow from the investments during the period was EUR 4.4 million. The aggregate return of private equity investments since the beginning of investment operations has been 21% p.a. (IRR).

In 2016, eQ Plc made a EUR 3.0 million investment commitment in the eQ PE VIII North Fund. eQ PE VIII North makes investments in private equity funds that invest in unlisted, small and mid-sized companies in Northern Europe.

As for the income from own investment operations, eQ's net revenue is recognised for eQ due to factors independent of the company. As a result, the segment's result may vary considerably. eQ only makes new investments in funds managed by eQ. The investments made from eQ's balance sheet have been presented on page 107 of the Annual Report. ■

eQ is the third largest institutional asset manager in Finland

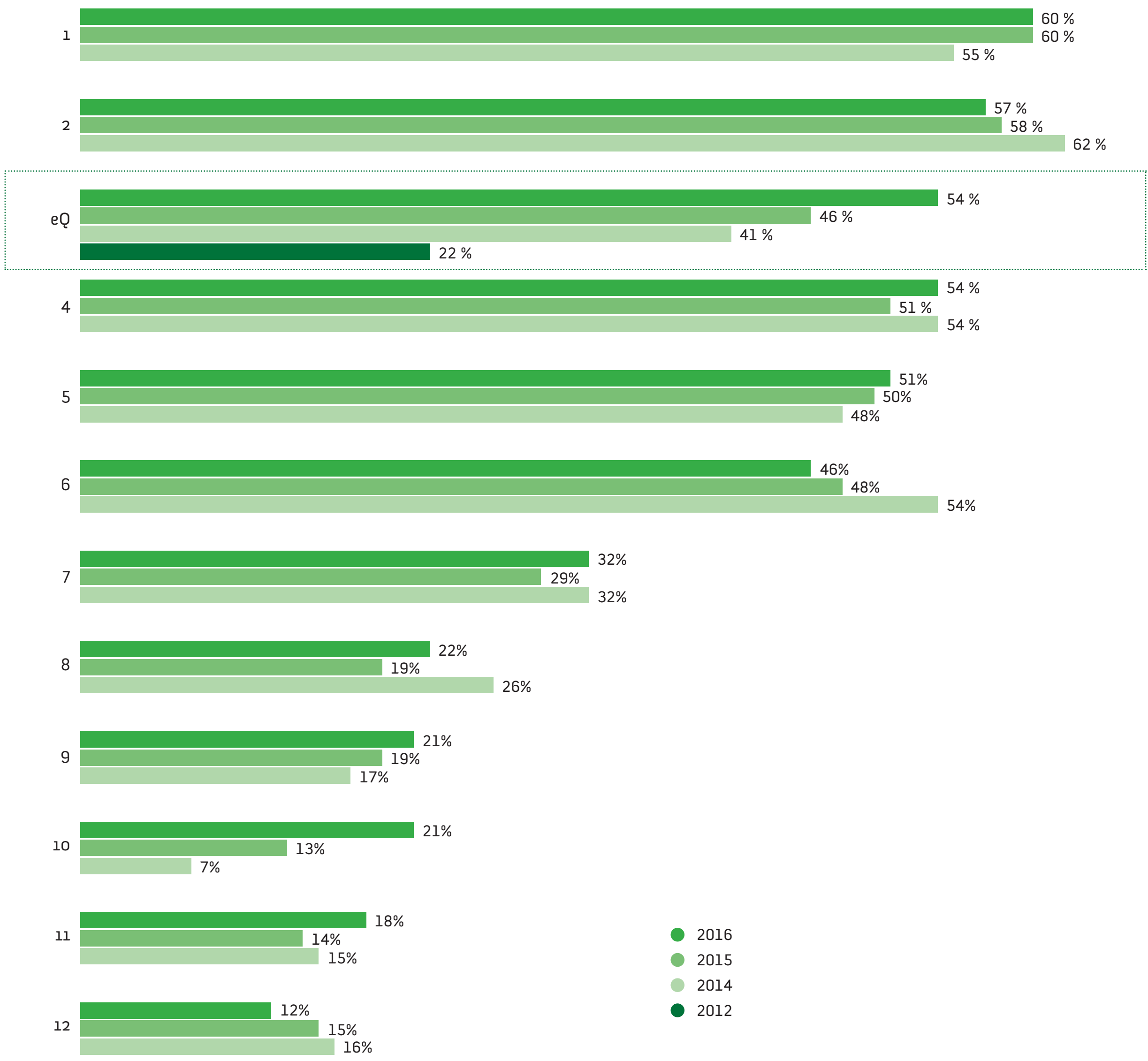
IN THE FINNISH MARKET for institutional asset management, a large survey comprising about 100 institutions is carried out annually. It measures the use and customer service of asset managers, interest in them and the institutions' plans for future investments. eQ Asset Management's standing in the survey has improved already during several years, and in the autumn of 2016, eQ took the third place among asset management houses in the institutional market. In addition to present use, eQ's clients tell that they intend to increase co-operation with eQ markedly, and eQ also arises interest among new clients. As for the quality of the asset management services, eQ was deemed to be among the very best in the market, the criteria being the return on investment, reporting, and the service expertise of the own contact person, for instance.

The Finnish market for institutional asset management comprises six large actors as well as numerous small asset managers. We at eQ Asset Management are very glad that we, as an actor that is independent of banks, can offer our clients high-class asset management service. ■

Kirsi Hokka
eQ Asset Management Ltd, Head of Customer Relations

SFR SCANDINAVIAN FINANCIAL RESEARCH LTD.
Excellence in Investment Services 2016
Institutional Investors **Silver Award**

SFR RESEARCH – MOST USED INSTITUTIONAL ASSET MANAGERS



Responsible investment at eQ

THE AIM OF eQ'S investment operations is an excellent long-term return. The state of the environment, climate change, social change factors, and the companies' governance practices all have an impact on the success of our investment objects. Understanding the fact that only companies that operate in a sustainable manner can succeed in the midst of all changes has obtained a crucial role in successful investment operations.

eQ has signed the UN's Principles for Responsible Investment (UNPRI) in 2010. We are also an active member of Finland's Sustainable Investment Forum (Finsif) and continuously participate in the development of practices for responsible investments in Finland and internationally. In 2016, we published a policy for responsible investments approved by eQ Plc's Board of Directors, which has also been published on our website. A responsible investment policy is a central part of our day-to-day operations and it covers our entire investment range, i.e. the portfolio management of our fixed-income and equity funds, real estate investments, the operations of our private equity funds, and the choice of partners. During the year 2016, we had once more direct contacts with tens of companies that are investment objects in the fixed-income and equity funds and made them questions pertaining to the different areas of responsibility. We also studied thoroughly the transactions and general meeting voting of our partners. Our private equity team conducted a responsibility dialogue with all our target funds, including in the process for the first time our new fund investing in the U.S. (eQ PE VII US). Our real estate team obtained the first BREEAM certificate assessing the energy efficiency of buildings and developed the responsibility methods used in the assessment of the objects to be acquired. ■

Esa Saloranta
eQ Asset Management Ltd, Director, ESG and Manager Selection

Signatory of:

PRI Principles for Responsible Investment

CDP DRIVING SUSTAINABLE ECONOMIES

FINSIF

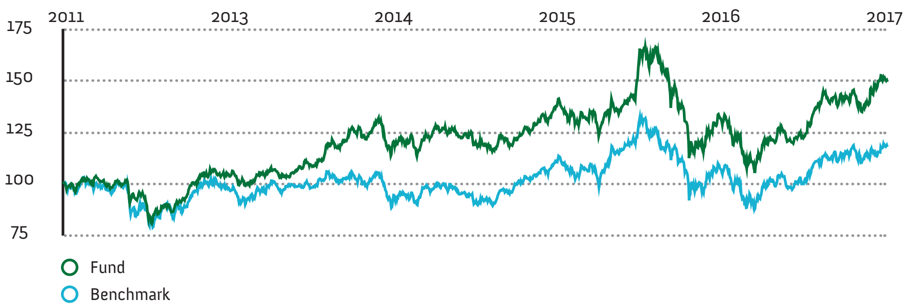
The eQ Emerging Dividend Fund gave a good return in 2016

THE RETURN OF the eQ Emerging Dividend Fund in 2016 was 23 per cent, which is the second best annual return in the fund's history. The best land choice was Brazil, where the stock exchange rose by more than 70 per cent during the year. At its most, 15 per cent of the fund's portfolio was invested in Brazil. The best equity choices in the portfolio came from Indonesia. The portfolio comprises two Indonesian banks, the share prices of which rose strongly during the year. The rise was especially marked in the fund's largest investment Bank PD Jabar Banten, the share price of which rose by more than 100 per cent in December and by no less than 350 per cent during the entire year.

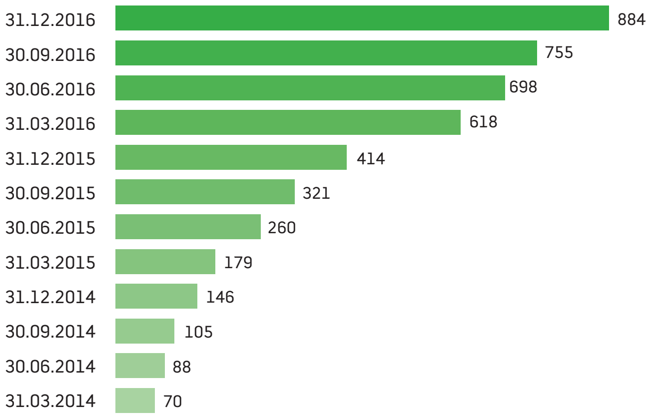
The fund has been active for six years (it was launched on 15 February 2011), and during this period, the dividend strategy has proven to be excellent. At the time of the investment, the dividend return must be at least 5 per cent. The annual return of the fund since establishment has been 7.4 per cent, whereas the index return during the same period has been 2.6 per cent. This means that the difference with the index has been 36.1 per cent in the six-year period. This difference has been achieved with a disciplined strategy that concentrates on a strong dividend flow and growth that is faster than average market growth. We believe that this combination will be successful in future as well. ■

Jukka-Pekka Leppä
eQ Asset Management Ltd, Head of Emerging Market Equities

eQ EMERGING DIVIDEND FUND – RETURN DEVELOPMENT OF THE FUND



REAL ESTATE ASSETS, M€



An active year for eQ's real estate funds

eQ ASSET MANAGEMENT'S real estate funds have grown strongly and the real estate assets of the funds already total almost EUR 900 million. eQ Asset Management manages three non-UCITS real estate funds eQ Care, eQ Finish Real Estate and eQ Forest.

In 2016, the returns of the real estate funds were excellent: eQ Care gave a 9.8 per cent return and eQ Finnish Real Estate a 10.5 per cent return. Today, many investors appreciate a steady return that exceeds the interest rate return, an annual cash flow and, when necessary, half-yearly liquidity. In 2016, real estate totalling almost EUR 450 million was bought to the funds, and the real estate assets of the funds were doubled. With growth, the resources were also consolidated markedly, and there are already seven real estate investment experts working in the real estate asset management team.

The year 2016 was active in the real estate market. The transaction volume reached a new record at annual level. The volume was above all increased by residential sales, the share of which of the transaction volume by professional investors exceeding one million euros was almost 40 per cent. A well-functioning and active market creates opportunities, and the outlook for 2017 is very similar to the market at the close of 2016. ■

Tero Estovirta
eQ Asset Management Ltd, Head of Real Estate Investments

eQ Asset Management builds a private equity programme for many professional investors

eQ ASSET MANAGEMENT has made investments in unlisted shares, i.e. private equity, already for 20 years. Our own expertise is concentrated on Europe but in 2015 we launched an easy way of investing in North America for our clients. In the U.S., our partner is RCP Advisors. Both eQ and RCP specialise in small and mid-sized companies with the most interesting return/risk profile.

Our clients' interest in private equity investments has increased markedly in past years. Many of them build up their portfolios by investing in eQ's funds of funds – every second year, we establish a fund in Europe and every second year in the U.S. This allows the investor to create a systematic private equity programme the share of which of the total assets can be adjusted over time.

For cases where the private equity allocation is extensive, eQ has during the past few years also built for its clients mandates where half of the allocation is typically invested in eQ's funds of funds and the remaining portfolio consists of a number of funds investing in larger companies. The minimum size of such mandates is EUR 50 million.

Investing in private equity is like running a marathon. Money is invested in the portfolio during several years, and the return comes only in a longer perspective. The first stages may seem tough, but private equity portfolios that have been built up systematically and for a long time can offer the investor a lot of returning cash flow and returns and, at the same time, new capital calls. ■

Staffan Jåfs
eQ Asset Management Ltd, Head of Private Equity

eQ PRIVATE EQUITY – FUND OF FUNDS

Vintage	Fund	Size	Stage	Investors
2017	eQ PE IX US L.P.	$45m	Investing, 1st close	23
2016	eQ PE VIII North L.P.	€160m	Investing	78
2015	eQ PE VII US L.P.	$80m	Fully committed	34
2013	eQ PE VI North L.P.	€130m	Fully committed	42
2011	Amanda V East L.P.	€50m	Fully committed	24
2007	Amanda IV West L.P.	€90m	Fully committed	8
2006	Amanda III Eastern PE L.P.	€110m	Fully committed	34
2003	Mandatum PE Fund II L.P.	€20m	Fully committed	2
2002	Mandatum PE Fund I L.P.	€50m	Fully committed	7
2001	European Fund Inv. UK L.P.	€88m	Fully committed	15

Advium as advisor to Finnish Government in a major defence industry arrangement

IN 2016, we carried out four mergers and acquisitions in which Advium acted as advisor. The most important of them took place in the spring of 2016, when Finnish Government sold 49.9% of the defence industry company Patria Plc to Kongsberg Defence & Aerospace AS for approximately EUR 279 million.

The preparations for the 2016 arrangement began already in December 2014, as Patria acquired a minority interest of 26.8% in Patria that had been held by the French Airbus Group. This meant that Patria was temporarily transferred in its entirety to Finnish Government, which announced that it would look for a new, industrial minority holder to consolidate the development of Patria's business development. Advium acted as advisor to the buyer in this arrangement.

After the new public tendering by the Prime Minister's Office, Advium continued with the project in the winter of 2015. The aim of the Government and Patria was to find for Patria an industrial partner that would consolidate the further development of the company's business. The first part of the year 2015 was used for preparations and analysing the special features of the arrangement. The object was critical to the defence industry, both strategically and with regard to the security of supply. Therefore, the Government had to keep the majority holding, but it wanted to find a strategically compatible industrial partner. The critical interest groups

were reviewed and the sales material was drawn up with regard to sensitivity aspects. In the summer of 2015, the first contacts were established with prospective buyers, and the first non-binding indications from the candidates were received during the summer. The indications led to further negotiations and the due diligence stage with the selected actors. This was a challenging phase in the process, as the prospective buyers wanted to have as much information about the company as possible. Part of the company's contracts were and still are so confidential that it was not possible to reveal them at any stage of the process.

At the beginning of 2016, it started to become evident who the final buyer candidate was. Patria's new minority holder with a share of 49.9% became, through a deal carried out in May, the defence industry unit of the listed Norwegian Kongsberg Group. The Government and Patria were very pleased with the new minority holder. Kongsberg is a company operating in more than 25 countries. Patria's position as a major Scandinavian actor and the leading Finnish defence industry company was consolidated.

With the majority holding of 50.1%, the Finnish Government wanted to make sure that Patria would continue to be an essential part of the Finnish defence industry and security of supply. The Finnish Government also achieved its goals in the Patria-Kongsberg arrangement, as the price per share was clearly higher than when Airbus was divested by Patria in 2014. The higher sales price depended on, for instance, the improved market situation but on the successful corporate acquisition process as well. ■

Juhani Mikola
Advium Corporate Finance Ltd, Director

Report by the Board of Directors 1 Jan. to 31 Dec. 2016

Operating environment

The growth of the global economy is estimated to have been round 2.6 per cent in 2016. In the U.S., growth was slower than expected, and based on the present estimate, round 1.6 per cent. In Europe, including Finland, on the other hand, growth somewhat exceeded expectations, and the GNP grew by 1.6 per cent in Europe and by 0.9 per cent in Finland. Strong growth continued in China, estimated growth in 2016 being 6.7 per cent. In emerging markets growth was mainly seen in Asia, and in Brazil and Russia, for instance, the GNP continued to decline in 2016.

The year 2016 will be remembered for two major political changes. In June, the UK decided to leave the European Union after a referendum and in November Donald Trump was elected President of the United States of America. Both changes were anticipated to cause major negative reactions in the market, but they remained rare. Against expectations, the election of Mr Trump and the related Republican majority strengthened the market's trust in accelerated growth in the U.S. The Fed raised interest rates in December and anticipated continued increases.

The returns of equity markets varied strongly by region in 2016. Measured in euros, the best returns came from equity indices in the U.S. and emerging markets, both round 14.5 per cent. The lowest return came from Europe, as the return of MSCI Europe was only 2.6 per cent. Japanese equities gave a 5.4 per cent return. The Finnish stock exchange was once more clearly stronger that the rest of Europe and produced a return of 13.3 per cent. The return difference is mostly due to company results. In Europe, company profits continued to be below expectations, and political risks also burdened markets. In emerging markets, share prices rose the most in Brazil and Russia, where price development had been very poor in previous years.

Bond returns were at a good level during the entire year, even though most markets experienced a negative development in the fourth quarter due to the rise of long-term interest rates. During the entire year, the best returns came from high yields bonds, no less than 10.1 per cent. The corporate loans of emerging markets also gave a 7.9 per cent return as euro hedged. The return of investment grade bonds was 4.8 per cent, and that of euro government bonds 3.3 per cent.

Major events

The Annual General Meeting of eQ Plc was held on 30 March 2016. Timo Kokkila (M.Sc., born 1979) was elected new Board member. Christina Dahlblom, who has been on eQ Plc's Board since 2012, left the Board. Georg Ehrnrooth continues as Chairman of the Board.

eQ Plc's number of shares increased by 200 000 shares on 31 August 2016 and by 50 000 shares on 30 November 2016 due to shares subscribed for with options.

Group net revenue and result development

During the financial period, the Group's net revenue totalled EUR 35.4 million (EUR 30.5 million from 1 Jan. to 31 Dec. 2015).The Group's net fee and commission income increased to EUR 33.2 million (EUR 28.5 million). The Group's net investment income from own investment operations was EUR 2.2 million (EUR 2.1 million).

The Group's expenses and depreciation totalled EUR 19.1 million (EUR 17.3 million). Personnel expenses were EUR 14.6 million (EUR 12.7 million), other administrative expenses totalled EUR 2.0 million (EUR 1.9 million), and the other operating expenses were EUR 1.9 million (EUR 2.0 million). Personnel expenses grew on the previous year due to return-related remuneration and an accrued expense of EUR 0.5 million related to the new 2015 option scheme. The option scheme accrual has no cash flow effect on the Group. Depreciation was EUR 0.6 million (EUR 0.7 million). Depreciation includes EUR 0.4 million (EUR 0.5 million) in depreciation of customer agreements allocated to intangible assets in connection with corporate acquisitions. The customer agreements have been depreciated in their entirety in January 2017.

The Group's operating profit was EUR 16.2 million (EUR 13.2 million) and the profit for the period was EUR 12.8 million (EUR 10.5 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 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 December, eQ had 26 mutual funds registered in Finland.

In 2016, eQ's fixed-income funds gave excellent returns. The eQ Emerging Markets Corporate Bond LC and eQ High Yield funds were the best fixed-income funds in 2016 with returns that clearly exceeded 10 per cent. Only the return of the eQ Money Market Fund was round zero owing to the low interest rate level. The fixed-income funds performed excellently as compared with their benchmark indices, and eQ has no less than three fixed-income funds with five Morningstar stars.

After the difficult beginning of the year, 2016 turned out to be excellent for equity funds. The best returns in 2016 came from the emerging market funds eQ Russia, eQ Emerging Dividend and eQ Frontier Markets. The return of the eQ Russia Fund was approximately 50 per cent. The lowest returns came from equity funds investing in Europe. The only fund with a slightly negative development was eQ Europe Property, which suffered from Brexit and the increase in long-term interest rates towards the end of the year. The best returns as compared with the benchmark indices came from the eQ Emerging Dividend and eQ Frontier Markets funds. Of the funds managed by eQ, 64 per cent surpassed their benchmark indices in 2016 and no less than 93 per cent in the past three years. The average Morningstar rating in funds managed by eQ was four stars at the close of the year. The returns of the discretionary asset management portfolios that eQ manages varied between 5 and 13 per cent in 2016 based on the allocation of the investment portfolio.

Private Equity

The first close of the eQ PE VIII North private equity fund was held in February at a little over EUR 51 million. The second close of the fund was held on 15 April and the final close on 17 June. The capital raised was record-high, EUR 160 million. Altogether almost 80 investors joined the eQ PE VIII North fund, 38 of which are new investors in eQ's private equity funds. Five commitments have already been made from the fund in new funds to be established, and the fund has also bought from the secondary market three German funds at a mature stage. In 2016, three new mandates were also signed, and eQ established non-UCITS fund structures registered in Finland for them. The assets managed under private equity operations grew during beginning of the year and amounted to EUR 4 319 million at the end of the year (EUR 3 639 million on 31 Dec. 2015).

Real estate investments

The strong growth of the eQ Finnish Real Estate Fund continued. At the end of the fourth quarter, new subscriptions worth EUR 36 million, and during the entire year worth EUR 124 million were made in the fund. At the end of the year, the size of the fund was EUR 260 million, and its real estate property EUR 340 million. The investment operations of the fund have been extremely successful, and the return since establishment is 10.2 per cent p.a. The fund already has more than 1 200 unit holders.

The eQ Care Fund also grew considerably during the year, and new subscriptions totalling EUR 123 million were made in the fund. At the end of the year, the size of the fund was already EUR 404 million and its real estate assets totalled almost EUR 540 million. The return of the fund since establishment is excellent at 8.7 per cent p.a., and the fund already has almost 2 400 unit holders.

Towards the end of the year, eQ also established a new non-UCITS fund that is especially designed for institutions, eQ Forest. eQ Forest makes investments in Finnish forests, and it has made its first forest deals for almost EUR 10 million. The aim is to increase the forest property of the fund to approximately EUR 50 million by the end of 2017.

Assets under management and clients

The sales advanced well during the entire year, and even the rise in market values increased the assets managed by eQ. At the end of 2016, the assets managed by eQ Asset Management totalled EUR 8 775 million. The assets increased by almost EUR 1 150 million from the beginning of the year (EUR 7 634 million on 31 Dec. 2015). At the end of the period, the assets managed by mutual funds registered in Finland totalled EUR 1 936 million (EUR 1 582 million) and the assets under management increased by more than EUR 350 million. Mutual funds managed by international partners and other assets covered by asset management operations totalled EUR 2 520 million (EUR 2 412 million). The assets managed under private equity funds and asset management totalled EUR 4 319 million (EUR 3 639 million). EUR 2 890 million (EUR 2 421 million) of these assets were covered by the reporting service.

Result of the Asset Management segment

During the financial period, the net revenue of the Asset Management segment increased by 18 per cent and the operating profit by 25 per cent to EUR 12.0 million (EUR 9.6 million from 1 Jan. to 31 Dec. 2015). The fee and commission income of the segment increased by 18 per cent during the financial year. Particularly the management fees from real estate and private equity asset management grew strongly. In addition to salary items that are dependent on the company result, expenses increased due to the accrued expenses of the 2015 option scheme of about EUR 0.4 million. Calculated as full-time resources, the Asset Management segment had 62 employees at the end of the year.

Asset Management	1-12/2016	1-12/2015	Change
Net revenue, M€	25.6	21.7	18%
Operating profit, M€	12.0	9.6	25%
Assets under management, € billion	8.8	7.6	15%
Cost/income ratio, %	51.6	53.5	-4%
Personnel as full-time resources	62	58	7%

Fee and commission income, Asset Management, M€	1-12/2016	1-12/2015	Change
Management fees from traditional asset management	7.7	9.0	-14%
Real estate and private equity management fees	13.8	8.7	59%
Other fee and commission income	0.3	1.0	-67%
Performance fees	3.9	3.2	21%
Total	25.8	22.0	18%

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 year 2016 was in many respects very eventful, including even major uncertainties. The UK's decision on Brexit at the end of June and Donald Trump's election as the new President of the United States in late autumn were expected to shake stock exchanges and the M&A markets, but the uncertainties remained short-lived. Stock exchanges have continued to rise, interest rates have remained low and the availability of financing has remained at a good level. These factors have maintained a high activity in corporate and real estate transactions in Finland. Additionally, the general outlook of the Finnish economy has begun to improve after a long wait.

Advium managed to increase its net sales and maintain the number of transactions at a high level in 2016. During the financial period, Advium acted as advisor in 14 finalised M&A and real estate transactions.

In the corporate segment, Advium acted, for instance, as advisor to the Finnish Government, as it sold 49.9 per cent of Patria to Norwegian Kongsberg and to Viking Malt Oy as it bought three malting plats of Carlsberg Group. As for real estate transactions, Advium acted as advisor to the seller, for instance when Varma Mutual Pension Insurance Company sold 15 office properties to the European Property Investors Special Opportunities 4 (EPISO 4) fund managed by Tristan Capital Partners. The price of the sold portfolio was approximately EUR 130 million. In addition, Advium acted as advisor to, for instance, the LocalTapiola Group as it sold a 21 000 m2 residential block in Itäkeskus, Helsinki to Nordea Life Assurance Finland.

Advium's activity in real estate transaction market was noted, as it held its market leading position in large real estate transactions and was chosen the best Finnish investment bank in the real estate sector, already for the tenth time, in a survey by the distinguished Euromoney magazine.

Result of the Corporate Finance segment

In 2016, Advium's net revenue was EUR 7.9 million, compared with EUR 7.0 million in 2015. The operating profit grew to EUR 3.7 million from previous year's EUR 3.4 million. The segment had 13 employees at the end of the period, calculated as full-time resources.

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	1-12/2016	1-12/2015	Change
Net revenue, M€	7.9	7.0	12%
Operating profit, M€	3.7	3.4	9%
Cost/income ratio, %	52.7	51.8	2%
Personnel as full-time resources	13	12	8%

Investments

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

During the financial period, the operating profit of the Investments segment was EUR 1.9 million (EUR 1.8 million from 1 Jan. to 31 Dec. 2015).At the end of the period, the fair value of the private equity investments was EUR 19.2 million (EUR 22.5 million on 31 Dec. 2015) and the amount of the remaining investment commitments was EUR 11.2 million (EUR 10.3 million). Of the market value, 69 per cent has been invested in private equity funds managed by eQ. The breakdown of the market values and investment commitments of private equity investments per fund are presented in the Notes to the Financial Statements.

During the period, the investment objects returned capital for EUR 4.3 million (EUR 6.5 million from 1 Jan. to 30 Dec. 2015) and distributed a profit of EUR 2.5 million (EUR 2.5 million). Capital calls totalled EUR 2.4 million (EUR 2.1 million). The net cash flow from investments during the period was EUR 4.4 million (EUR 7.2 million). The write-downs recognised through profit and loss during the period totalled EUR 0.3 million (EUR 0.4 million from 1 Jan. to 31 Dec. 2015).The Group's internal management fee expenses, which are included in the result of the Investments segment, totalled EUR 0.3 million (EUR 0.3 million).

The value change of investments in the fair value reserve before taxes was EUR -1.0 million (EUR 0.3 million). The unrealised value changes of investments in the fair value reserve after taxes were EUR -0.1 million (EUR 0.7 million on 31 Dec. 2015) at the end of the period. The return of eQ's own investment operations since the beginning of operations has been 21 per cent p.a. (IRR).

In the first quarter, eQ Plc made a EUR 3.0 million investment commitment in the eQ PE VIII North Fund. eQ PE VIII North makes investments in private equity funds that invest in unlisted, small and mid-sized companies in Northern Europe.

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 only makes new investments in funds managed by eQ.

Investments	1-12/2016	1-12/2015	Change
Net revenue, M€	1.9	1.8	8%
Operating profit, M€	1.9	1.8	8%
Fair value of investments, M€	19.2	22.5	-14%
Investment commitments, M€	11.2	10.3	8%

Balance sheet, financial position and solvency

At the end of the period under review, the consolidated balance sheet total was EUR 76.2 million (EUR 80.9 million on 31 Dec. 2015). At the end of the period, the shareholders' equity was EUR 64.5 million (EUR 70.0 million). During the period, the shareholders' equity was influenced by the profit for the period of EUR 12.8 million, the change in the fair value reserve of EUR -0.8 million, the dividend distribution of EUR -11.0 million, the repayment of equity of EUR -7.3 million from the reserve for invested unrestricted equity, the subscription of new shares with option rights of EUR 0.3 million and the accrued expense of EUR 0.5 million related to an option scheme and entered in the shareholders' equity.

At the end of the period, liquid assets totalled EUR 6.6 million (EUR 16.6 million) and liquid investments in mutual funds EUR 10.0 million (EUR 5.0 million). In order to safeguard the availability of financing, the Group has access to a credit limit of EUR 4.0 million. At the end of the period, the Group had no interest-bearing liabilities (EUR 0.0 million). Interest-free long-term debt, which consists of the deferred tax liability, was EUR 0.4 million (EUR 0.6 million) and interest-free short-term debt EUR 11.3 million (EUR 10.3 million) at the end of the period. eQ's equity to assets ratio was 84.7% (86.5%).

A subsidiary called eQ Asset Management Ltd, which is engaged in investment firm operations and fully owned by eQ Plc, is part of the Group. eQ Asset Management Ltd, as investment firm, and eQ Plc as the holding company, apply the Basel III/CRD IV regulations. The Group's CET1 (Common Equity Tier 1) and solvency ratio of the own funds was 13.9% (19.8% on 31 Dec. 2015) at the end of the period. The minimum requirement for own funds is 8 per cent. At the end of the period, the Group's own funds based on solvency calculations totalled EUR 16.6 million (EUR 21.8 million on 31 Dec. 2015), and the risk-weighted items were EUR 119.3 million (EUR 110.1 million). Detailed information on the Group's solvency can be found in the Notes to the Financial Statements.

Major risks and uncertainties related to the operations

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. The realisation of the performance fee income that is dependent on the success of the investment operations also influences result development. 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 return of the investments is often small. The income from eQ Group's own investment operations is recognised for eQ in different quarters due to factors independent of the company, depending on the exits from private equity funds. The income from investment operations may vary considerably from quarter to quarter. eQ only makes new private equity investments in funds managed by eQ.

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

Board of Directors, Management Team, CEO and auditor

eQ Plc's Annual General Meeting held on 30 March 2016 re-elected the following persons to the Board: Nicolas Berner, Georg Ehrnrooth, Annika Poutiainen and Jussi Seppälä. Timo Kokkila was elected new member of the Board. The Board elected Georg Ehrnrooth Chairman of the Board at its constituent meeting. eQ Plc's Board had seven meetings during the financial period 2016, average attendance being 100%.

During the financial period 2016, eQ Group's Management Team has consisted of the following persons:

- Janne Larma, CEO of eQ Plc
- Staffan Jåfs, eQ Asset Management Ltd, Head of Private Equity
- Mikko Koskimies, eQ Asset Management Ltd, CEO
- Antti Lyytikäinen, eQ Plc, CFO
- Juha Surve, eQ Asset Management Ltd, Group General Counsel

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

Personnel

At the end of the financial period, the number of Group personnel calculated as full-time resources, was 80 (76 on 31 December 2015). Calculated as full-time resources, the Asset Management segment had 62 (58) employees and the Corporate Finance segment 13 (12) employees. Group administration had 5 (6) employees.

The overall salaries paid to the employees of eQ Group during the period totalled EUR 14.6 million (EUR 12.7 million from 1 Jan. to 31 Dec. 2015). The salary expenses grew from the previous year due to result-related remuneration and the accrued expense of EUR 0.5 million related to the new 2015 option scheme.

Loans to related parties

eQ Plc's receivables from related parties have been described in further detail under item 32 (Related party transactions) of the Notes to the Financial Statements.

eQ Plc's share

Authorisations

The AGM held on 30 March 2016 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 2.72 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 repurchases 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 Helsinki Ltd 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, transferred further or cancelled. The Board of Directors shall decide on other matters related to the repurchase of own shares. The authorisation cancels all previous authorisations to repurchase the company's own shares and is effective until the next AGM, no longer than 18 months, however.

The AGM also authorised the Board of Directors to decide on a share issue or share issues and/or the issuance of special rights entitling to shares referred to in Chapter 10 Section 1 of the Limited Liability Companies Act, comprising a maximum total of 5 000 000 shares. The amount of the authorisation corresponded to approximately 13.61 per cent of all shares in the company on the date of the notice of the AGM. The authorisation can be used in order to finance or carry out potential acquisitions or other business transactions, to strengthen the balance sheet and the financial position of the company, to carry out the company's incentive schemes or for any other purposes decided by the Board. Based on the authorisation, the Board shall decide on all matters related to the issuance of shares and special rights entitling to shares referred to in Chapter 10 Section 1 of the Limited Liability Companies Act, including the recipients of the shares or the special rights entitling to shares and the amount of the consideration to be paid Therefore, based on the authorisation, shares or special rights entitling to shares may also be issued to certain persons, i.e. in deviation of the shareholders' pre-emptive rights as described in said Act. A share issue may also be executed without payment in accordance with the preconditions set out in the Limited Liability Companies Act. The authorisation cancels all previous corresponding authorisations and is effective until the next AGM, no longer than 18 months, however.

Shares and share capital

At the end of the period on 31 December 2016, the number of eQ Plc's shares was 36 977 198 and the share capital was EUR 11 383 873. eQ Plc's number of shares increased by 200 000 shares on 31 August 2016 and by 50 000 shares on 30 November 2016 due to shares subscribed for pertaining to the 2010 option scheme. The subscription price of the new shares totalled EUR 222 000.00 on 31 August 2016 and EUR 55 550.00 on 30 November 2016. The entire subscriptions were entered in the reserve for invested unrestricted equity.

The closing price of eQ Plc's share on 31 December 2016 was EUR 8.11 (EUR 6.50 on 31 Dec. 2015). The market capitalisation of the company was thus EUR 299.9 million (EUR 238.7 million) at the end of the financial period. During the financial period, 7 224 258 shares were traded on NASDAQ Helsinki (8 743 651 shares from 1 Jan. to 31 Dec. 2015).

Option rights

Option scheme 2010:
At the end of the period, altogether 1 700 000 options had been allocated from option scheme 2010. Of these options, altogether 620 000 had been exercised by the end of the period. The number of outstanding options was 1 080 000 at the end of the period. No options of the option scheme 2010 can any longer be allocated. Options of the option scheme 2010 have been listed on Nasdaq Helsinki. 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.

Option scheme 2015:
At the end of the period, altogether 1 575 000 options had been allocated from option scheme 2015. Altogether 200 000 options were returned to eQ during the financial period due to termination of employment. At the end of the period, there were still 425 000 options in option scheme 2015 available for allocation. 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.

Own shares

At the end of the period, on 31 December 2016, eQ Plc held no own shares.

Other information on the share

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

Corporate governance

In addition to acts and regulations applicable to listed companies, eQ Plc complies with the Finnish Corporate Governance Code published by the Securities Market Association in

October 2015. The entire Code is available on the website of the Securities Market Association at www.cgfinland.fi.

Proposal for the distribution of profit

The distributable means of the parent company on 31 December 2016 totalled EUR 46 855 703.04. The sum consisted of retained earnings of EUR 13 848 921.38 and the means in the reserve of invested unrestricted equity of EUR 33 006 781.66.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.35 per share be paid out. The proposal corresponds to a dividend totalling EUR 12 942 019.30 calculated with the number of shares at the end of the financial year. Additionally, the Board proposes to the AGM that an equity repayment of EUR 0.15 per share be paid out from the reserve of invested unrestricted equity. The proposal corresponds to an equity repayment totalling EUR 5 546 579.70 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 31 March 2017. The Board proposes 7 April 2017 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 period under review

On 2 January 2017, eQ Plc was transferred from Small Cap companies to Mid Cap companies in the annual market capitalisation classification of Nasdaq Helsinki.

The eQ PE IX US private equity fund held its first close at USD 45.3 million on 27 January 2017. eQ Plc made a USD 1.0 million investment commitment in the fund.

eQ Plc's shareholders with more than 60 per cent of the company shares and votes have made a proposal to the Annual General Meeting to be held on 29 March 2017 regarding the number of directors, their remuneration and the principles for compensating expenses as well as the election of the directors. The shareholders propose that Nicholas Berner, Georg Ehrnrooth, Annika Poutiainen and Timo Kokkila be re-elected to the Board and that Carl Haglund be elected as new member to the Board for a term of office that will end at the close of the next Annual General Meeting.

Outlook

The asset management business grew well in 2016, which gives an excellent starting point for the year 2017. We expect that the net revenue and operating profit of the Asset Management segment will grow in 2017. 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 of factors that are not dependent of the company. Consequently, the operating profit of these segments may vary considerably and is difficult to foresee.

Helsinki, 2 February 2017

eQ Plc
Board of Directors

INCOME STATEMENT EUR 1 000	2016	2015	2014	2013	2012
Fee and commission income, net	33 221	28 472	22 903	15 401	11 226
Net income from available-for-sale financial assets	2 194	2 061	834	3 430	5 080
Net revenue	35 418	30 520	24 438	18 767	16 295
Operating profit (loss)	16 227	13 225	9 040	4 929	4 668
% of net revenue	45.8	43.3	37.0	26.3	28.6
Profit (loss) before taxes	16 227	13 225	9 040	4 857	4 632
% of net revenue	45.8	43.3	37.0	25.9	28.4
Profit (loss) for the period	12 832	10 470	7 118	3 414	3 386
BALANCE SHEET EUR 1 000					
Claims on credit institutions and liquid assets	6 626	16 623	17 283	9 982	9 389
Available-for-sale financial assets	29 286	27 498	31 311	30 652	39 106
Intangible and tangible assets	29 823	30 354	30 898	31 236	29 312
Other assets and receivables	10 443	6 421	7 160	5 783	6 513
Total assets	76 177	80 896	86 652	77 653	84 319
Total equity	64 511	70 001	77 469	71 790	73 604
Interest-free liabilities	11 666	10 895	9 183	5 863	6 677
Interest-bearing liabilities	-	-	-	-	4 038
Total liabilities and equity	76 177	80 896	86 652	77 653	84 319
PROFITABILITY AND OTHER KEY RATIOS					
Return on investment, ROI % p.a.	19.1	14.2	9.6	4.7	4.7
Return on equity, ROE % p.a.	19.1	14.2	9.5	4.7	4.7
Equity to assets ratio, %	84.7	86.5	89.4	92.4	87.3
Gearing, %	-25.9	-31.0	-27.6	-14.0	-7.3
Cost/income ratio, %					
Group	53.0	55.1	60.9	67.9	65.4
Asset Management	51.6	53.5	57.0	68.9	79.4
Corporate Finance	52.7	51.8	52.9	82.0	72.5
Private equity investment to equity ratio, %	29.8	32.1	35.2	42.6	52.6
Private equity commitments to equity ratio, %	47.1	46.8	49.3	58.2	67.1
Number of personnel as full-time resources at the end of the period	80	76	77	77	76
Number of personnel as full-time resources, average	79	76	76	77	67

SHARE RATIOS	2016	2015	2014	2013	2012
Earnings per average share, EUR	0.35	0.29	0.20	0.10	0.10
Diluted earnings per average share, EUR	0.33	0.28	0.19	0.09	0.10
Equity per share, EUR	1.75	1.91	2.13	1.97	2.03
Equity per average share, EUR 1)	1.75	1.91	2.13	1.97	2.21
Dividend, EUR 1 000 2)	12 942	11 018	7 345	5 466	4 356
Dividend per share 2)	0.35	0.30	0.20	0.15	0.12
Dividend per earnings, % 2)	100.0	103.4	100.0	150.0	120.0
Repayment of equity, EUR 1 000 3)	5 547	7 345	11 018	-	-
Repayment of equity per share 3)	0.15	0.20	0.30	-	-
Dividend and repayment of equity, total, EUR 1 000	18 489	18 364	18 364	5 466	4 356
Dividend and repayment of equity, total per share	0.50	0.50	0.50	0.15	0.12
Effective dividend and equity repayment yield, %	6.2	7.7	12.5	6.6	6.0
Price/earnings ratio, P/E	23.2	22.4	20.0	22.9	20.0
Adjusted share price development, EUR					
Average price	6.38	5.19	2.81	2.25	1.79
Highest price	8.21	6.69	4.00	2.51	2.10
Lowest prince	5.28	3.94	2.26	1.98	1.49
Closing price	8.11	6.50	4.00	2.29	2.00
Market capitalisation, EUR 1 000	299 885	238 727	146 909	83 453	72 594
Share turnover, 1 000 shares	7 224	8 744	2 479	2 031	6 107
% of total number of shares	19.6	23.8	6.8	5.6	18.3
Share turnover, EUR 1 000	43 816	45 833	7 066	4 575	11 146
Adjusted number of shares, EUR 1 000					
Average during the year	36 798	36 727	36 397	36 419	33 335
At the end of the year	36 977	36 727	36 727	36 442	36 297

1) Weighted average number of shares outstanding during the period
2) Dividend proposal by the Board of Directors
3) The Board's proposal for a repayment of equity from the reserve for invested unrestricted equity

RETURN ON INVESTMENT, ROI (%)

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

RETURN ON EQUITY, ROE (%)

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

EQUITY TO ASSETS RATIO (%)

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

GEARING (%)

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

COST/INCOME RATIO (%)

$$100 \times \frac{\text{administrative expenses + other operating expenses + depreciation (excl. agreement depreciation)}}{\text{net revenue}}$$

PRIVATE EQUITY INVESTMENTS TO EQUITY RATIO (%)

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

PRIVATE EQUITY COMMITMENTS TO EQUITY RATIO (%)

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

EARNINGS PER SHARE, EPS

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

EQUITY PER SHARE

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

DIVIDEND PER SHARE

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

DIVIDEND PER EARNINGS (%)

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

RETURN OF CAPITAL PER SHARE

$$\frac{\text{return of capital from the reserve for invested unrestricted equity}}{\text{adjusted number of shares at the balance sheet date}}$$

EFFECTIVE DIVIDEND AND CAPITAL RETURN YIELD (%)

$$100 \times \frac{\text{dividend and capital return per share}}{\text{adjusted share price at the balance sheet date}}$$

PRICE/EARNINGS RATIO, P/E

$$\frac{\text{adjusted share price at the balance sheet date}}{\text{earnings per share}}$$

MARKET CAPITALISATION

number of shares on 31. Dec. x closing price on 31. Dec

SHARE TURNOVER (%)

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

EUR 1 000	Note no.	2016	2015
Fee and commission income	6	33 434	28 704
Net income from securities and foreign exchange dealing	7	-	-16
Interest income	8	4	2
Net income from available-for-sale financial assets	9	2 194	2 061
Operating income, total		35 633	30 752
Fee and commission expenses	10	-213	-232
Interest expenses	11	-1	0
NET REVENUE		35 418	30 520
Administrative expenses	12		
Personnel expenses		-14 572	-12 661
Other administrative expenses		-2 012	-1 936
Depreciation on tangible and intangible assets	13	-644	-742
Other operating expenses	14	-1 914	-1 956
Impairment losses of other financial assets		-50	-
OPERATING PROFIT (LOSS)		16 227	13 225
PROFIT (LOSS) BEFORE TAXES		16 227	13 225
Income tax	15	-3 395	-2 755
PROFIT (LOSS) FOR THE PERIOD		12 832	10 470
Consolidated statement of comprehensive income			
Other comprehensive income:			
Items that may be reclassified subsequently to the income statement:			
Available-for-sale financial assets, net		-761	226
Translation differences		-	-14
Other comprehensive income after taxes		-761	211
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		12 071	10 681
Profit for the period attributable to:			
Equity holders of the parent company		12 832	10 470
Non-controlling interest		-	-
Comprehensive income for the period attributable to:			
Equity holders of the parent company		12 071	10 681
Non-controlling interest		-	-
Earnings per share calculated from the profit of equity holders of the parent company:	16		
Earnings per average share, EUR		0.35	0.29
Diluted earnings per average share, EUR		0.33	0.28

EUR 1 000	Note no.	2016	2015
ASSETS			
Liquid assets		47	53
Claims on credit institutions	17	6 579	16 571
Available-for-sale financial assets	18, 26-29		
Financial securities		10 076	5 042
Private equity investments		19 209	22 456
Intangible assets	19	29 455	29 960
Tangible assets	19	368	393
Other assets	20	8 946	5 070
Accruals and prepaid expenditure	21	1 006	860
Income tax receivables		254	271
Deferred tax assets	22	237	220
TOTAL ASSETS		76 177	80 896
LIABILITIES AND EQUITY			
LIABILITIES			
Other liabilities	23	3 369	2 874
Accruals and deferred income	24	7 607	6 099
Income tax liabilities		316	1 284
Deferred tax liability	22	374	637
TOTAL LIABILITIES		11 666	10 895
EQUITY	30		
Attributable to equity holders of the parent company:			
Share capital		11 384	11 384
Fair value reserve		-61	700
Reserve for invested unrestricted equity		34 861	41 929
Retained earnings		5 495	5 518
Profit (loss) for the period		12 832	10 470
TOTAL EQUITY		64 511	70 001
TOTAL LIABILITIES AND EQUITY		76 177	80 896

EUR 1 000	2016	2015
CASH FLOW FROM OPERATIONS		
Operating profit	16 227	13 225
Depreciation and impairment	999	1 170
Interest income and expenses	-3	-2
Transactions with no related payment transactions	525	188
Available-for-sale investments - private equity funds	1 886	3 667
Change in working capital		
Business receivables, increase (-) / decrease (+)	-3 752	978
Interest-free debt, increase (+) / decrease (-)	738	652
Change in working capital, total	-3 013	1 630
Cash flow from operations before financial items and taxes	16 620	19 878
Interests received	4	2
Interests paid	-1	0
Income taxes	-3 422	-1 979
CASH FLOW FROM OPERATIONS	13 202	17 902
CASH FLOW FROM INVESTMENTS		
Investments in tangible and intangible assets	-113	-198
Investments in other investments - liquid mutual funds	-5 000	-
CASH FLOW FROM INVESTMENTS	-5 113	-198
CASH FLOW FROM FINANCING		
Dividends paid	-18 364	-18 364
Income from share issue	278	-
CASH FLOW FROM FINANCING	-18 086	-18 364
INCREASE/DECREASE IN LIQUID ASSETS	-9 998	-659
Liquid assets on 1 Jan.	16 623	17 283
Liquid assets on 31 Dec.	6 626	16 623

	Equity attributable to equity holders of the parent company						
EUR 1 000	Share capital	Reserve for invested unrestricted equity	Fair value reserve	Translation differences	Retained earnings	Total	Total equity
Shareholders' equity on 1 Jan. 2016	11 384	41 929	700	0	15 988	70 001	70 001
Comprehensive income							
Profit (loss) for the period					12 832	12 832	12 832
Other comprehensive income							
Available-for-sale financial assets			-761			-761	-761
TOTAL COMPREHENSIVE INCOME			-761	0	12 832	12 071	12 071
Dividend distribution		-7 345			-11 018	-18 364	-18 364
Share issue		278				278	278
Options granted					525	525	525
Shareholders' equity on 31 Dec. 2016	11 384	34 861	-61	0	18 326	64 511	64 511
Shareholders' equity on 1 Jan. 2015	11 384	52 947	475	14	12 649	77 469	77 469
Comprehensive income							
Profit (loss) for the period					10 470	10 470	10 470
Other comprehensive income							
Available-for-sale financial assets			226			226	226
Translation differences				-14		-14	-14
TOTAL COMPREHENSIVE INCOME			226	-14	10 470	10 681	10 681
Dividend distribution		-11 018			-7 345	-18 364	-18 364
Options granted					159	159	159
Other changes					55	55	55
Shareholders' equity on 31 Dec. 2015	11 384	41 929	700	0	15 988	70 001	70 001

1 PRINCIPLES FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

Basic information

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

A copy of the consolidated financial statements is available on the company website at www.eQ.fi and at the head office of the parent company, address Aleksanterinkatu 19 A, 00100 Helsinki.

The consolidated financial statements have been prepared for the 12-month period 1 January to 31 December 2016.The Board of Directors of eQ Plc has approved the consolidated financial statements for publication on 2 February 2017. According to the Finnish Limited Liability Companies Act, the Annual General Meeting shall have the right to adopt, reject or amend the financial statements after their publication.

Principles for preparing the Financial Statements

eQ Plc's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, IFRS, approved by the EU. The IAS and IFRS standards and SIC and IFRIC interpretations valid on 31 December 2016 have been applied when preparing the statements.

The Group has applied the following new and amended standards and interpretations from 1 January 2016:

- Annual Improvements to IFRSs 2012–2014. In the Annual Improvements procedure, all the minor and less urgent changes to the standards are gathered together and carried out once a year. The impacts of the amendments vary by standard, but they have not had any essential impact on the consolidated financial statements.
- IAS 27 Separate Financial Statements (amendment) - Equity Method in Separate Financial Statements. The amendment allows the use of the equity method when entering subsidiaries, associated companies and joint ventures in separate financial statements. The amendment of the standard has not had any impact on the Group's financial statements.
- IAS 16 Property, Plant and Equipment and IAS 41 Agriculture (amendment) – Bearer Plants. The amendment of the standard allows the entry of biological assets alternatively at acquisition cost whereas the standard previously required their recognition at fair value. The amendment has not had any impact on the Group's financial statements.
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (amendment) – Clarification of Acceptable Methods of Depreciation and Amortisation. The amendment forbids depreciation of intangible assets based on sales revenue. The depreciation may exceptionally be made based on sales revenue only if the revenue and consumption of the intangible asset are highly correlated. A depreciation method based on sales revenue cannot be applied to tangible assets either. The amendment has not had any impact on the Group's financial statements.
- IFRS 11 Joint arrangements (amendment) - Acquisition of an Interest in a Joint Operation. The amendment requires the application of the accounting principles on the combination of operations when acquiring interests in joint business operations. The amendment of the standard has not had any impact on the Group's financial statements.
- IAS 1 Presentation of Financial Statements (amendment) – Disclosure initiative. The amendments clarify the IAS 1 instructions on materiality, the combination of income statement and balance sheet items, presentation of subtitles and the structure of the financial statements as well as the principles for preparing them. The amendment of the standard has not had any essential impact on the Group's financial statements.
- IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures. The amendments clarify concessions on the requirement to prepare consolidated financial statements in situations in which the group includes investment entities. The amendments also provide relief to investors that are not investment entities in the accounting treatment of associates and joint ventures that themselves are investment entities. The amendment has not had any impact on the Group's financial statements.

New and amended standards and interpretations to be applied later:
The IASB has published the following new or amended standards and interpretations, for instance, which have not yet been applied by the Group. The Group will introduce each standard and interpretation as of its effective date or, if the effective date is some other date than the first day of the financial period, as of the beginning of the financial period following the effective date.

- IFRS 15 Revenue from Contracts with Customers (effective from 1 January 2018 or from financial periods beginning after said date). The new standard provides a five-step model to be applied to revenue based on contracts with customers and replaces the present IAS 18 and IAS 11 standards and the interpretations related to them. Revenue can be recognised over time or at a specific time, with the central criterion being the transfer of control. The standard will also expand the notes presented with financial statements. The new standard is not expected to change the revenue recognition practice essentially compared with the present situation. The fee and commission income from asset management that eQ Group receives is calculated based on the capital in the fund or client portfolio and the agreed commission percentage. The fee and commission income is amortised as revenue per month and invoiced afterwards in periods of one, three, six or twelve months. The performance fees, which depend on the success of investment operations, are also included in the fee and commission income from asset management. Performance fees are obtained from equity funds and asset management portfolios, real estate funds and private equity funds (carried interests). The performance fees of equity funds are calculated based on realised revenue daily and the performance fees of the asset management portfolios per quarter. The performance fees of equity funds and asset management portfolios are amortised as revenue per month. The performance fees of real estate funds are amortised per quarter based on the return of the funds during each quarter, and by assessing the likelihood of an essential default. eQ's final performance fee from real estate funds is based on the return of the fund during the entire year. The amount of the final return in accounting is confirmed based on calculations. As for the profit share paid by private equity funds to management companies (carry/performance fees of private equity funds), the possible risk of default is calculated, and, if necessary, part of the revenue is left unrecognised based on this. eQ Group receives monthly fees and success fees related to corporate finance operations. The monthly fees are accumulated based on the assignment contract, as the assignment has begun, and they are basically invoiced and recognised as revenue per month. The success fee income related to corporate finance operations is recognised as revenue for the period during which the outcome of the project can be assessed in a reliable manner.
- IFRS 9 Financial Instruments and amendments thereto (effective for financial periods beginning on or after 1 January 2018). The new standard replaces the existing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 will change the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment on financial assets. The classification and measurement of financial liabilities largely correspond to the current guidance in IAS 39. The present classification of financial assets in four classes according to IAS 39 will no longer be used. IFRS 9 has three classification groups (valuation groups): a) amortised cost, b) fair value through other comprehensive income and c) fair value through profit and loss. According to the IAS 39 standard, the private equity and mutual fund investments made from eQ Group's own balance sheet have been classified as available for sale investments. When applying the IAS 39 standard, eQ Group has entered the profit distribution of the private equity investments among the net income from available-for-sale financial assets. The impairment regarded as permanent has also been recognised through profit and loss. The unrealised changes in value arising from valuation at fair value are included in the shareholders' equity under the fair value reserve through other items of comprehensive income. If available-for-sale financial assets are sold or if their value has deceased permanently and significantly, the profit and loss has been entered in the income statement as net income from available-for-sale financial assets. In the new IFRS 9 standard, the class of available-for-sale investments no longer exists in its previous form. Equity instruments are, as a rule, classified as items at fair value through profit and loss. As for debt instruments, an assessment of the business model and a so-called cash flow/SPPI test are carried out. The value change of a debt instrument can only be entered in the fair value reserve if it meets the cash flow/SPPI criteria, i.e. it must be a loan instrument where certain cash flows are based on amortisation and interest, and the interest must consist of the time value of money and the credit risk. Financial assets held solely for trading purposes are always entered at fair value through profit

and loss. According to IFRS 9, the funds must in practice be recognised at fair value through profit and loss, as the use of the fair value reserve will only be possible if the fund is for its issuer an equity instrument, as defined in IFRS, and the debt instruments must meet the cash flow criteria. The changes in the value of eQ Group's own private equity investments are recognised through profit and loss. In the same manner, investments of excess liquidity in short-term interest funds (mutual funds) or in other low risk short-term fixed-income instruments are recognised at fair value through profit and loss according to IFRS 9. During the financial period 2016, the change in value of the private equity investments made from eQ Plc's own balance sheet was EUR -1,0 million (EUR 0.3 million from 1 Jan. to 31. Dec 2015). The new model for assessing the impairment of financial assets based on expected credit losses according to the IFRS 9 standard is not deemed to have an essential impact on eQ Group. eQ Group does not give credits and it mostly has short-term sales receivables.

- IFRS 16 Leases (effective from 1 January 2019 or from financial periods beginning after said date). IFRS 16 was issued in January 2016. It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases will be removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

Use of estimates

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

Consolidation principles

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

The Group's internal holding has been eliminated by using the acquisition method. Acquired subsidiaries are consolidated from the moment the Group has gained control and transferred subsidiaries until control is terminated. The subsidiaries have been consolidated with the parent company by using the acquisition method. All internal transactions, receivables, debts and the internal distribution of profits have been eliminated in the financial statements.

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

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

Segment reporting

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

The business segments consist of business units with different types of products and services as well as different income logics and profitability. The pricing between the segments is based on fair market value. The income, expenses and assets that directly belong to the business areas or can on sensible grounds be allocated to them are allocated to the business areas. Group administrative functions are presented under the item Other. The unallocated items presented under the item Other also comprise interest income and expenses and taxes. The highest operative decision-making body does not follow assets and liabilities at segment level, due to which the Group's assets and liabilities are not presented as divided between the segments.

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

Foreign currency transactions

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

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

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

Revenue recognition

The fee and commission income for asset management, included in operating income, is amortised per month and mainly invoiced afterwards in periods of one, three, six or twelve months. The performance fees, which depend on the success of investment operations, are also included in the fee and commission income from asset management. These performance fees consist of performance fees paid by mutual funds and Non-UCITS funds, profit shares that private equity funds pay to management companies, and performance fees from asset management portfolios. As for the profit share paid by private equity funds to management companies, the possible risk of default is calculated, and, if necessary, part of the income is left unrecognised.

The fee income related to projects within corporate finance operations is entered as income for the period during which the result of the project can be assessed in a reliable manner. The expenses arising from a project are expensed immediately.

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

Tangible and intangible assets

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

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

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

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

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

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

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

Impairment and impairment test

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

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

Employment pensions

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

Share-related payments

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

Income tax

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

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

Financial assets and liabilities

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

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

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

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

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

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

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

Impairment of financial assets

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

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

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

Earnings per share

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

Dividend distribution

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

2 RISK MANAGEMENT

eQ Group defines risk as an unexpected change in economic outcome. The purpose of risk management is to make sure that the risks associated with the company's operations are identified, assessed and that measures are taken regarding them. Risk management shall see to it that manageable risks do not jeopardise the business strategy, critical success factors or earning power. Risk management comprises all the measures that are needed for the cost-efficient management of risks arising from the Group's operations. Risk management is a continuous process that is assessed at regular intervals. The aim of this is to make sure that risk management is adapted to the changing operating environment.

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

eQ Group comprises a fully owned subsidiary of eQ Plc, eQ Asset Management Ltd, which is an investment firm. A permanent risk management function consisting of risk experts, which is independent of the other operations, is led by the Chief Risk Officer and responsible for risk management at eQ Asset Management Ltd. eQ Asset Management Ltd, as investment firm, and eQ Plc as the holding company, apply the Basel III/CRD IV regulations on capital adequacy. Below is a presentation of the major risks of eQ Group and the investment firm.

RISKS RELATED TO OPERATIONS

Financial risk

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

Market risk

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

Interest rate risk

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

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

Currency risk

Currency risk means the uncertainty of the cash flow and result arising from changes in exchanges rates. The Group company operations are mainly denominated in euros, which means that there is no significant currency risk in this respect.

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

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

31 Dec. 2016				decrease in value against the euro	
	Currency	Euro	%	10 %	20 %
EUR million	17.5	17.5	90.9%		
GBP million	0.4	0.5	2.7%	-0.1	-0.1
USD million	1.3	1.2	6.3%	-0.1	-0.2
		19.2			

31 Dec. 2015				decrease in value against the euro	
	Currency	Euro	%	10 %	20 %
EUR million	20.4	20.4	91.0%		
GBP million	0.5	0.7	3.0%	-0.1	-0.1
USD million	1.5	1.4	6.0%	-0.1	-0.3
		22.5			

Price risk

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

The Group's parent company eQ Plc makes investments in private equity funds from its own balance sheet. eQ Plc's private equity investments are well diversified, which means that the impact of one investment in a company, made by one individual fund, on the return of the investments is often small.

The major factors influencing the value of eQ's investments in private equity funds are the values of the companies included in the portfolio and factors influencing them, such as the:

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

The price risk of eQ's private equity fund portfolio has been diversified by making investments in different sectors, geographic areas, and funds investing in different development stages. At the end on 2016, there were altogether more than 360 indirectly owned companies in eQ's private equity portfolio. The impact of one individual risk on the value of eQ's private equity fund portfolio is small, owing to efficient diversification.

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

At the end of 2016, a 10% change in the market value of the private equity fund portfolio corresponded to a change of EUR 1 536.7 thousand in the shareholders' equity. At the end of 2015, a 10% change in the market value of the private equity fund portfolio corresponded to a change of EUR 1 796.5 thousand in the shareholders' equity.

Liquidity risk

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

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

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

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

31 Dec.2016

	less than 1 year	1 to 5 years	over 5 years	Total
Loans from financial institutions	-	-	-	-
Accounts payable and other liabilities	643	-	-	643
Total	643	-	-	643

31 Dec.2015

	less than 1 year	1 to 5 years	over 5 years	Total
Loans from financial institutions	-	-	-	-
Accounts payable and other liabilities	428	-	-	428
Total	428	-	-	428

Credit risk

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

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

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

Operational risks

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

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

The Group carries out a self-assessment of operational risks annually. The aim is to identify operational risks, assess the probability and impacts of each separate risk and try to find out ways of decreasing the risks.

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

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

Risks arising from business operations and external operating environment

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

The major single risk of the Group is the dependence of the operating income on changes in the external operating environment. The result of the asset management operations depends on the development of the assets under management, which is dependent of the development of the capital market. The management fees of private equity funds are based on long-term agreements that produce a stable cash flow, however. The result of the corporate finance operations is markedly influenced by success fees, which are dependent on the number of corporate and real estate transactions. These vary considerably within one year and are dependent on economic trends.

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

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

Other risks

Risks associated with property and indemnity risks

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

Risks associated with the concentration of business

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

3 CAPITAL MANAGEMENT

The aim of the Group's capital management is to create an efficient capital structure that ensures normal operating preconditions and growth opportunities for the Group as well as the sufficiency of capital in relation to the risks associated with the operations. The Group can influence the capital structure through dividend distribution and share issues, for instance. The capital managed is the shareholders' equity shown on the balance sheet. At the end of the accounting period 2016, the shareholders' equity amounted to EUR 64.5 million and the equity to assets ratio was 84.7%. The main source of financing is the positive cash flow of operations. The Group also has access to a credit limit. No covenants are associated with the Group's credit limit. The Group's net gearing has been presented in the table below. The ratio is calculated by dividing net debt with shareholders' equity. The Group management monitors the development of net debt as part of capital management.

Net gearing, EUR 1 000

	2016	2015
Interest-bearing financial liabilities	0	0
Financial securities	10 076	5 042
Liquid assets	6 626	16 623
Net debt	-16 702	-21 666
Total shareholders' equity	64 511	70 001
Net gearing, %	-25.9 %	-31.0 %

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

4 CAPITAL ADEQUACY AND ITS MANAGEMENT

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

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

Capital adequacy, EUR 1 000

	CRR 31 Dec. 2016 eQ Group	**CRR 31 Dec. 2015 eQ Group**
Equity	64 511	70 001
Common equity tier 1 (CET 1) before deductions	64 511	70 001
Deductions from CET 1		
Intangible assets	-29 451	-29 882
Unconfirmed profit for the year	-12 832	-10 470
Dividend proposal by the Board*	-5 657	-7 894
Common equity tier 1 (CET1)	16 571	21 755
Additional tier 1 (AT1)	0	0
Tier 1 (T1 = CET1 + AT1)	16 571	21 755
Tier 2 (T2)	0	0
Total capital (TC = T1 + T2)	16 571	21 755
Risk-weights, total	119 286	110 066
of which credit risk	57 713	58 577
of which market risk - currency risk	5 088	5 411
of which operative risk	56 485	46 078
Common equity tier 1 (CET1) / risk-weights, %	13.9 %	19.8 %
Tier 1 (T1) / risk-weights, %	13.9 %	19.8 %
Total capital (TC) / risk-weights, %	13.9 %	19.8 %
Leverage ratio, %	28.6 %	35.5 %
Tier 1	16 571	21 755
Total amount of exposure	57 903	61 251
Total amount of exposure:		
Balance sheet items excl. intangible assets	46 723	50 935
Off-balance sheet items	11 180	10 316
Excess of total capital compared with the minimum level (8% solvency ratio)	7 028	12 950
Excess of total capital compared with the target level (12% solvency ratio)	2 257	8 547

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

*Dividend and equity repayment proposed by the Board exceeding the profit for the financial year.

Total capital based on transitional provisions, EUR 1 000

31 Dec. 2016	Amount at disclosure date	Relevant article in regulation (EU) no 575/2013	Amounts subject to pre-regulation (EU) N:o 575/2013 treatment or prescribed residual amount of said regulation
Common equity tier (CET1): capital instruments and funds			
1. Capital instruments and related share premium accounts	11 384	Article 26(1), articles 27, 28 and 29	-
2. Retained earnings	5 495	Article 26(1)(c)	-
3. Accumulated other comprehensive income (and other funds)	34 801	Article 26(1)	-
5a. Independently reviewed interim profits net of any foreseeable charge or dividend	-5 657	Article 26(2)	-
6. Common equity tire 1 (CET1) capital before regulatory adjustments	46 022		-
Common equity tier 1 (CET1) capital: regulatory adjustments			
8. Intangible assets (net of related tax liability) (negative amount)	-29 451	Article 36(1)(b), article 37	
28. Total regulatory adjustments to common equity tier 1 (CET1)	-29 451		-
29. Common equity tier 1 (CET1) capital	16 571		-
59. Total capital (TC = T1 + T2)	16 571		-
60. Total risk weighted assets	119 286		-
61. Common equity tier 1 (CET1) (as percentage of risk exposure amount)	13.9%	Article 92(2)(a)	-
62. Tier 1 (T1) (as percentage of risk exposure amount)	13.9%	Article 92(2)(b)	-
63. Total capital (as percentage of risk exposure amount)	13.9%	Article 92(2)(c)	-
			-

Capital instruments' main features:

Capital instruments' main features template	CET 1
1. Issuer	eQ Plc
2. Unique identifier	ISIN: FI0009009617
3. Governing law(s) of the instrument	Finnish law, EU's CRR regulation 575/2013
Regulatory treatment	
4. Transitional CRR rules	Common equity tier 1
5. Post-transitional CRR rules	Common equity tier 1
6. Eligible at solo/(sub-)consolidated/solo & (sub-) consolidated	Consolidated
7. Instrument type	CET1 as published in EBA's Annex (article 26(3))
8. Amount recognised in regulatory capital, MEUR	16.6
9. Nominal amount of instrument	N/A
9a. Issue price	N/A
9b. Redemption price	N/A
10. Accounting classification	Shareholders' equity

Capital instruments' main features template

	CET 1
11. Original issue date	1 Nov. 2000
12. Perpetual or dated	Perpetual
13. Original maturity date	No maturity
14. Issuer call subject to prior supervisory approval	N/A
15. Optional call date, contingent call dates and redemption amount	N/A
16. Subsequent call dates, if applicable	N/A
Dividends/coupons	
17. Fixed or floating dividend/coupon	Floating
18. Coupon rate and any related index	N/A
19. Existence of a dividend stopper	No
20a. Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b. Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21. Existence of step-up or other incentive to redeem	No
22. Cumulative or non-cumulative	Non-cumulative
23. Convertible or non-convertible	Non-convertible
24. If convertible, conversion trigger(s)	N/A
25. If convertible, fully or partially	N/A
26. If convertible, conversion rate	N/A
27. If convertible, mandatory or optional conversion	N/A
28. If convertible, instrument type convertible into	N/A
29. If convertible, issuer of instrument it converts to	N/A
30. Write-down features	N/A
31. If write-down, write-down trigger(s)	N/A
32. If write-down, full or partial	N/A
33. If write-down, permanent or temporary	N/A
34. If temporary write-down, description of write-up mechanism	N/A
35. Position in subordination hierarchy in liquidation (instrument type immediately senior to instrument)	N/A
36. Non-compliant transitioned features	No
37. If yes, non-compliant features	N/A

5 SEGMENT INFORMATION

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

EUR 1 000

1 Jan. to 31 Dec. 2016	Asset Man.	Corporate Finance	Invest-ments	Other	Elimin-ations	Group Total
Fee and commission income	25 530	7 905	-	-		33 434
From other segments	300	-	-	-	-300	-
Net income from foreign exchange dealing	-	-	-	-		-
Interest income	-	-	-	4		4
Net income from available-for-sale financial assets	-	-	2 194	-		2 194
Other operating income	-	-	-	-		-
From other segments	-	-	-	77	-77	-
OPERATING INCOME, TOTAL	25 830	7 905	2 194	81	-377	35 633
Fee and commission expenses	-203	-	-	-10		-213
To other segments	-	-	-300	-	300	-
Interest expenses	-	-	-	-1		-1
NET REVENUE	25 626	7 905	1 894	70	-77	35 418
Administrative expenses						
Personnel expenses	-10 192	-3 513	-	-868		-14 572
Other administrative expenses	-1 517	-348	-	-223	77	-2 012
Depreciation on tangible and intangible assets	-592	-24	-	-28		-644
Other operating expenses	-1 287	-283	-	-343		-1 914
Impairment losses of other financial assets	-	-50	-	-		-50
OPERATING PROFIT (LOSS)	12 039	3 686	1 894	-1 392	0	16 227
Income tax				-3 395		-3 395
PROFIT (LOSS) FOR THE PERIOD				-4 787		12 832

EUR 1 000

1 Jan. to 31 Dec. 2015	Asset Man.	Corporate Finance	Invest-ments	Other	Elimin-ations	Group Total
Fee and commission income	21 675	7 029	-	-		28 704
From other segments	300	-	-	-	-300	0
Net income from foreign exchange dealing	-15	-	-	0		-16
Interest income	-	-	-	2		2
Net income from available-for-sale financial assets	-	-	2 061	0		2 061
Other operating income	-	-	-	-		-
From other segments	-	-	-	77	-77	0
OPERATING INCOME, TOTAL	21 960	7 029	2 061	79		30 752
Fee and commission expenses	-220	-	-	-12		-232
To other segments	-	-	-300	-	300	0
Interest expenses	-	-	-	0		0
NET REVENUE	21 740	7 029	1 761	67		30 520
Administrative expenses						
Personnel expenses	-8 668	-3 017	-	-976		-12 661
Other administrative expenses	-1 417	-303	-	-293	77	-1 936
Depreciation on tangible and intangible assets	-686	-24	-	-32		-742
Other operating expenses	-1 323	-294	-	-339		-1 956
OPERATING PROFIT (LOSS)	9 647	3 391	1 761	-1 573		13 225
Income tax				-2 755		-2 755
PROFIT (LOSS) FOR THE PERIOD				-4 328		10 470

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.

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

Geographic information:

Net revenue per country, EUR 1 000

Domicile	2016	2015
Finland	35 187	30 252
Other countries	231	268
Total	35 418	30 520

The other countries comprise Guernsey.
External net revenue is presented based on domicile.

EUR 1 000	2016	2015
6 FEE AND COMMISSION INCOME		
Asset management fees		
Management fees from traditional asset management	7 732	8 976
Real estate and private equity management fees	13 545	8 431
Other fee and commission income	344	1 033
Performance fees	3 909	3 235
Total	25 530	21 675
Corporate finance fees	7 905	7 029
TOTAL	33 434	28 704
7 NET INCOME FROM SECURITIES AND FOREIGN EXCHANGE DEALING		
Net income from foreign exchange dealing	-	-16
TOTAL	-	-16
8 INTEREST INCOME		
From credit institutions	0	-
Other interest income	4	2
TOTAL	4	2
9 NET INCOME FROM AVAILABLE-FOR-SALE FINANCIAL ASSETS		
Profit distribution from private equity funds	2 526	2 505
Impairment losses	-305	-428
Sales gains and losses	-27	-16
TOTAL	2 194	2 061
10 FEE AND COMMISSION EXPENSES		
Custody fees	-203	-220
Other fees	-10	-12
TOTAL	-213	-232
11 INTEREST EXPENSES		
Other interest expenses	-1	0
TOTAL	-1	0

EUR 1 000	2016	2015
12 ADMINISTRATIVE EXPENSES		
Expenses related to employee benefits		
Short-term employee benefits		
Salaries and remuneration	-11 417	-10 533
Other indirect employee costs	-754	-398
Share-related payments	-525	-159
Benefits after end of employment		
Pension costs – defined contribution plans	-1 877	-1 570
TOTAL	-14 572	-12 661
Other administrative expenses		
Other personnel expenses	-371	-320
IT and connection expenses	-812	-756
Other administrative expenses	-829	-859
TOTAL	-2 012	-1 936
TOTAL	-16 584	-14 597
13 DEPRECIATION		
Depreciation on tangible assets	-117	-125
Depreciation on intangible assets		
Customer agreements	-375	-472
Other intangible assets	-152	-146
TOTAL	-644	-742
14 OTHER OPERATING EXPENSES		
Expert fees	-13	-104
Audit fees	-100	-104
Audit fees	-92	-95
Certificates and statements	-1	-5
Tax consulting	-	-2
Other services	-8	-2
Other expenses	-1 800	-1 748
Premises	-939	-957
Other expenses	-861	-791
TOTAL	-1 914	-1 956

EUR 1 000	2016	2015

15 INCOME TAX

Direct taxes for the financial period	-3 465	-2 863
Changes in deferred taxes	70	107
TOTAL	-3 395	-2 755
Deferred tax related to items entered directly into equity	15	-175
Tax reconciliation		
Profit (loss) before taxes	16 227	13 225
Taxes calculated with the parent company's tax rate	-3 245	-2 645
Income not subject to tax	0	0
Non-deductible expenses	-31	-29
Taxes for previous financial periods	-11	-10
Consolidations and eliminations	-108	-71
Taxes in income statement	-3 395	-2 755

Deferred taxes have been calculated using tax rates valid up to the balance sheet date.

16 EARNINGS PER SHARE

Earnings per share attributable to equity holders of the parent company	12 832	10 470
Shares, 1 000 shares *)	36 798	36 727
Earnings per share calculated from the profit of equity holders of the parent company:		
Earnings per share, EUR	0.35	0.29
Diluted earnings per share, EUR	0.33	0.28

*) Calculated using the weighted average number of shares.

EUR 1 000	2016	2015

17 CLAIMS ON CREDIT INSTITUTIONS

	2016	2015
Repayable on demand		
From domestic credit institutions	6 271	16 290
From foreign credit institutions	308	281
TOTAL	6 579	16 571

18 SHARES AND PARTICIPATIONS

	2016	2015
Investments available for sale		
Private equity investments		
Book value on 1 Jan.	22 456	27 260
Increases	2 414	2 131
Decreases	-4 328	-6 808
Value adjustment	-1 028	300
Permanent impairment	-305	-428
Book value on 31 Dec.	19 209	22 456
Financial securities		
Book value on 1 Jan.	5 042	4 051
Increases	9 220	1 510
Decreases	-4 236	-500
Value adjustment	77	-18
Sales loss	-27	-
Book value on 31 Dec.	10 076	5 042

19 INTANGIBLE AND TANGIBLE ASSETS

	2016	2015
Tangible assets		
Machinery and equipment, acquisition cost on 1 Jan.	850	789
Increases	92	61
Decreases	-	-
Machinery and equipment, acquisition cost on 31 Dec.	942	850
Accumulated depreciation and impairment on 1 Jan.	-465	-341
Depreciation for the period	-117	-125
Accumulated depreciation and impairment on 31 Dec.	-582	-465
Tangible assets on 31 Dec.	360	385
Other tangible assets on 1 Jan.	8	8
Other tangible assets on 31 Dec.	8	8

EUR 1 000	2016	2015
Intangible assets		
Other intangible assets		
Intangible assets, acquisition cost on 1 Jan.	1 675	1 538
Increases	21	137
Decreases	-	-
Intangible assets, acquisition cost on 31 Dec.	1 696	1 675
Accumulated depreciation and impairment on 1 Jan.	-1 317	-1 171
Depreciation for the period	-152	-146
Accumulated depreciation and impairment on 31 Dec.	-1 469	-1 317
Other intangible assets on 31 Dec.	227	358
Customer agreements		
Intangible assets, acquisition cost on 1 Jan.	6 713	6 713
Increases/decreases	-	-
Intangible assets, acquisition cost on 31 Dec.	6 713	6 713
Accumulated depreciation and impairment on 1 Jan.	-6 323	-5 851
Depreciation for the period	-375	-472
Accumulated depreciation and impairment on 31 Dec.	-6 697	-6 323
Customer agreements on 31 Dec.	15	390
Intangible assets on 31 Dec.	242	748
Goodwill, acquisition cost on 1 Jan.	25 212	25 212
Increases/decreases	-	-
Goodwill, acquisition cost on 31 Dec.	25 212	25 212
Brands on 1 Jan.	4 000	4 000
Increases/decreases	-	-
Brands on 31 Dec.	4 000	4 000
Intangible assets, book value on 31 Dec.	29 455	29 960

Goodwill and value of brands

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

Allocation of goodwill to cash-generating units, EUR million:

	2016	2015
Asset Management	17.9	17.9
Corporate Finance	7.3	7.3

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

Allocation of brands to cash-generating units, EUR million:

	2016	2015
Asset Management	2.0	2.0
Corporate Finance	2.0	2.0

Impairment testing

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

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

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

In the calculations, the management uses as discount rate before taxes, which reflects the view on the time value of money and the special risks related to the asset item. In 2016, the discount rate was 8% (9% in 2015).

The impairment tests show no indication of decrease in value.

Sensitivity analysis

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

- by using annually an income cash flow that is 20% lower than the original prognosis at the most
- by using annually an expense cash flow that is 20% higher than the original prognosis at the most
- by using 0% growth in the final value calculations
- by using a 4% higher discount rate at the most

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

As for corporate finance operations, a relatively possible change in the central assumption, based on which the recoverable amount has been defined, can result in a situation where the book value of goodwill and brand value exceeds the recoverable amount. If the operating profit level of the corporate finance operations is 82% lower than in 2016 in each year during the following five-year period, partial write-down of goodwill is possible. The corporate finance operations' value in use exceeds the book value of the goodwill and brand in the 2016 goodwill test by EUR 33.5 million. The result of the corporate finance operations is markedly influenced by success fees, which are dependent on the number of corporate and real estate transactions. These vary considerably within one year and are dependent on economic trends.

EUR 1 000	2016	2015

20 OTHER ASSETS

	2016	2015
Sales receivables	1 517	1 427
Management fee receivables	7 209	3 375
Other receivables	219	267
TOTAL	8 946	5 070

Sales receivables EUR 1 517 thousand, age distribution: due for less than 30 days.

21 ACCRUALS AND PREPAID EXPENDITURE

	2016	2015
Other accruals	1 006	860
TOTAL	1 006	860

The other accruals include prepayments for pension and employer insurance premiums of EUR 4 thousand.

22 DEFERRED TAX ASSETS AND LIABILITIES

	2016	2015
Deferred tax assets		
Changes in fair value	237	220
Deferred tax assets	237	220
Deferred tax liabilities		
Agreements	3	78
Changes in fair value	259	454
Other differences	113	105
Deferred tax liabilities	374	637
Deferred tax assets (-) / tax liabilities (+), net	137	417

The deferred tax assets are booked up to the amount of the probable future taxable income against which unused tax losses can be utilised.

23 OTHER LIABILITIES

	2016	2015
Accounts payable	643	428
Fee repayment liabilities	2 229	1 825
Other liabilities	497	621
TOTAL	3 369	2 874

24 ACCRUALS AND DEFERRED INCOME

	2016	2015
Holiday pay	902	876
Other accruals	6 706	5 224
TOTAL	7 607	6 099

EUR 1 000

25 BALANCE SHEET ITEMS DENOMINATED IN DOMESTIC AND FOREIGN CURRENCIES

31 Dec. 2016

	Other than EUR	EUR	Total
Balance sheet items			
Claims on credit institutions	-	6 579	6 579
Other assets	1 742	67 856	69 599
TOTAL	1 742	74 435	76 177
Other liabilities	-	11 666	11 666
TOTAL	-	11 666	11 666

31 Dec. 2015

	Other than EUR	EUR	Total
Balance sheet items			
Claims on credit institutions	-	16 571	16 571
Other assets	2 285	62 040	64 325
TOTAL	2 285	78 611	80 896
Other liabilities	-	10 895	10 895
TOTAL	-	10 895	10 895

EUR 1 000

26 FINANCIAL ASSETS AND LIABILITIES

2016	Book value	Interest income and expenses	Profits and lossest	Impairment loss	Dividend income
Financial assets					
Available-for-sale financial assets	29 286	2	2 499	-305	-
Sales receivables and other receivables	1 517	-	-	-	-
Liquid assets	6 626	0	-	-	-
TOTAL	37 429	2	2 499	-305	-
Financial liabilities					
Accounts payable and other liabilities	643	1	-	-	-
TOTAL	643	1	-	-	-

2015	Book value	Interest income and expenses	Profits and lossest	Impairment loss	Dividend income
Financial assets					
Available-for-sale financial assets	27 498	2	2 489	-428	-
Sales receivables and other receivables	1 427	-	-	-	-
Liquid assets	16 623	-	-	-	-
TOTAL	45 549	2	2 489	-428	-
Financial liabilities					
Accounts payable and other liabilities	428	0	-	-	-
TOTAL	428	0	-	-	-

A credit limit or EUR 4 million is available to eQ Group, EUR 0 of which had been drawn at the end of the financial year 2016.

27 FAIR VALUES

	2016		2015	
	Fair value	Book value	Fair value	Book value
Financial assets				
Available-for-sales financial assets				
Private equity investments	19 209	19 209	22 456	22 456
Financial securities	10 076	10 076	5 042	5 042
Sales receivables and other receivables	1 517	1 517	1 427	1 427
Liquid assets	6 626	6 626	16 623	16 623
TOTAL	37 429	37 429	45 549	45 549
Financial liabilities				
Accounts payable and other liabilities	643	643	428	428
TOTAL	643	643	428	428

The table presents the fair values and book values of financial assets and liabilities per balance sheet item. The valuation principles of fair values are presented in the principles for preparing the financial statements.

The original book value of sales receivables and accounts payable corresponds to their fair value, as the effect of discounting is not material considering their maturity.

EUR 1 000

28 VALUE OF FINANCIAL ASSETS ACROSS THE THREE LEVELS OF THE FAIR VALUE HIERARCHY

31 Dec. 2016	**level 1**	**level 3**
Available-for-sale financial assets		
Private equity investments	-	19 209
Financial securities	10 076	-
TOTAL	10 076	19 209

Level 3 reconciliation: **Available-for-sale financial assets**	**Private equity investments**
Opening balance	22 456
Calls	2 414
Returns	-4 328
Impairment loss	-305
Change in fair value	-1 028
Closing balance	19 209

31 Dec.2015	**level 1**	**level 3**
Available-for-sale financial assets		
Private equity investments	-	22 456
Financial securities	5 042	-
TOTAL	5 042	22 456

Level 3 reconciliation: **Available-for-sale financial assets**	**Private equity investments**
Opening balance	27 260
Calls	2 131
Returns	-6 464
Impairment loss	-428
Change in fair value	300
Sales	-343
Closing balance	22 456

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

The fair values of level 3 instruments are based on the value of the fund according to the management company of the fund and their use in widely used valuation models. Private equity investments are valued in accordance with a practice widely used in the sector, International Private Equity and Venture Capital Guidelines.

The impairment losses of private equity investments are based on the management's assessments, 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.

EUR 1 000

29 PRIVATE EQUITY INVESTMENTS

	Market value		Acquisition cost		Unrealised value change*	
Funds managed by eQ:	2016	2015	2016	2015	2016	2015
Funds of funds:						
eQ PE VIII North LP	182	-	208	-	-26	-
eQ PE VII US LP	219	192	269	186	-50	6
eQ PE VI North LP	818	364	909	419	-91	-55
Amanda V East LP	2 730	2 007	3 187	2 503	-457	-496
Amanda IV West LP	3 020	3 585	2 515	2 979	505	607
Amanda III Eastern PE LP	6 115	6 993	5 748	6 189	368	803
European Fund Inv. LP (EFI II)	197	257	337	351	-140	-94
TOTAL	13 281	13 399	13 172	12 627	110	772
Funds managed by others:						
Large buyout funds	2 945	5 474	2 907	4 942	38	532
Midmarket funds	1 879	2 234	2 195	2 698	-315	-465
Venture funds	1 104	1 349	1 066	1 292	37	58
TOTAL	19 209	22 456	19 340	21 558	-131	897

*Unrealised value change before taxes

Remaining investment commitment	2016	2015
Funds managed by eQ:		
Funds of funds:		
eQ PE VIII North LP	2 792	-
eQ PE VII US LP	2 558	2 563
eQ PE VI North LP	1 860	2 432
Amanda V East LP	1 460	2 170
Amanda IV West LP	603	646
Amanda III Eastern PE LP	316	744
European Fund Inv. LP (EFI II)	35	35
TOTAL	9 624	8 590
Funds managed by others:		
Large buyout funds	224	355
Midmarket funds	1 217	1 255
Venture funds	115	115
TOTAL	11 180	10 316

	2016	2015
Market value based on the year of establishment		
–2000	530	691
2001–2005	1 527	2 188
2006–2010	15 934	19 021
2011–	1 219	556
TOTAL	19 209	22 456
Remaining investment commitment based on the year of establishment		
–2000	115	115
2001–2005	742	818
2006–2010	3 113	4 388
2011–	7 210	4 995
TOTAL	11 180	10 316

30 EQUITY

Description of equity funds:

Reserve for invested unrestricted equity:
The reserve for invested unrestricted equity includes other investments of equity nature and the subscription price of shares that is not specifically recognised in share capital.

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

Translation differences:
The reserve for translation differences includes items from the translation of the financial statements of foreign units.

EUR 1 000

31 CONTINGENT LIABILITIES AND SECURITIES

	2016	2015
Remaining investment commitments in private equity funds	11 180	10 316
Lease and rental agreements less than one year	731	768
Lease and rental agreements exceeding one year but less than five years	1 394	2 181
TOTAL	13 305	13 264

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

32 INFORMATION ON RELATED PARTIES

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

Salaries and remuneration of executives	2016	2015
Salary and remuneration of the CEO	359	300
Salary and remuneration of other Management Team members	759	622

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

EUR 1 000

Statutory pensions	2016	2015
Statutory pensions of the CEO	67	56
Statutory pensions of other members of the Management Team	143	116

The Group executives have at the end of the financial period been granted 900 000 option rights under the 2010 option scheme, of which 450 000 option rights to the CEO. Of the option rights under option scheme 2010 granted to the Group executives a total of 320 000 had been exercised by the end of the financial period 2016.

The Group executives have at the end of the financial period been granted 450 000 option rights under the 2015 option scheme, of which 100 000 to the CEO.

The Board of Directors has no share-related rights or other remuneration schemes. The AGM held on 30 March 2016 decided that the directors be paid the following remuneration: Chairman of the Board EUR 3 300 and the other directors EUR 1 800 per month.

Transactions with related parties and receivables from related parties

Other transactions with related parties:*	2016	2015
Sales	212	187
Receivables	0	0

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

Holdings of the Board and Management Team in eQ Plc on 31 Dec. 2016:

The table below shows the personal holdings of the members of the Board and the Management Team and companies under their control.

	Shares	Share of votes and shares, %
Ehrnrooth, Georg*	7 048 137	19.06%
Berner, Nicolas	40 000	0.11%
Kokkila, Timo	10 000	0.03%
Poutiainen, Annika	1 100	0.00%
Seppäla, Jussi	75 000	0.20%
Larma, Janne	5 322 635	14.39%
Jåfs, Staffan	18 089	0.05%
Koskimies, Mikko	3 700 000	10.01%
Surve, Juha	40 000	0.11%

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

33 SUBSIDIARIES

The following subsidiaries are part of the Group at the end of the financial year:

Company	Domicile	Holding/ share of votes
eQ Asset Management Ltd	Finland	100%
eQ Fund Management Company Ltd	Finland	100%
eQ Life Ltd	Finland	100%
Advium Corporate Finance Ltd	Finland	100%
Amanda GP I and II Ltd	Finland	100%
Amanda III Eastern GP Ltd	Finland	100%
Amanda IV West GP Ltd	Finland	100%
Amanda V East GP Ltd	Finland	100%
eQ PE VI North GP Ltd	Finland	100%
eQ PE VII US GP Ltd	Finland	100%
eQ PE VIII North GP Ltd	Finland	100%
eQ PE Value I GP Ltd	Finland	100%
CCF PE GP Ltd	Finland	100%
Nordic Venture Managers Limited	Guernsey	100%
EFI II GP Limited	Scotland	100%

34 SHARES IN ENTITIES NOT INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

eQ Group has investment commitments in the following private equity funds in form of limited partnerships that are under the Group's management and that have not been consolidated in eQ Group as subsidiaries. eQ Group's shares in structured entities that are not consolidated as subsidiaries had a total market value of EUR 13.3 million on 31 December 2016 (EUR 13.4 million on 31 Dec. 2015). In 2016, the Group received from said funds management fees totalling EUR 4.3 million (EUR 3.2 million 1 Jan. to 31 Dec. 2015) and a profit distribution from own investments totalling EUR 1.0 million (EUR 1.1 million). In 2016, eQ Plc made an investment commitment of EUR 3.0 million in the eQ PE VIII North Fund.

eQ has assessed that it does not exercise control in said private equity funds based on the size of eQ's own investment commitment compared with the size of the fund, exposure to the fund's variable income and the right to manage significant functions. These private equity fund investments are included in available-for-sale investments on the balance sheet.

The presented balance sheet values describe the possible maximum loss to which eQ Group is exposed. eQ Group has not given any other commitments on financial support nor does the Group currently have any intention of giving financial support to the structured entities not included in the consolidated financial statements in the foreseeable future. The private equity funds have been financed with investment commitments by investors. More information about eQ Group's risks related to private equity investments can be found in Note 2.

EUR 1 000

31 Dec. 2016	Size of the fund	eQ's original commitment	Market value of eQ's investment	Acquisition cost of eQ's investment	eQ's remaining commitment
eQ PE VIII North LP	160 000	3 000	182	208	2 792
eQ PE VII US LP	79 495	2 749	219	269	2 558
eQ PE VI North LP	100 000	3 000	818	909	1 860
Amanda V East LP	50 000	5 000	2 730	3 187	1 460
Amanda IV West LP	90 000	5 000	3 020	2 515	603
Amanda III Eastern PE LP	110 200	10 000	6 115	5 748	316
Eur. Fund Inv. LP (EFI II)	88 000	880	197	337	35
TOTAL	677 695	29 629	13 281	13 172	9 624

31 Dec. 2015	Size of the fund	eQ's original commitment	Market value of eQ's investment	Acquisition cost of eQ's investment	eQ's remaining commitment
eQ PE VII US LP	79 495	2 749	192	186	2 563
eQ PE VI North LP	100 000	3 000	364	419	2 432
Amanda V East LP	50 000	5 000	2 007	2 503	2 170
Amanda IV West LP	90 000	5 000	3 585	2 979	646
Amanda III Eastern PE LP	110 200	10 000	6 993	6 189	744
Eur. Fund Inv. LP (EFI II)	88 000	880	257	351	35
TOTAL	517 695	26 629	13 399	12 627	8 590

EUR	Note no.	2016	2015
Fee and commission income	2	76 800.00	76 800.00
Income from equity investments			
From Group undertakings	3	217 660.00	890 268.00
Interest income	4	1 579.21	1 145.22
Net income from available-for-sale financial assets	5	2 156 717.35	1 941 536.89
INVESTMENT FIRM INCOME		2 452 756.56	2 909 750.11
Fee and commission expenses	6	-309 999.96	-312 000.00
Interest expenses	7	-7 409.04	-16 368.18
Administrative expenses		-1 030 249.75	-1 247 755.07
Personnel expenses	8	-807 409.05	-954 733.41
Salaries and remuneration		-687 507.62	-811 203.59
Indirect employee costs		-119 901.43	-143 529.82
Pension costs		-118 107.24	-135 432.00
Other indirect employee costs		-1 794.19	-8 097.82
Other administrative expenses	9	-222 840.70	-293 021.66
Depreciation and impairment on tangible and intangible assets	10	-28 312.99	-32 395.54
Other operating expenses	11	-341 264.82	-338 681.76
Impairment losses of other financial assets	12	-182 799.96	-182 799.96
OPERATING PROFIT (LOSS)		552 720.04	779 749.60
Appropriations	14	15 455 000.00	12 980 000.00
Income tax	13	-3 206 004.20	-2 666 968.11
PROFIT (LOSS) FOR THE FINANCIAL PERIOD		12 801 715.84	11 092 781.49

EUR	Note no.	2016	2015
ASSETS			
Liquid assets		-	3 264.00
Claims on credit institutions			
Repayable on demand	15	1 400 287.95	6 512 846.88
Claims on the public and public sector entities			
Other	16	-	1 500.00
Shares and participations	17, 26	29 076 068.43	27 228 819.87
Shares and participations in Group undertakings	17	27 157 055.41	27 339 855.37
Intangible assets	18	19 238.92	30 303.35
Tangible assets			
Other tangible assets	18	58 507.79	73 196.72
Other assets	19	1 854 999.99	5 545 601.07
Accruals and prepaid expenditure	20	34 493.81	30 376.33
Deferred tax assets	21	206 784.96	200 770.21
TOTAL ASSETS		59 807 437.26	66 966 533.80
LIABILITIES AND EQUITY			
LIABILITIES			
Liabilities to the public and public sector entities			
Other		700 000.00	700 000.00
Other liabilities			
Other liabilities	22	433 511.44	1 396 891.50
Accruals and deferred income	23	124 055.90	116 881.74
Deferred tax liabilities	21	258 749.23	453 662.60
TOTAL LIABILITIES		1 516 316.57	2 667 435.84
EQUITY	27		
Share capital		11 383 873.00	11 383 873.00
Restricted equity			
Fair value reserve		51 544.65	775 141.40
Unrestricted equity			
Reserve for invested unrestricted equity		33 006 781.66	40 074 721.26
Retained earnings		1 047 205.54	972 580.81
Profit (loss) for the period		12 801 715.84	11 092 781.49
TOTAL EQUITY		58 291 120.69	64 299 097.96
TOTAL LIABILITIES AND EQUITY		59 807 437.26	66 966 533.80

EUR 1 000	2016	2015
CASH FLOW FROM OPERATIONS		
Operating profit	16 008	13 760
Adjustments:		
Depreciation and impairment	559	643
Interests received	-2	-1
Interests paid	7	16
Dividends received	-218	-890
Transactions with no related payment transactions	0	-
Available-for-sale investments - private equity funds	1 900	3 162
Change in working capital		
Business receivables, increase (-) decrease (+)	3 688	2 838
Interest-free liabilities, increase (+) decrease (-)	-1 265	-1 469
Total change in working capital	2 423	6 850
Cash flow from operations before financial items and taxes	20 678	18 060
Interests received	2	1
Interests paid	-7	-16
Dividends received	218	890
Taxes	-2 917	-1 519
CASH FLOW FROM OPERATIONS	17 973	17 416
CASH FLOW FROM INVESTMENTS		
Investing activities in tangible and intangible assets	-3	-60
Investing activities in investments	-	1 137
Investing activities in other investments - liquid mutual funds	-5 000	-
CASH FLOW FROM INVESTMENTS	-5 003	1 078
CASH FLOW FROM FINANCING		
Dividends paid	-18 364	-18 364
Share issue	278	-
Repayments of loans	-	-600
CASH FLOW FROM FINANCING	-18 086	-18 964
Increase/decrease in liquid assets	-5 116	-470
Liquid assets on 1 Jan.	6 516	6 986
Liquid assets on 31 Dec.	1 400	6 516

1 PRINCIPLES FOR PREPARING THE FINANCIAL STATEMENTS

General

When preparing the financial statements, the company has followed the Ministry of Finance Decree on financial statements and consolidated financial statements of credit institutions and investment firms (30/2016) and the Financial Supervision Authority's regulations and guidelines on accounting, financial statements, and report by the Board of Directors for the financial sector (2/2016).

Valuation principles and methods as well as periodisation principles and methods

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

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

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

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

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

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

Depreciation principles

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

Foreign currency items

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

EUR 1 000	2016	2015

2 FEE AND COMMISSION INCOME

From other operations	77	77

3 INCOME FROM EQUITY INVESTMENTS

Dividend income from Group undertakings	218	890

4 INTEREST INCOME

Other interest income	2	1
TOTAL	2	1

5 NET INCOME FROM AVAILABLE-FOR-SALE FINANCIAL ASSETS

Transfers of financial assets	2 489	2 386
Sales gains/losses	-27	-16
Impairment	-305	-428
TOTAL	2 157	1 942

6 FEE AND COMMISSION EXPENSES

Other fees - management of investments eQ Asset Management	-300	-300
Limit fees	-10	-12
TOTAL	-310	-312

7 INTEREST EXPENSES

To Group undertakings	-7	-16
Other interest expenses	0	0
TOTAL	-7	-16

8 PERSONNEL EXPENSES

Salaries and remuneration	-688	-811
Pension costs	-118	-135
Other indirect employee costs	-2	-8
TOTAL	-807	-955
Average number of personnel during the period - permanent	5	6
Change during the financial period	-1	-1

EUR 1 000	2016	2015

9 OTHER ADMINISTRATIVE EXPENSES

Other personnel expenses	-35	-52
IT and connection costs	-76	-59
Other administrative expenses	-112	-183
TOTAL	-223	-293

10 DEPRECIATION AND IMPAIRMENT

Depreciation on tangible and intangible assets	-28	-32

A depreciation specification per balance sheet item is presented under intangible and tangible assets.

11 OTHER OPERATING EXPENSES

Expert fees	-4	-1
Audit fees	-18	-25
Audit fees	-17	-18
Tax consulting	-	0
Other fees	-1	-7
Leases on premises and other rental expenses	-111	-125
Other expenses	-208	-189
TOTAL	-341	-339

12 IMPAIRMENT LOSSES OF OTHER FINANCIAL ASSETS

Group shares	-183	-183

13 INCOME TAX

Income tax for the period		
Income tax for operations	-2 917	-1 519
Deferred taxes	-289	-1 148
TOTAL	-3 206	-2 667

14 APPROPRIATIONS

Group subsidies	15 455	12 980

EUR 1 000	2016	2015
15 CLAIMS ON CREDIT NSTITUTIONS		
Repayable on demand From domestic credit institutions	1 400	6 513
16 CLAIMS ON THE PUBLIC AND PUBLIC SECTOR ENTITIES		
Other than repayable on demand Companies and housing companies	-	2
17 SHARES AND PARTICIPATIONS		
Shares and participations		
Available-for-sale: Private equity investments	19 012	22 199
Available-for-sale: Units in mutual funds	10 032	4 998
Other shares	32	32
Shares and participations in Group undertakings	27 157	27 340
TOTAL	56 233	54 569
- of which at acquisition cost	27 189	27 372
18 INTANGIBLE AND TANGIBLE ASSETS		
Other intangible assets		
Acquisition cost on 1 Jan.	159	130
Increases	1	28
Acquisition cost on 31 Dec.	159	159
Accumulated depreciation on 1 Jan.	-128	-113
Depreciation for the period	-12	-16
Accumulated depreciation on 31 Dec.	-140	-128
Book value on 31 Dec.	19	30
Other tangible assets		
Acquisition cost on 1 Jan.	230	199
Increases	2	31
Acquisition cost on 31 Dec.	232	230
Accumulated depreciation on 1 Jan.	-157	-140
Depreciation for the period	-17	-17
Accumulated depreciation on 31 Dec.	-174	-157
Book value on 31 Dec.	59	73

EUR 1 000	2016	2015

19 OTHER ASSETS

Receivables from Group undertakings	1 855	5 546

20 ACCRUALS AND PREPAID EXPENDITURE

Other accruals	34	30

21DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets		
Changes in fair value	207	201
Deferred tax assets	207	201
Deferred tax liabilities		
Changes in fair value	259	454
Deferred tax liabilities	259	454
Deferred tax assets (-) / tax liabilities (+), net	52	253

22 OTHER LIABILITIES

Accounts payable	23	28
Liabilities to Group undertakings	101	82
Income tax liabilities	309	1 277
Other liabilities	-	10
TOTAL	434	1 397

23 ACCRUALS

Other accruals	124	117

EUR 1 000

24 ITEMS DENOMINATED IN DOMESTIC AND FOREIGN CURRENCIES AND GROUP ITEMS

31 Dec. 2016	EUR	Other than EUR	Total	From Group undertakings
Balance sheet items				
Claims on credit institutions	1 400	-	1 400	-
Claims on the public and public sector entities	-	-	-	-
Other assets	56 665	1 742	58 407	28 742
TOTAL	58 065	1 742	59 807	28 742
Liabilities to the public and public sector entities	700	-	700	700
Other liabilities	816	-	816	101
TOTAL	1 516	-	1 516	801

31 Dec. 2015	EUR	Other than EUR	Total	From Group undertakings
Balance sheet items				
Claims on credit institutions	6 513	-	6 513	-
Claims on the public and public sector entities	2	-	2	-
Other assets	58 437	2 016	60 452	32 885
TOTAL	64 951	2 016	66 967	32 885
Liabilities to the public and public sector entities	700	-	700	700
Other liabilities	1 967	-	1 967	82
TOTAL	2 667	-	2 667	782

EUR 1 000

25 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

	2016		2015	
	Fair value	**Book value**	**Fair value**	**Book value**
Financial assets				
Claims on credit institutions	1 400	1 400	6 513	6 513
Claims on the public and public sector entities	-	-	2	2
Shares and participations	29 076	29 076	27 229	27 229
Shares and participations in Group undertakings	27 157	27 157	27 340	27 340
TOTAL	57 633	57 633	61 083	61 083
Financial liabilities				
Liabilities to the public and public sector entities	700	700	700	700
TOTAL	700	700	700	700

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 principles for preparing the financial statements.

EUR 1 000

26 VALUE OF FINANCIAL ASSETS ACROSS THE THREE LEVELS OF THE FAIR VALUE HIERARCHY

31 Dec. 2016	Level 1	Level 3
Available-for-sale financial assets		
Private equity investments	-	19 012
Financial securities	10 064	-
TOTAL	10 064	19 012

Level 3 - Reconciliation - Available-for-sale financial assets	Private equity investments
Opening balance	22 199
Calls and returns	-1 900
Impairment loss	-305
Change in fair value	-982
Closing balance	19 012

31 Dec. 2015	Level 1	Level 3
Available-for-sale financial assets		
Private equity investments	-	22 199
Financial securities	5 030	-
TOTAL	5 030	22 199

Level 3 - Reconciliation - Available-for-sale financial assets	Private equity investments
Opening balance	26 936
Calls and returns	-4 326
Impairment loss	-428
Change in fair value	360
Sales	-343
Closing balance	22 199

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

The fair values of level 3 instruments are based on the value of the fund according to the management company of the fund and their use in widely used valuation models. Private equity investments are valued in accordance with a practice widely used in the sector, International Private Equity and Venture Capital Guidelines. The impairment losses of private equity investments are based on the management’s assessment.

EUR 1 000	2016	2015

27 EQUITY

Share capital on 1 Jan.	11 384	11 384
Share capital on 31 Dec.	11 384	11 384
Fair value reserve on 1 Jan.	775	503
Increases/decreases	-724	272
Fair value reserve on 31 Dec.	52	775
Restricted equity, total	11 435	12 159
Reserve for invested unrestricted equity on 1 Jan.	40 075	51 093
Increases/decreases	-7 068	-11 018
Reserve for invested unrestricted equity on 31 Dec.	33 007	40 075
Retained earnings		
Retained earnings on 1 Jan.	12 065	8 312
Dividend	-11 018	-7 345
Other changes	0	6
Retained earnings on 31 Dec.	1 047	973
Profit (loss) for the period	12 802	11 093
Non-restricted equity, total	46 856	52 140
Equity on 31 Dec.	58 291	64 299
Calculation of distributable assets on 31 Dec.		
Retained earnings	1 047	973
Profit for the period	12 802	11 093
Reserve for invested unrestricted equity	33 007	40 075
Distributable assets	46 856	52 140

The share capital of the company consists of 36 977 198 shares. All shares carry one vote.

Other notes

28 PLEDGES, MORTGAGES AND OBLIGATIONS, EUR 1 000

	2016	2015
eQ Plc's investment commitments in private equity funds, remaining commitment	11 145	10 281
Lease and rental agreements less than one year	695	746
Lease and rental agreements exceeding one year but less than five years	1 332	2 168
TOTAL	13 171	13 194

Major shareholders	Number of shares	Share of shares and votes, %
Fennogens Investments S.A.	6 973 137	18.86%
Chilla Capital S.A.	5 322 635	14.39%
Anchor Oy Ab	3 783 677	10.23%
Umo Capital Oy	3 779 286	10.22%
Teamet Oy	3 700 000	10.01%
Oy Cevante Ab	1 419 063	3.84%
Fazer Jan Peter	1 360 709	3.68%
Linnalex Ab	681 652	1.84%
Lavventura Oy	550 000	1.49%
Pinomonte Ab	529 981	1.43%
Louko Antti Jaakko	411 791	1.11%
Leenos Oy	360 000	0.97%
Procurator-Holding Oy	287 000	0.78%
Viskari Jyri	250 000	0.68%
Leppä Jukka-Pekka	225 000	0.61%
Liikesivistysrahaston Kannatusyhdistys R.Y.	201 800	0.55%
Mononen Matti	180 000	0.49%
Johansson Ole Henrik	150 000	0.41%
Lund Dick Peter	147 285	0.40%
Sever Match Oy	140 000	0.38%
Others	6 524 182	17.64%
TOTAL	36 977 198	100%

The information is based on the situation in the shareholders' register kept by Euroclear Finland Ltd on 31 December 2016.

Ownership structure by sector on 31 Dec. 2016	Number of shares	Share of shares and votes, %
Corporations	15 998 137	43.26%
Financial and insurance institutions	491 012	1.33%
Public sector entities	37	0.00%
Households	7 792 241	21.07%
Foreign	12 336 896	33.36%
Others [1]	358 875	0.97%
TOTAL	36 977 198	100.00%

[1] The item Others comprises non-profit organisations.

Ownership structure according to number of shares held

Shares no. per shareholder	No. of shareholders	Share of share-holders, %
1–100	1 563	33.48%
101–500	1 578	33.80%
501–1 000	685	14.67%
1 001–5 000	629	13.47%
5 001–10 000	100	2.14%
10 001–50 000	74	1.59%
50 001–100 000	13	0.28%
100 001–500 000	16	0.34%
500 001–	10	0.21%
TOTAL	4 668	100.00%

Shares no. per shareholder	Number of shares	Share of no. of shares, %
1–100	71 390	0.19%
101–500	450 295	1.22%
501–1 000	549 028	1.48%
1 001–5 000	1 437 639	3.89%
5 001–10 000	734 721	1.99%
10 001–50 000	1 568 126	4.24%
50 001–100 000	993 944	2.69%
100 001–500 000	3 071 915	8.31%
500 001–	28 100 140	75.99%
TOTAL	36 977 198	100.00%

Nominee-registered shares

Of the company shares, 240 902 were nominee-registered, representing 0.65% of the votes and shares.

Shares and share capital	Number of shares	Share capital
1 Jan. 2016	36 727 198	11 383 873
Decreases	-	-
Increases	250 000	-
31 Dec. 2016	36 977 198	11 383 873

The number of eQ Plc's shares increased by 200 000 shares on 31 August 2016 and by 50 000 shares on 30 November 2016 with shares subscribed for with the 2010 option rights.
Each share in eQ Plc carries one vote, and all shares have equal rights. The shares do not have a nominal value. All issued shares have been paid in full.

Own shares

eQ Plc held no own shares at the end of the financial period on 31 December 2016.

Management ownership

Management ownership is specified in the note on related parties.

Option schemes

eQ Plc's Board of Directors has decided to grant option rights to key employees in the eQ Group selected by the Board. Each option right entitles the holder to subscribe for one new share in eQ Plc. The option rights are intended as part of the commitment scheme of key employees.

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

Option scheme 2010	2010A options	2010B options	2010C options	2010D options	2010E options	2010 total
Number of options	400 000	400 000	400 000	400 000	400 000	2 000 000
Share subscription period begins	1 April 2012	1 April 2013	1 April 2014	1 April 2015	1 April 2016	
Share subscription period ends	31 May 2020	31 May 2020	31 May 2020	31 May 2020	31 May 2020	

Share subscription price

The original share subscription price with an option right is EUR 2.50. The subscription price of the share subscribed for with the option right will be reduced with the amount of the dividend and equity repayment that have been decided on before the share subscription on the record date of the distribution of divided or equity repayment. The subscription price on 31 December 2016 was EUR 1.11.

	2016	2015
Number of issued options at the beginning of the period	1 700 000	1 700 000
Options granted during the period	-	-
Number of issued options at the end of the period	1 700 000	1 700 000
Exercised options by the end of the period	620 000	370 000
Number of outstanding options	1 080 000	1 330 000
Exercisable options at the end of the period	1 080 000	940 000

Option scheme 2015	2015 options
Number of options	2 000 000
Share subscription period begins	1 April 2019
Share subscription period ends	1 April 2021

Share subscription price

The original share subscription price with an option right is EUR 5.15. The subscription price of the share subscribed for with the option right will be reduced with the amount of the dividend and equity repayment that have been decided on before the share subscription on the record date of the distribution of divided or equity repayment. The subscription price on 31 December 2016 was EUR 4.65.

	2016	2015
Number of issued options at the beginning of the period	1 775 000	-
Options granted during the period	-	1 775 000
Options returned during the period	200 000	-
Number of issued options at the end of the period	1 575 000	1 775 000
Exercised options by the end of the period	-	-
Number of outstanding options	1 575 000	1 775 000
Exercisable options at the end of the period	0	0

Information used in the Black-Scholes model:	2016	2015
Anticipated volatility	-	22 %
Interest rate at the time of issue	-	0.77 %

The distributable means of the parent company on 31 December 2016 totalled EUR46 855 703.04. The sum consisted of retained earnings of EUR 13 848 921.38 and the means in the reserve of invested unrestricted equity of EUR 33 006 781.66.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.35 per share be paid out. The proposal corresponds to a dividend totalling EUR 12 942 019.30 calculated with the number of shares at the end of the financial year. Additionally, the Board proposes to the AGM that a repayment of equity of EUR 0.15 per share be paid out from the reserve of invested unrestricted equity. The proposal corresponds to a repayment of equity totalling EUR 5 546 579.70 calculated with the number of shares at the end of the financial year. The dividend and repayment of equity 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 31 March 2017. The Board proposes 7 April 2017 as the payment date of the dividend and repayment of equity.

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.

Helsinki, 2 February 2017

Georg Ehrnrooth
Chairman of the Board

Nicolas Berner

Timo Kokkila

Annika Poutiainen

Jussi Seppälä

Janne Larma
CEO

AUDITOR'S NOTE

The auditors' report over the audit has been issued today.

Helsinki, 2 February 2017

KPMG Oy Ab
Firm of Authorised Public Accountants

Raija-Leena Hankonen
APA

To the Annual General Meeting of eQ Plc

We have audited the financial statements of eQ Plc (business identity code 1625441-9) for the year ended 31 December 2016. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial performance, financial position and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

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

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Recognition of fee and commission income (Principles for preparing the consolidated financial statements p. 41 and Note 6 p. 53)

The assets managed by eQ Group entitle to management fees on the grounds of agreements with customers and cooperation parties. Management fees make up a significant item in the Group's income statement.

Performance fees and fees from corporate finance segment also make up a substantial part of the Group's result, and may vary considerably from year to year.

Calculation of fees and commissions is system- based relying on fee agreements and other underlying data, and may therefore involve operational risk.

Appropriate timing of revenue recognition as well as amount of fee income is critical in respect to the accuracy of the financial statements.

We evaluated the business processes and IT systems related to fee and commission income and assessed the associated key controls. Our audit procedures also included comparing the accounting data kept in subledgers to that in general ledger, and substantive procedures performed in respect of fee income, based on data analyses.

Regarding corporate finance fees, we assessed the monitoring procedures used as well as timing and amount of revenue recognition under projects by reference to the terms of customer contracts.

We inspected the calculation model of performance fees and compared the parameters used to individual fund agreements.

Impairment of goodwill (Principles for preparing the consolidated financial statements pp. 41-42 and Note 19 pp. 56-59)

Over the past few years eQ Group has expanded its operations through acquisitions, which has resulted in a significant amount of goodwill in the Group's balance sheet. Goodwill is not amortized but it is tested annually for impairment.

For testing purposes goodwill is allocated to business segments (cash-generating units). There is a risk that the acquired businesses may not trade in line with initial expectations and forecasts and therefore that the carrying amount of a cash-generating unit may exceed its recoverable amount, resulting in an impairment.

Due to the high level of judgement related to the forecasts used, and the significant carrying amounts involved, impairment of goodwill is considered a key audit matter.

We assessed key assumptions in the calculations such as revenue growth, profitability level and discount rate, by reference to budgets, external sources and our own views. We assessed changes in the key parameters used in forecasts prepared by management by comparing with the original forecasts.

We involved valuation specialists that assessed the technical accuracy of the calculations and compared the assumptions used to market and industry information.

Furthermore, we considered the appropriateness of the Group's notes in respect of goodwill and impairment testing.

Valuation of Private equity fund investments (Principles for preparing the consolidated financial statements pp. 42-43 and Note 18, 26-29 pp. 56, 62-64)

The determination of fair values for investments is based on the valuation principles as described in the principles for preparing the consolidated financial statements. With respect to illiquid assets in eQ's investment portfolio, fair values are provided by fund managers. Potential impairments require management judgement.

Private equity fund investments is a significant item in the eQ Group's financial statements, and therefore the valuation of the said assets is considered a key audit matter.

We assessed eQ Group's valuation process as well as the compliance with the principles for preparing the consolidated financial statements. In addition, we considered the valuation procedure of the funds managed by eQ Group and performed procedures to establish whether or not there was a need for an impairment loss on individual investments.

As part of our year-end audit procedures we compared the fair values used in the financial statements with the valuations provided by fund managers.

We also assessed the appropriateness of the disclosures made in relation to investment assets.

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

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities in the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Reporting Requirements

Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

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

If, based on the work we have performed on the report of the Board of Directors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other Opinions

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

Helsinki 2 February 2017
KPMG Oy Ab

Raija-Leena Hankonen
Authorised Public Accountant, KHT

Corporate Governance Statement 2016

I. INTRODUCTION

eQ Plc (the company) is a Finnish public limited liability company the shares of which are listed on Nasdaq Helsinki Ltd (Helsinki Stock Exchange).

This Corporate Governance Statement has been drawn up separately from the report by the Board of Directors. eQ Plc's Board of Directors has reviewed this Corporate Governance Statement on 2 February 2017. This statement and other information that shall be provided in accordance with the Corporate Governance Code as well as the company's financial statements, report by the Board of Directors and auditors' report are available on eQ Plc's website (www.eQ.fi). The statement is not part of the official financial statements.

In addition to acts and regulations applicable to listed companies, eQ Plc complies with the Finnish Corporate Governance Code published by the Securities Market Association on 1 January 2016. The entire Code is available on the website of the Securities Market Association at www.cgfinland.fi.

In 2016, eQ Plc complied with the Finnish Corporate Governance Code 2015 without any departures.

II. DESCRIPTIONS CONCERNING CORPORATE GOVERNANCE

General Meeting of Shareholders

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

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

The Annual General Meeting of eQ Plc was held on 30 March 2016.

Board of Directors

Composition of the Board

The General Meeting elects the directors. The director candidates put forward to the Board shall be mentioned in the notice of the General Meeting if the candidate is supported by shareholders holding at least 10 per cent of the total votes carried by all the shares of the company, provided that the candidate has given his or her consent to the election. The candidates proposed after the delivery of the notice of the meeting will be disclosed separately. In its Corporate Governance Statement, the company states the number of Board meetings held during the financial period as well as the average attendance of the directors. The directors are elected for one year at a time.
The company's Articles of Association do not contain any provisions on the manner of proposing prospective directors. eQ Plc's major shareholders, who as a rule represent at least one half of the number of shares and votes in the company, make a proposal on the number of directors, the directors and their remuneration to the AGM.

A person elected director must have the qualifications required by the work of a director and sufficient time for taking care of the duties. The company facilitates the work of the Board by providing the directors with sufficient information on the company's operations. eQ Plc's Board of Directors consists of 5 to 7 members. The Board of Directors elects the Chairman from among its members. It is eQ Plc's AGM solely that ultimately elects the directors and makes preparations for the election.

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

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

The Annual General Meeting held on 30 March 2016 elected the following persons to the Board:

Georg Ehrnrooth, born 1966, male, member of the Board since 2011, Chairman of the Board, studies in agriculture and forestry
Key positions of trust: Louise and Göran Ehrnrooth Foundation, Chairman of the Board, 2013-; Pöyry Plc, member of the Board, 2010-; Norvestia Oyj, member of the Board, 2010-; Forcit Oy, member of the Board, 2010-; Corbis S. A, Chairman of the Board, 2009-; Fennogens Investments S. A, Chairman of the Board, 2009-; Anders Wall Foundation, member of the Board, 2008-; Paavo Nurmi Foundation, member of the Board, 2005-.
Primary work experience: eQ Plc, CEO, 2005.
Independent of the company, but not independent of its significant shareholders.

Nicolas Berner, born 1972, male, member of the Board since 2013, Master of Laws
Key positions of trust: Berner Ltd, member of the Board, 2006-.
Primary work experience: Berner Ltd, CFO, 2011-; Hannes Snellman Attorneys Ltd, 1998–2011, as partner 2006–2011.
Independent of the company and significant shareholders.

Timo Kokkila, born 1979, male, member of the Board since 2016, M.Sc. (Eng.)
Key positions of trust: Valmet Automotive Ltd, member of the Board, 2016-; Kolpi Investments Oy, member of the Board, 2012-; SRV Group Plc, member of the Board, 2010-; Renor Ltd, member of the Board, 2008-; Pontos Ltd, member of the Board, 2007-.
Primary work experience: Pontos Group, CEO, 2016-; Pontos Group, Investment Director, 2011–2015; SRV Group Plc, Manager, Project Development, 2008–2011; SRV Group Plc, Project Development Engineer, 2006–2008; Kampin Keskus Oy, Development Engineer, 2004–2006.
Independent of the company and significant shareholders.

Annika Poutiainen, born 1970, female, member of the Board since 2015, Master of Laws, LL.M.
Key positions of trust: Saferoad AS, member of the Board, 2015-; Hoist Finance Ab, member of the Board, 2014-.
Primary work experience: JKL Group, Industrial Advisor, 2014-; NASDAQ OMX Stockholm, Head of Market Surveillance Nordics, 2009–2014; Swedish Financial Supervision Authority, Head of Unit, 2006–2009; Law firm Linklaters London, 2000–2006; Hannes Snellman Attorneys Ltd, 1999.
Independent of the company and significant shareholders.

Jussi Seppälä, born 1963, male, member of the Board since 2011, M.Sc. (Econ)
Key positions of trust: Luuva Oy, Chairman of the Board, 2015-; Oy Cardos Ab, member of the Board, 1999-; Deamia Oy, deputy member of the Board, 1999-.
Primary work experience: Minerva Group, Managing Director of Minerva Partnership Oy, 2008–2013; FIM Group Plc/Glitnir Plc, 1999–2008, during which period Head of Equities, Moscow 2008, Marketing Director 2006–2007 and Managing Director of FIM Fund Management Ltd 1999–2006; SEB, Fixed income sales to institutional clients, 1996–1999; JP Bank, Stockholm, quantitative analyst for the fixed income market, sales of fixed income instruments to institutional investors, 1992–1995; Entrepreneur, software development for interest rate risk management, 1988–1991.
Independent of the company and significant shareholders.

Shares and share-related rights of the Board members and entities that they control in the company at the end of the financial period on 31 December 2016:

Member of the Board	Security	Holding
Nicolas Berner	Share	40 000
Georg Ehrnrooth	Share	7 048 137
Timo Kokkila	Share	10 000
Annika Poutiainen	Nominee-registered share	1 100
Jussi Seppälä	Share	75 000

Operations of the Board of Directors

eQ Plc's Board of Directors has drawn up a written charter covering its operations. Below is a list of the most important principles and duties presented in the charter. In order to carry out its duties, the Board of Directors:

- confirms the company values and manners of operating and monitors their implementation
- confirms the company's basic strategy and continuously monitors that it is up-to-date
- based on the strategy, approves the annual plan of operation and budget and supervises their outcome
- reviews and approves the interim reports, report by the Board of Directors and financial statements
- defines the company's dividend policy and makes a proposal on dividend distribution to the AGM
- convenes General Meetings
- makes proposals to the General Meeting, when necessary
- decides on major investments, corporate acquisitions and divestments and on investments that exceed two million euros
- confirms the organisation structure
- appoints and dismisses the CEO
- sets personal targets for the CEO annually and assesses their outcome
- appoints and dismisses the members of the Management Team, defines their areas of responsibility and decides on the terms of their employment
- decides on the incentive schemes and annual bonuses of the CEO and the personnel,
- goes through the major risks related to the company's operations and their management at least once a year and gives instructions on them to the CEO, when necessary
- meets the auditors at least once a year
- convenes at least once a year without the executive management
- assesses its own operations at least once a year
- assesses the independence of its members
- confirms its own charter, which is reviewed annually
- handles other matters that the Chairman of the Board or the CEO has proposed to the agenda of a Board meeting; the directors also have the right to put matters on the Board agenda by informing the Chairman of this.

During the financial period 2016, the Board of Directors of eQ Plc convened seven times, average attendance being 100%.

Attendance at the Board meetings 2016:

Nicolas Berner	7/7
Christina Dahlblom	1/1
Georg Ehrnrooth	7/7
Timo Kokkila	6/6
Annika Poutiainen	7/7
Jussi Seppälä	7/7

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

Principles on the diversity of the Board of Directors

The Board's aim is to promote, for its part, the diversity of the Board's composition. When assessing diversity, the Board takes into consideration, for instance, the age and gender of the directors, their education and professional experience, personal qualities and experience that is essential with regard to the task and the company operations. Regarding the equal representation of genders on the Board, eQ Plc has defined as its goal that there should always be representatives of both genders on eQ Plc's Board of Directors. The Board aims at reaching this goal and maintaining it primarily by informing eQ Plc's owners actively about it. During the financial period 2016, eQ Plc's Board met the preconditions of diversity set by the company, including the goal of having representatives of both genders on the Board. The directors have versatile experience in sectors that are of importance to the company operations, such as the investment and financial sector and real estate sector. In addition, the work experience and education of the directors as well as their international experience complement each other. The directors are elected by eQ Plc's AGM.

The Board of Directors of the company has monitored the development of the company's diversity during the financial period 2016.

Board Committees

eQ Plc has no audit or other committees.

With regard to the composition and size of the Board, eQ Plc has found it appropriate that the Board of Directors takes care of the duties of the audit committee and other committees directly. The composition and operations of the Board have been described above.

CEO

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

Janne Larma, M.Sc. (Econ) (born 1965) was appointed CEO on 16 March 2011. The company discloses the same biographical details and information on the holdings of the CEO as of the directors. The CEO shall not be elected Chairman of the Board.

eQ Plc does not have substitute for the CEO.

Shares and share-related rights of the CEO and entities that he controls in eQ Plc at the end of the financial period on 31 December 2016:

Name	Task in the organisation	Security	Holding
Janne Larma	CEO	2010 Option right 2015 Option right Share	190 000 100 000 5 322 635

Other executives

eQ Group has a Management Team that convenes regularly every month. The status of the Management Team is not based on company law, but in practice it has a significant role in the organisation of the company management. The Management Team consists of the persons heading the company's operative business, the CFO and Group General Counsel. The main duty of the Management Team is to assist the CEO.

eQ Group's Management Team during the financial period 2016:

Janne Larma, born 1965, M.Sc. (Econ), Chairman, eQ Plc, CEO
Staffan Jåfs, born 1974, M.Sc. (Econ), eQ Asset Management Ltd, Head of Private Equity
Mikko Koskimies, born 1967, M.Sc. (Econ), eQ Asset Management Ltd, CEO
Antti Lyytikäinen, born 1981, (M.Sc. (Econ), eQ Plc, CFO
Juha Surve, born 1980, Master of Laws, M.Sc. (Econ), eQ Asset Management Ltd, Group General Counsel

Shares and share-related rights of the other executives and entities that they control in eQ Plc at the end of the financial period on 31 December 2016:

Name	Task in the organisation	Security	Holding
Staffan Jåfs	Head of Private Equity, eQ Asset Management Ltd	2010 Option right 2015 Option right Share	150 000 100 000 18 089
Mikko Koskimies	CEO, eQ Asset Management Ltd	2010 Option right 2015 Option right Share	150 000 100 000 3 700 000
Antti Lyytikäinen	CFO, eQ Plc	2015 Option right	75 000
Juha Surve	Group General Counsel, eQ Asset Management Ltd	2015 Option right Share	75 000 45 000

III. DESCRIPTIONS OF INTERNAL CONTROL PROCEDURES AND THE MAIN FEATURES OF RISK MANAGEMENT SYSTEMS

Control and risk management related to the financial reporting process

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

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

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

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

Risk management overview

The purpose of the Group's risk management is to make sure that the risks associated with the company's operations are identified, assessed and that measures are taken regarding them. eQ Plc's Board supervises that the CEO takes care of eQ Plc's day-to-day administration according to the instructions and orders issued by the Board. The Board also supervises that risk management and control are organised in a proper manner. The executive management is responsible for the practical implementation of the risk management process and control.

eQ Group comprises a fully owned subsidiary of eQ Plc, eQ Asset Management Ltd, which is an investment firm. A permanent risk management function is responsible for risk management at eQ Asset Management Ltd. The risk management function, which is independent of the other operations, consists of risk experts and is led by the Chief Risk Officer. eQ Asset Management has a risk management committee, which the Chief Risk Officer convenes regularly. The risk management committee reviews the follow-up reports of risk management-related operations and decides on corrective measures, for instance. It also approves new products, changes made in products and counterparties.

General description of internal control

eQ Plc's Board of Directors is responsible for arranging sufficient and well-functioning internal control. Internal control covers all functions within eQ Group, which means that eQ Plc steers and controls the operations of the subsidiaries in order to make sure that the result of its operations is reliable. The business operations are steered by the Group's operating principles, decision-making powers and company values that cover the entire Group. eQ Plc takes into account the Group structure and the nature and extent of the operations when arranging internal control.

eQ Group's internal control system covers financial and other control. Internal control is carried out by the Board, CEO and other superior management as well as the entire personnel. The aim of internal control is to make sure that the operations of the entire Group are efficient and contribute to the achievement of the goals and targets, reporting is reliable and that the Group follows laws and other regulations. In addition, the aim of internal control is to ensure that information, eQ Plc's assets and client assets are secured in a sufficient manner and that internal procedures and information systems are arranged properly and in order to support operations.

Internal control is above all based on financial reports, management reports, risk reports and reports of internal control. The company's central operations are steered according to internal operating policies and practices.

IV. OTHER INFORMATION TO BE PROVIDED IN THE CG STATEMENT

Internal audit

The Group does not have a separate internal audit organisation. The CEO is responsible for the tasks of the internal audit function. The risk management and compliance functions of the Asset Management segment are responsible for the risk management related to the business and the compliance of the operations with rules and regulations. The Compliance Officer has been appointed by the management to carry out reviews comparable to internal audits of the business operations of eQ Asset Management Ltd, which is an investment firm. The Compliance Officer examines and assesses the appropriateness, sufficiency and efficiency of the company's methods as well as internal control systems (including risk management) and arrangements, the efficient and economical use of resources, and the reliability of the information used in management and decision-making. The risk management and compliance functions also carry out sample checks of the operations. The CEO may assign external evaluators to carry out audits on areas that the CEO deems necessary. The CEO reports the observations to the Board of Directors.

Central procedures of insider administration

In its insider administration, eQ Plc complies with the applicable Finnish and EU legislation (including the Market Abuse

Regulation 596/2014), rules and regulations issued by the Finnish Financial Supervisory Authority as well as the Guidelines for Insiders issued by the Helsinki Stock Exchange (insider regulations). eQ Plc has drawn up guidelines on insider issues and trading, which have been updated in 2016. The company has informed the company management, insiders and persons covered by the trading restriction of the insider guidelines.

As of 3 July 2016, managers and their closely associated persons have been obliged to inform the company and the Financial Supervisory Authority of their trading in company shares or other financial instruments. The company discloses the information that it has received without delay with a stock exchange release. At eQ, such persons discharging managerial responsibilities (covered by the disclosure obligation) are the CEO and directors as well at the members of the Management Team appointed by the Board. eQ maintains a list of persons discharging managerial responsibilities and persons closely associated with them. This list is not an insider list.

The company maintains insider lists required by insider regulations of persons who have access to inside information. These lists are not public. The information on eQ Plc's managers required by regulations and the insider lists are maintained by Euroclear Finland Ltd. The information in the insider lists is available to the Financial Supervisory Authority for the supervision of the securities market. Information about the public insider register, in accordance with previous legislation, is available in the insider register of Euroclear Finland Ltd on the company website in the manner required by the transitional provisions of the Securities Markets Act.

eQ's permanent insiders are only persons who, due to their tasks or position, have permanent access to all inside information in the listed company and who have the right to make decisions on the company's future development and the arrangement of business. eQ's permanent insiders comprise the directors, CEO and the members of the Group's Management Team appointed by the Board of Directors. In addition to insider lists, eQ maintains a list of persons covered by the so-called extended trading restriction.

eQ Plc's closed period commences 30 days prior to the disclosure of an interim report (first and third quarter), half-yearly report or financial statements report and ends on the day following the disclosure.

The company has informed the company management, insiders and persons covered by the extended trading restriction of the insider guidelines. The company has a designated person in charge of insider issues (Compliance Officer), who carries out tasks related to the management of insider issues, training in insider matters, maintenance of the insider lists and the supervision of trading. The knowledge of other employees about insider matters is maintained and their need of training assessed continuously.

Audit

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

In 2016, the company auditor was KPMG Oy Ab, a firm of authorized public accountants, with Raija-Leena Hankonen, APA, as auditor with main responsibility.
KPMG Oy Ab and Raija-Leena Hankonen as auditor with main responsibility have acted as eQ Plc's auditor since 2014. The decision on continuing with the period of the auditor with main responsibility and the auditing firm is made annually at the AGM, and the auditor with main responsibility and the auditing firm are changed at least in accordance with the valid regulations.

Auditors' fees

The independent auditors have been paid the following amounts for the services related to the audit and for other services: fees for the audit and closely related fees in 2016 totalled EUR 92 241 (2015: EUR 94 650). The other services in 2016 amounted to EUR 8 212 (2015: 8 880).

Remuneration Statement 2016

This Remuneration Statement of eQ Plc (eQ) has been drawn up in accordance with the Corporate Governance Code for listed companies that entered into force on 1 January 2016. The entire Code is available on the website of the Securities Market Association at www.cgfinland.fi. eQ Plc's Board of Directors has reviewed this Remuneration Statement on 2 February 2017.

BOARD OF DIRECTORS

Remuneration and other financial benefits of the Board of Directors

The Annual General Meeting (AGM) decides on the remuneration of the directors annually. eQ Plc's major shareholders, who as a rule represent at least half of the number of shares and votes in the company, make a proposal on the number of directors, the directors and their remuneration to the AGM.

The AGM held in 2016 decided that the directors would receive remuneration according to following: Chairman of the Board EUR 3 300 per month (2015: EUR 3 300) and the directors EUR 1 800 per month (2015: EUR 1 800). The AGM also decided that the directors be paid EUR 300 for each Board meeting that they attend. In addition, travel and lodging costs will be compensated in accordance with the company's expense policy. The remuneration is paid in cash. The members of eQ Plc's Board of Directors have no share-related rights, nor are they covered by any other remuneration scheme.

CEO AND OTHER EXECUTIVES

Decision-making process and main principles of remuneration

eQ's Board of Directors decides annually on the remuneration system of the Group, as well as on the principles of performance-based remuneration and the persons included in the system. The Board of Directors also decides the remuneration of the CEO and, since the remuneration decisions are made by the superior of the concerned person's superior, the members of the Management Team, based on a proposal by the CEO. In certain special circumstances, the General Meetings of companies belonging to eQ Group may also handle matters pertaining to remuneration systems and remuneration. eQ Plc's Board reviews annually, in separately defined manner, that eQ Group has complied with the remuneration system. Based on the principle of proportionality, eQ has taken the view that it is not necessary to appoint a separate remuneration committee, taking into consideration the number of directors and eQ's personnel as well as the nature of eQ Group's operations. The Compliance Officer reviews annually that eQ Group has complied with the remuneration system defined by the Board and reports directly to eQ Plc's Board.

The main principles of eQ Group's remuneration systems are:

- The remuneration systems support eQ Group's long-term goals, such as improving the profitability of the business in a long term, sufficient capital adequacy, return on investments and cost efficiency.
- Remuneration must be designed to prevent unsound risk-taking.
- The Board decides on the payment of the performance bonuses based on the systems. The decision will be made annually after the end of the incentive period.
- A performance bonus will not be paid and it may be recovered as unfounded, partly or in full, if it is found that the person concerned has acted contrary to eQ's internal guidelines, laws, or regulations or guidelines issued by authorities.
- eQ may also refrain from paying out remuneration, if eQ Group's solvency, capital expenses or liquidity or their foreseeable future development do not make payment possible.
- The decision about remuneration is always made by the superior of the concerned person's superior.
- The share of the variable remuneration may basically not exceed 100% of the total fixed salary of the recipient. If the AGM so expressly decides, the variable remuneration can amount to 200% of the total fixed salary, however.
- eQ Group has decided that the maximum amount of the variable remuneration is EUR 500 000 per person annually.
- When paying out variable remuneration, the company shall take into consideration at least the risks that it is aware of when making the assessment, and future risks, eQ Group's capital expenditure and necessary liquidity. The total amount of the remuneration to be paid out may not be so large that it would restrict the consolidation of eQ Group's capital base.

- The remuneration of persons engaged in supervisory operations may not be directly dependent on the result of the business unit that they supervise. The remuneration is, instead, influenced by the way they meet their personal goals and by their performance. The remuneration of persons engaged in supervisory operations is supervised by eQ Plc's Board of Directors.
- As a rule, the Group does not undertake to pay any absolute remuneration. This is only possible, if eQ Plc's Board makes a decision about it for especially substantial reasons, and even in this case the absolute remuneration may only apply to the first year of employment.

eQ Group's remuneration system consists of an annual bonus system.

All employees of eQ Group are in principle covered by the annual bonus system. The amount of the annual bonus is determined based on the achievement of personal goals and the result of the own business unit and eQ Group. The share of eQ Group's result is the higher, the more the person concerned is able to influence the result of the Group. As the variable remuneration payable by the company is dependent on the result of the Group, the amount of the annual bonus to be paid out depends on the Group's financial situation and success. eQ Plc's Board decides on the amount and distribution of the annual bonuses taking into consideration, e.g. the above presented main principles of remuneration.

If the variable remuneration of the CEO and the members of the Management Team as well as other relevant persons exceeds EUR 50 000 at annual level, 50 per cent of the variable remuneration will be deferred so that it is paid during the following three years (even payments each year). 50 per cent of the deferred remuneration is bound to the development of eQ Plc's share price. eQ Plc's Board shall decide on the interest possibly payable to the remaining part annually. If the variable remuneration does not exceed EUR 50 000 at annual level, payment shall not be deferred.

As for the deferred part of the variable remuneration, the receiver of the remuneration must undertake not to hedge the risk related to the part of the remuneration that is bound to the development of eQ Plc's share price with, e.g. financial instruments or insurance policies.

Remuneration and other financial benefits of the CEO

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

The remuneration of the CEO consists of a fixed monthly salary in cash (monthly salary and fringe benefits) and an annual performance bonus. It is important for the company that the salary of the CEO is competitive, as the commitment of the CEO and sufficient incentives are central with regard to the company's success. The Board of Directors decides on the CEO's remuneration. The retirement age and pension of the CEO are determined in accordance with the Finnish Employees Pensions Act. The CEO does not have a supplementary pension scheme.

In 2016, the CEO was paid an overall remuneration of EUR 359 459 (20115: EUR 300 062), the share of variable remuneration being EUR 123 668 (2015: EUR 92 456).

Remuneration and other financial benefits of the other executives

The Board of Directors decides on the remuneration system of the Management Team based on the CEO's proposal. The remuneration system consists of a fixed salary in cash (monthly salary and fringe benefits) and an annual performance bonus. Management Team members do not receive remuneration when acting as Board members in the subsidiaries of eQ Plc. The notice period of Management Team members varies between 1 to 3 months. In addition to eQ Plc's CEO, only the CEO of eQ Asset Management Ltd has the right to a severance pay corresponding to six (6) months' overall salary. The other members of the Management Team do not have severance pays decided on in advance. The retirement age and pension of the Management Team members are determined in accordance with the Finnish Employees Pensions Act. The Management Team members do not have supplementary pension schemes.

In 2016, the other Management Team members than the CEO were paid an overall remuneration of EUR 759 450 (2015: EUR 622 475), the share of the variable remuneration being EUR 226 962 (2015: EUR 89 398).

Other relevant persons

In 2016, other relevant persons (Finnish Act on Credit Institutions 610/2014, Chapter 8) than the Management Team members were paid an overall remuneration of EUR 215 249 (2015: 272 333), the share of the variable remuneration being EUR 40 691 (2015: 34 318).

OPTION SCHEMES

Based on option schemes 2010 and 2015, eQ Group has issued option rights to key persons. The aim is long-term commitment to the company. In connection with the issue of option rights, the Board of Directors defines, in the terms and conditions of each option scheme, the principles that will be applied to their ownership. The terms and conditions of option schemes 2010 and 2015 contain no special terms related to ownership.

Option scheme 2010

Based on option scheme 2010, Janne Larma, CEO, has been granted, as part of the engagement system, 450 000 option rights (90 000 2010A options, 90 000 2010B options, 90 000 2010C options, 90 000 2010D options and 90 000 2010E options). Of the options granted, altogether 270 000 had been exercised by the end of 2016.

Mikko Koskimies, member of the Management Team, has been granted, as part of the engagement system, 200 000 option rights (50 000 2010B options, 50 000 2010C options, 50 000 2010D options and 50 000 2010E options) and Staffan Jåfs, member of the Management Team, 250 000 option rights (50 000 2010A options, 50 000 2010B options, 50 000 2010C options, 50 000 2010D options and 50 000 2010E options). Of the options granted, altogether 50 000 had been exercised by the end of 2016.

Option scheme 2015

Based on option scheme 2015, the CEO and other members of the Management Team have been granted option rights as part of the engagement system as follows:

Name	Task in the organisation	Number of options
Janne Larma	CEO, eQ Plc	100 000
Staffan Jåfs	Head of Private Equity, eQ Asset Management Ltd	100 000
Mikko Koskimies	CEO, eQ Asset Management Ltd	100 000
Antti Lyytikäinen	CFO, eQ Plc	75 000
Juha Surve	Group General Counsel, eQ Asset Management Ltd	75 000

Board authorisations regarding remuneration

The AGM of 2016 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 to be used for the company's incentive schemes, for instance. The authorisation comprises the Board's right to decide on all matters related to the issuance of shares or option rights, including the recipients of the shares or option rights and the amount of the consideration to be paid. The authorisation also covers the right to issue shares and options to selected persons or without consideration.

eQ Plc Board of Directors since 30 March 2016:

GEORG EHRNROOTH

Member of the Board since 2011
Chairman of the Board
Born 1966

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

Primary working experience
2005 eQ Corporation and eQ Bank Ltd, Chief Executive Officer

Primary positions of trust
Norvestia Oyj, Member of the Board; Forcit Oy, Member of the Board; Paavo Nurmi Foundation, Member of the Board; Anders Wall Foundation, Member of the Board; Louise and Göran Ehrnrooth Foundation, Deputy Member of the Board; Corbis S.A, Chairman of the Board; Fennogens Investments S.A, Chairman of the Board.

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

NICOLAS BERNER

Member of the Board since 2013
Born 1972

Education
LL.B, University of Helsinki

Primary working experience
2011- Berner Ltd, Chief Financial Officer, 1998-2011 Hannes Snellman Attorneys Ltd, as a partner 2006-2011

Primary positions of trust
Berner Ltd, Member of the Board.

Independent of the company and significant shareholders.

TIMO KOKKILA

Member of the Board since 2016
Born 1979

Education
M.Sc. (Eng.), Helsinki

Primary working experience
2016- Pontos Group, CEO; 2011-2015 Pontos Group, Investment Director; 2008-2011 SRV Group Plc, Manager, Project Development; 2006-2008 SRV Group Plc, Project Development Engineer; 2004-2006 Kampin Keskus Oy, Development Engineer

Primary positions of trust
SRV Group Plc, Member of the Board; Pontos Ltd, Member of the Board; Renor Ltd, Member of the Board; Kolpi Investments Oy, Member of the Board; Valmet Automotive Inc, Member of the Board.

Independent of the company and significant shareholders.

JUSSI SEPPÄLÄ

Member of the Board since 2011
Born 1963

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

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

Primary positions of trust
Oy Cardos Ab, Member of the Board; Deamia Oy, Deputy Member of the Board; Luuva Oy, Chairman of the Board.

Independent of the company and significant shareholders.

ANNIKA POUTIAINEN

Member of the Board since 2015
Born 1970

Education
LL.B, University of Helsinki
LL.M., King's College, London

Primary working experience
2014- JKL Group, Industrial Advisor; 2009-2014 NASDAQ OMX Stockholm, Head of Market Surveillance Nordics, 2006-2009 Swedish Financial Regulatory Authority, Head of Unit, 2000-2006 law firm Linklaters London, 1999 Hannes Snellman Attorneys Ltd

Primary positions of trust
Hoist Finance Ab, Member of the Board; Saferoad AS, Member of the Board.

Independent of the company and significant shareholders.

eQ Plc Board of Directors since 30 March 2016:

eQ Group's Management Team:

MIKKO KOSKIMIES

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

JANNE LARMA

Chairman

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

STAFFAN JÅFS

Staffan Jåfs, M.Sc. (Econ), (born 1974) is responsible for the private equity asset management and group's own private equity investment operations. Staffan has worked in the private equity business since 2000 and with eQ Plc since 2007. Previously in 2000-2007 he worked at Proventure Ltd as CFO, responsible for the group's financial administration and previous to this as Financial Manager at Kantarellis, a hotel and restaurant chain.

ANTTI LYYTIKÄINEN

Antti Lyytikäinen, M.Sc. (Econ.), (born 1981) is CFO of eQ Group. Antti has worked among financial sector since 2004 and with eQ Plc since 2011. From 2008 to 2011 he worked at Aberdeen Asset Management and was responsible for the financial management of group's property funds. Prior to that he worked as an Auditor e.g. in the Financial Services -division of KPMG.

JUHA SURVE

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

eQ Group's Management Team:

Financial Reports in 2017

Financial Reports of eQ will be published as follows in 2017:

Interim Report
January-March
Friday, April 28

Half Year Financial Report
January-June
Wednesday, August 9

Interim Report
January-September
Friday, October 27

Interim and Half Year Financial Reports, Stock Exchange Releases and the Annual Report are available and printable at eQ's website www.eQ.fi.

eQ's own Fund of Funds

eQ PE VIII North L.P.

Vintage Year	2016
Management company	eQ PE VIII North GP Ltd
Total size of the Fund	160.0 MEUR
eQ's commitment	3.0 MEUR
Financing stage	Buyout
Geographical focus	Northern Europe
Target funds	No sector preference
www pages	www.eQ.fi

eQ PE VII US L.P.

Vintage Year	2015
Management company	eQ PE VII US GP Ltd
Total size of the Fund	80.2 MUSD
eQ's commitment	3.0 MUSD
Financing stage	Buyout
Geographical focus	Northern America
Target funds	No sector preference
www pages	www.eQ.fi

eQ PE VI North L.P.

Vintage Year	2013
Management company	eQ PE VIII North GP Ltd
Total size of the Fund	100.0 MEUR
eQ's commitment	3.0 MEUR
Financing stage	Buyout
Geographical focus	Northern Europe
Target funds	No sector preference
www pages	www.eQ.fi

Amanda V East L.P.

Vintage Year	2008
Management company	Amanda V East GP Ltd
Total size of the Fund	50.0 MEUR
eQ's commitment	5.0 MEUR
Financing stage	Buyout
Geographical focus	Russia. East Europe
Target funds	No sector preference
www pages	www.eQ.fi

Amanda IV West L.P.

Vintage Year	2007
Management company	Amanda IV West GP Ltd
Total size of the Fund	90 MEUR
eQ's commitment	5.0 MEUR
Financing stage	Buyout
Geographical focus	Western Europe
Target funds	No sector preference
www pages	www.eQ.fi

Amanda III Eastern Private Equity L.P.

Vintage Year	2006
Management company	Amanda III Eastern GP Ltd
Total size of the Fund	110.2 MEUR
eQ's commitment	10.0 MEUR
Financing stage	Buyout
Geographical focus	Russia. East Europe
Target funds	No sector preference
www pages	www.eQ.fi

eQ's own Fund of Funds

European Fund Investments L.P. (EFI II)

Vintage Year	2001
Management company	Nordic Venture Managers Ltd
Total size of the Fund	88.4 MEUR
eQ's commitment	0.88 MEUR
Financing stage	Buyout
Geographical focus	Europe
Target funds	No sector preference
www pages	www.eQ.fi

Funds managed by others than eQ

EQT V L.P.

Vintage Year	2006
Management company	EQT Partners
Total size of the Fund	4 250.0 MEUR
eQ's commitment	5.0 MEUR
Financing stage	Buyout
Geographical focus	Northern Europe
Target funds	Middle-sized and large companies
www pages	www.eqt.se

Permira Europe IV L.P.

Vintage Year	2006
Management company	Permira Advisers Limited
Total size of the Fund	9 411.2 MEUR
eQ's commitment	4.0 MEUR
Financing stage	Buyout
Geographical focus	Europe, USA and Asia
Target funds	Large companies
www pages	www.permira.com

Triton Fund II L.P.

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

Gresham Fund IV L.P.

Vintage Year	2006
Management company	Gresham LLP
Total size of the Fund	346.7 MGBP
eQ's commitment	3.0 MGBP
Financing stage	Midmarket Buyout
Geographical focus	UK
Target funds	Small and middle-sized companies
www pages	www.greshampe.com

Funds managed by others than eQ

Montagu III L.P.

Vintage Year	2005
Management company	Montagu Private Equity LLP
Total size of the Fund	2 260.6 MEUR
eQ's commitment	5.0 MEUR
Financing stage	Midmarket Buyout
Geographical focus	Europe
Target funds	Middle-sized companies
www pages	www.montagu.com

PAI Europe IV

Vintage Year	2005
Management company	PAI Partners
Total size of the Fund	2 697.1 MEUR
eQ's commitment	5.0 MEUR
Financing stage	Large Buyout
Geographical focus	Europe
Target funds	Middle-sized and large companies
www pages	www.paipartners.com

EQT IV (No. 1) L.P.

Vintage Year	2004
Management company	EQT Partners
Total size of the Fund	2 500.0 MEUR
eQ's commitment	3.0 MEUR
Financing stage	Large Buyout
Geographical focus	Northern Europe
Target funds	Middle-sized and large industrial companies
www pages	www.eqt.se

Permira Europe III L.P

Vintage Year	2003
Management company	Permira Advisers Limited
Total size of the Fund	4 955.3 MEUR
eQ's commitment	3.0 MEUR
Financing stage	Mega Buyout
Geographical focus	Europe
Target funds	Middle-sized and large companies
www pages	www.permira.com

Charterhouse Capital Partners VII L.P.

Vintage Year	2002
Management company	Charterhouse Development Capital Limited
Total size of the Fund	2 708.0 MEUR
eQ's commitment	3.0 MEUR
Financing stage	Large Buyout
Geographical focus	Europe
Target funds	Middle-sized and large companies
www pages	www.charterhouse.co.uk

Atlas Venture VI L.P.

Vintage Year	2001
Management company	Atlas Venture Advisors Inc.
Total size of the Fund	599.7 MUSD
eQ's commitment	1.9 MUSD
Financing stage	Venture Capital
Geographical focus	Europe, USA
Target funds	Information technology, life science
www pages	www.atlasventure.com

Funds managed by others than eQ

Balderton Capital I L.P (entinen. Benchmark Europe I L.P.)

Vintage Year	2000
Management company	Balderton Capital Partners
Total size of the Fund	500.0 MUSD
eQ's commitment	2.0 MUSD
Financing stage	Venture Capital
Geographical focus	Europe
Target funds	Software, internet, media and telecom
www pages	www.balderton.com

Innovacom 4 FCPR

Vintage Year	2000
Management company	Innovacom s.a
Total size of the Fund	200.7 MEUR
eQ's commitment	5.0 MEUR
Financing stage	Venture Capital
Geographical focus	France, Germany, U.S., United Kingdom
Target funds	Communications, computer related, computer software, electronic related
www pages	www.innovacom.com

Permira Europe II L.P.

Vintage Year	2000
Management company	Permira Advisers Limited
Total size of the Fund	3 300.0 MEUR
eQ's commitment	4.2 MEUR
Financing stage	Buyout
Geographical focus	Europe
Target funds	Middle-sized and large companies
www pages	www.permira.com

Nexit Infocom 2000 Fund L.P.

Vintage Year	2000
Management company	Nexit Ventures
Total size of the Fund	66.3 MEUR
eQ's commitment	3.2 MEUR
Financing stage	Venture Capital
Geographical focus	Nordic countries and USA
Target funds	Mobile, wireless internet infrastructure, mobile internet
www pages	www.nexitventures.com

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