ANNUAL REPORT 2019

Contents

eQ in 2019

Key figures

NET REVENUE
EUR 50.6
MILLION
(2018: 45.4 M€)

OPERATING PROFIT
EUR 26.3
MILLION
(22.4 M€)

EARNINGS PER SHARE
EUR 0.55
(0.47 €)

COST/INCOME RATIO
48.1%
(50.5%)

ASSETS UNDER MANAGEMENT WITHOUT REPORTING SERVICES
EUR 6.8
BILLION

AND IN TOTAL
EUR 11.7
BILLION
(5.5 / 9.5 BN €)

DIVIDEND AND REPAYMENT OF EQUITY PER SHARE
EUR 0.62
(0.54 €)

MARKET CAP
EUR 476.9
MILLION
(286.6 M€)

NUMBER OF SHAREHOLDERS
5,945
(5,451)

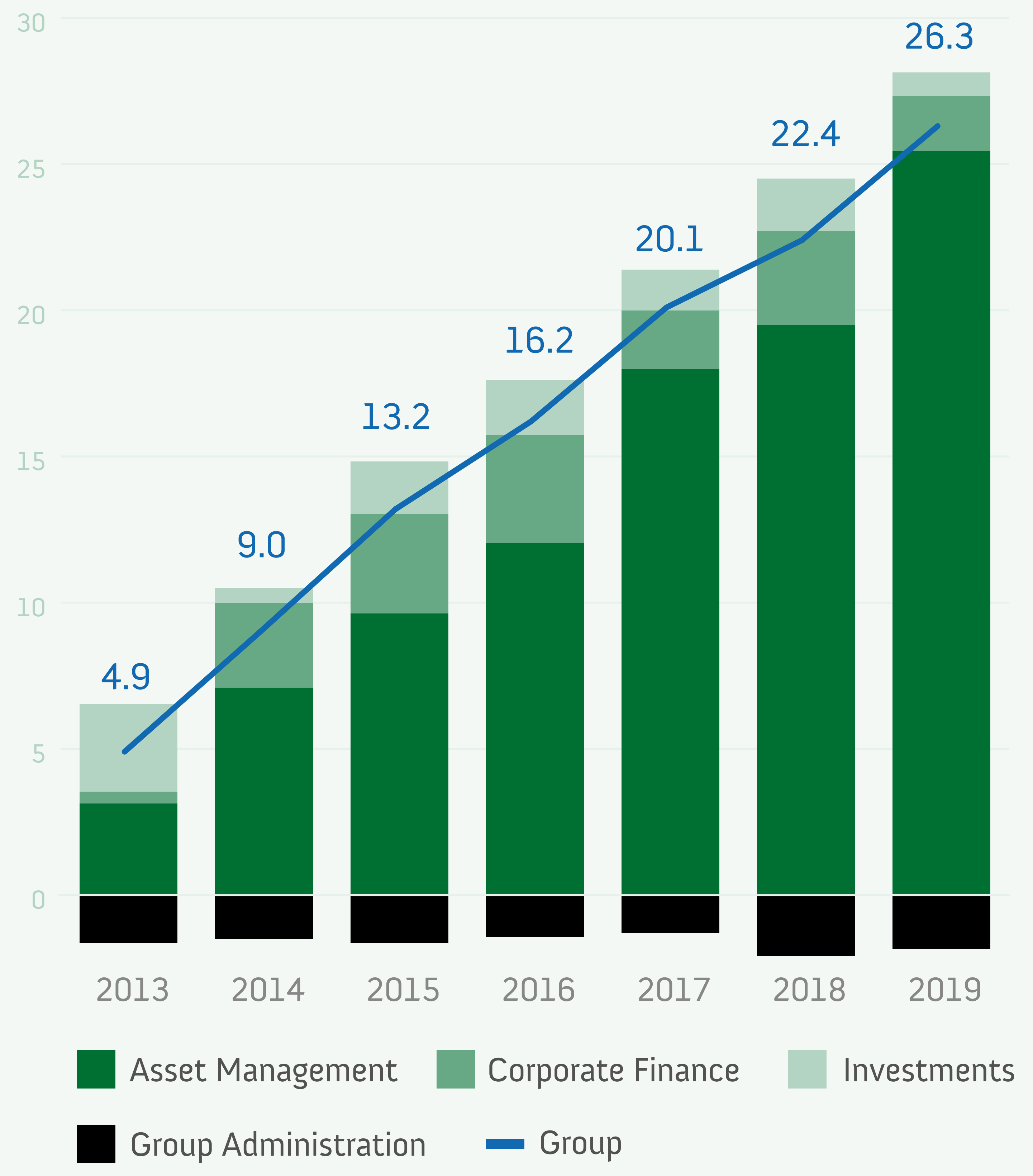
NUMBER OF PERSONNEL
89
(86)

eQ in Brief

eQ Group is a Finnish group of companies that concentrates on asset management and corporate finance operations. The share of the parent company eQ Plc is listed on Nasdaq Helsinki. The Group offers its clients services related to mutual-, real estate- and private equity funds, discretionary asset management, investment insurance policies, and a large range of mutual funds offered by international partners. The asset management clients are institutional investors and private individuals. 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.

NET REVENUE DEVELOPMENT
M€

OPERATING PROFIT DEVELOPMENT
M€



CEO's review

eQ Group's result was excellent in 2019

We have managed to expand our business operations on a longer term together with our clients. Consequently, our profit has grown for 23 consecutive quarters. In 2019, the Group's net revenue was EUR 50.6 million and the operating profit EUR 26.3 million. The net revenue grew by 12% and the operating profit by 17% from the year before. The profit for the period was EUR 21.0 million, growth on the previous year being 18%. Our measures for cost-efficiency have succeeded excellently, and in 2019 the Group's cost/income ratio fell for the first time below 50% at financial period level and was 48.1%.

The Group's growth was driven by the asset management business, the operations and profit of which grew once more exceptionally well. eQ Asset Management's net revenue grew by 21% and operating profit by no less than 30% in 2019. The cost/income ratio of the Asset Management segment was at an excellent level, i.e. 42.7%.

The net revenue of Advium Corporate Finance fell from the year before to EUR 5.4 million. Operating profit was EUR 1.9 million, compared with previous year's EUR 3.2 million.

eQ Asset Management offers innovative asset management services of a very high quality

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

eQ has been a forerunner in offering alternative investment products in Finland. Our Private Equity team launched its first private equity fund of funds already in 2002. After this, we have introduced 11 funds of funds to the market. Last year, we raised altogether EUR 270 million to the eQ PE XI US and eQ Private Credit II funds. In addition, we obtained new private equity mandate clients.

We have also been a pioneer in real estate asset management. The eQ Care Fund, which was introduced to the market in 2012, is the first Finnish open real estate fund. The eQ Finnish Real Estate Fund was launched in 2014. eQ has become a major Finnish real estate investor, and eQ real estate funds had assets of about EUR 2.3 billion at the end of the financial period. The net subscriptions in our two real estate funds totalled EUR 317 million in 2019.

In addition to alternative investment products, we offer our clients traditional asset management. At the end of the financial period, eQ had 24 mutual funds registered in Finland, and we are very pleased with the return from traditional asset management. During the past three years, 83% of the eQ funds registered in Finland that we manage ourselves have surpassed their benchmark indices. The figure for 2019 was 85%. Consequently, Morningstar recognised eQ Asset Management with its "Best Fund House" award last year.

"The employees' job satisfaction is one of the central areas that we wish to invest in. The job satisfaction of the Group's entire personnel rose from the even previously high level last year."

Janne Larma
CEO

Advium's market position is good

The activity in the M&A and real estate transactions market continues to be at a high level. Last year, Advium acted as advisor in 12 finalised transactions, e.g. as advisor to the Boards of Kotipizza Oyj and Pöyry Plc related to public cash tenders made on them. Advium also acted as advisor to, e.g. Starwood Capital, as it bought more than 2 000 rental apartments from Elo and OP Group.

The employees are our major asset

In order to be able to serve our clients in the best possible manner, we must have skilled and professional employees. Besides, they must like the work that they do. The employees' job satisfaction is one of the central areas that we wish to invest in. The job satisfaction of the Group's entire personnel rose from the even previously high level last year. Measured on a scale from 1 to 5, job satisfaction is 4.4 in eQ Group, which can be regarded as an excellent result. This is naturally only one metric, but the other key figures were also at a very high level. We must work for job satisfaction every single day and try to improve it further. We will see to the needs of our employees in the best possible manner in future as well.

Sustainability is a key part of eQ's strategy and day-to-day operations

Sustainability is one of the corner stones of our business. For many years now, we have invested in responsible operations, both at Group level and in our investment operations. eQ Asset Management signed the UN's Principles for Responsible Investment already in 2010. Today, we are active at several domestic and international forums in order to promote the distribution of information based on best sustainability practices.

I am glad to see that all our employees are strongly committed to sustainability and its further development. We report annually to investors and other stakeholders on how we have carried out sustainability work within the company.

In 2019, we continued to deepen and develop our sustainability efforts. Our central development objectives were the work with sustainability themes and activities that are important to our Group, the reassessment of our investment processes from responsibility point of view and introducing regular ESG reporting in all our asset classes.

Mitigating climate change is an important theme within our investment operations. We wish to bear sustainability for our environment as a company. We have, for instance started to use only renewable energy on our premises, and we pay special attention to cutting down the amount of waste. We sort and recycle all office waste. In addition, eQ with its clients was the largest single supporter of the Baltic Sea Action Group (BSAG) in 2019. When our clients invest in the eQ Blue Planet share series, eQ pays 85% of the fund's management fee to BSAG. The annual support to BSAG is at the moment about EUR 60,000. In 2019, the return of the fund was excellent at 32.2%.

Our success is a result of the Group´s systematic sustainability efforts. In the autumn of 2019, eQ Plc was awarded international ISS ESG Prime responsibility rating, in which eQ Plc was among the best tenth in its sector regarding responsibility issues. In order to promote openness and transparency, we now publish our Sustainability Report as part of the Annual Report for the third time on our own initiative. eQ has reported key ESG ratios describing operations based on sustainability reporting to the ESG database maintained by Nasdaq already for two years. In recognition of this, Nasdaq awarded eQ Plc with the "Nasdaq ESG Transparency Partner" certificate in September 2019.

Good results cannot be taken for granted, however. We are committed to continuously developing our sustainability in co-operation with our clients. We wish to offer our clients concrete solutions that support their needs even with regard to sustainability, now and in future.

Group balance sheet and dividend proposal

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

Thanks to our clients, partners and personnel

Our goal is to serve our clients in the best possible manner, and based on feedback, we have succeeded in this very well. We are grateful to all our clients that you have trusted in us and used our services. We also hope that we can be worthy of your trust even in future. Services of a high quality and satisfied clients are only possible if the employees are skilled and motivated and enjoy their work. I feel that our employees are all this, and wish to thank the entire personnel for their excellent work in 2019.

About the year 2020

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

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

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

Janne Larma
CEO

Business areas

Asset Management

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, real estate and private equity funds, discretionary asset management, 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 24 mutual funds registered in Finland as well as funds managed by our international partners, covering all major investment categories and markets. At the end of the financial period, the assets managed by the Group, excluding assets covered by private equity reporting services, were EUR 6,767 million and altogether EUR 11,686 million.

eQ Asset Management has improved its market position year after year to become one of the leading institutional asset managers in Finland. SFR interviews the approximately 100 largest Finnish institutional asset managers annually. According to the study conducted by SFR in 2019, eQ is the second most used institutional asset manager in Finland, and what is best, investors regarded eQ as the best company in the market in their quality assessments.

At eQ Asset Management, the principles of responsible investment cover all eQ investment areas. There is more information about eQ Group's sustainable business and responsible investment operations in a separate section of the Annual Report.

In 2019, eQ Asset Management's net revenue increased by 21% to EUR 44.3 million. The profitability of the Asset Management segment improved, and the operating profit grew by 30% to EUR 25.4 million. Above all real estate and private equity asset management continued to grow strongly. eQ's real estate funds gathered EUR 317 mil-

Key figures

Asset Management	1–12/2019	1–12/2018	Change
Net revenue, M€	44.3	36.7	21%
Operating profit, M€	25.4	19.5	30%
Cost/income ratio, %	42.7	46.9	-9%
Personnel as full-time resources	69	67	3%

Fee and commission income, Asset Management, M€	1–12/2019	1–12/2018	Change %
Management fees from traditional asset management	8.0	8.6	-7%
Real estate and private equity management fees	32.1	25.5	26%
Other fee and commission income	0.3	0.3	-12%
Performance fees	4.4	2.7	63%
Total	44.7	37.1	21%

lion of new net subscriptions in 2019 and offered an excellent return. The return of the eQ Care Fund was 9.1% and that of the eQ Finnish Real Estate Fund 7.8%. Private equity asset management also grew strongly in 2019. eQ raised altogether EUR 270 million to the eQ PE XI US and eQ Private Credit II funds.

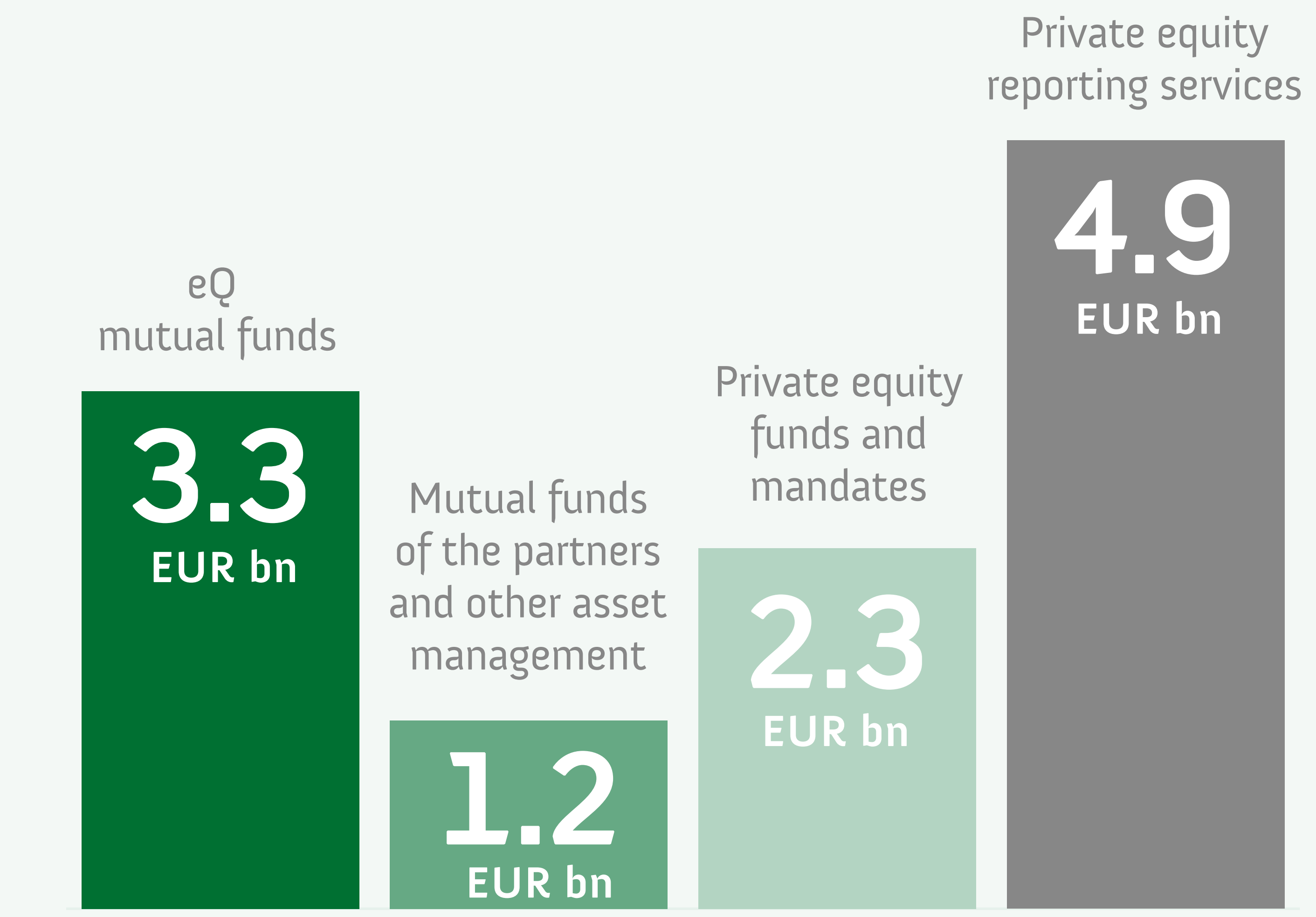
Within traditional asset management, 85% of all eQ mutual funds registered in Finland that are managed by eQ surpassed their benchmark indices in 2019. Morningstar recognised eQ Asset Management with the "Best Fund House" award.

Institutional investors use eQ as asset manager - and are very happy with their choice

The position of eQ Asset Management as the choice of professional Finnish investors has been further consolidated. In the annual SFR study, institutional clients regarded eQ Asset Management as the quality-wise clearly best asset manager in Finland. The quality assessments cover investment return, customer service and asset management resources, for instance. In the study, the approximately 100 largest institutional investors in Finland are interviewed, and no less than 64% of them told that they use the services of eQ Asset Management. In the 2019 study, eQ was the second most used asset manager in the market.

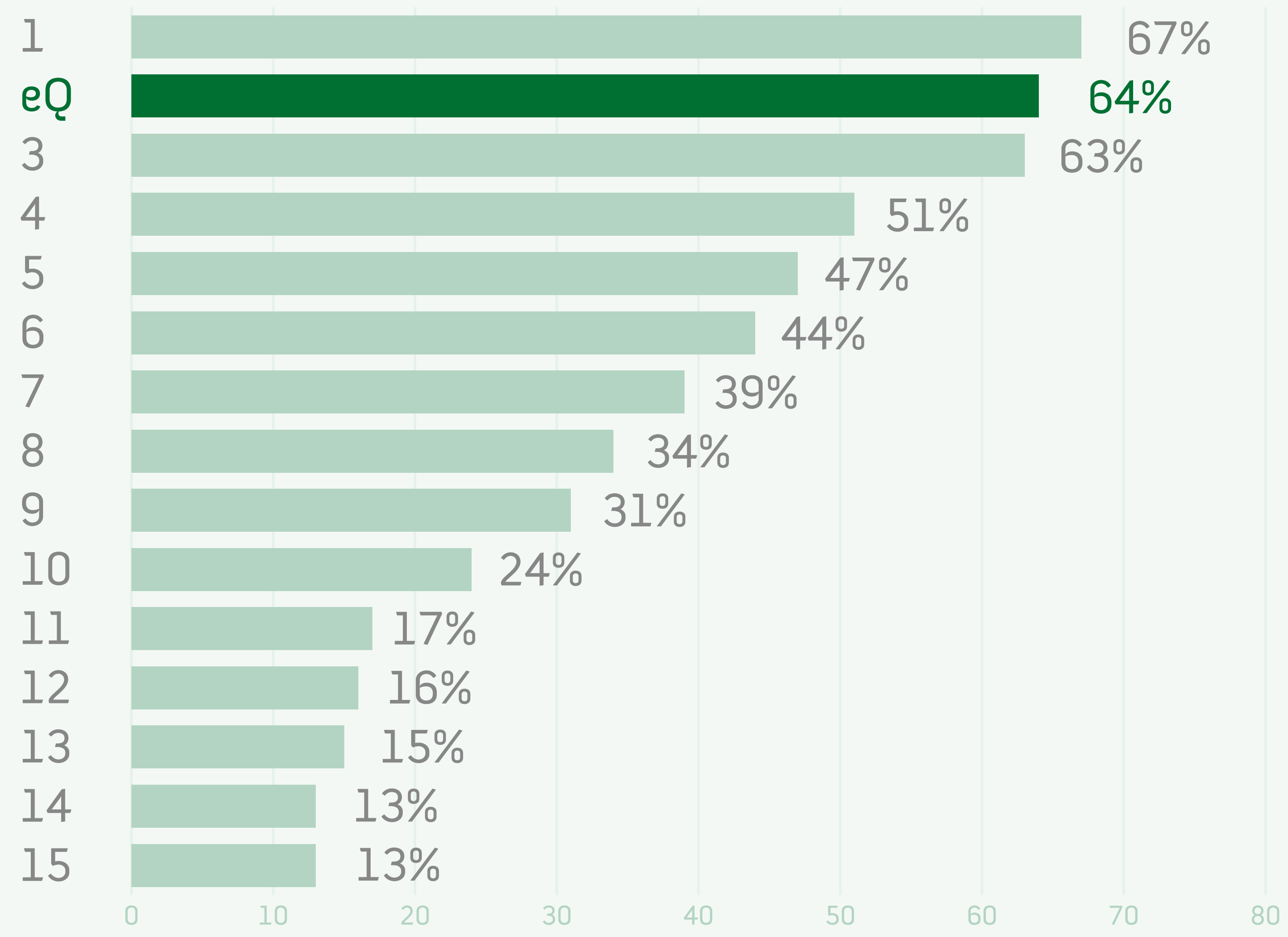
eQ'S ASSETS UNDER MANAGEMENT

Without private equity reporting services EUR 6.8 bn and in total EUR 11.7 bn.



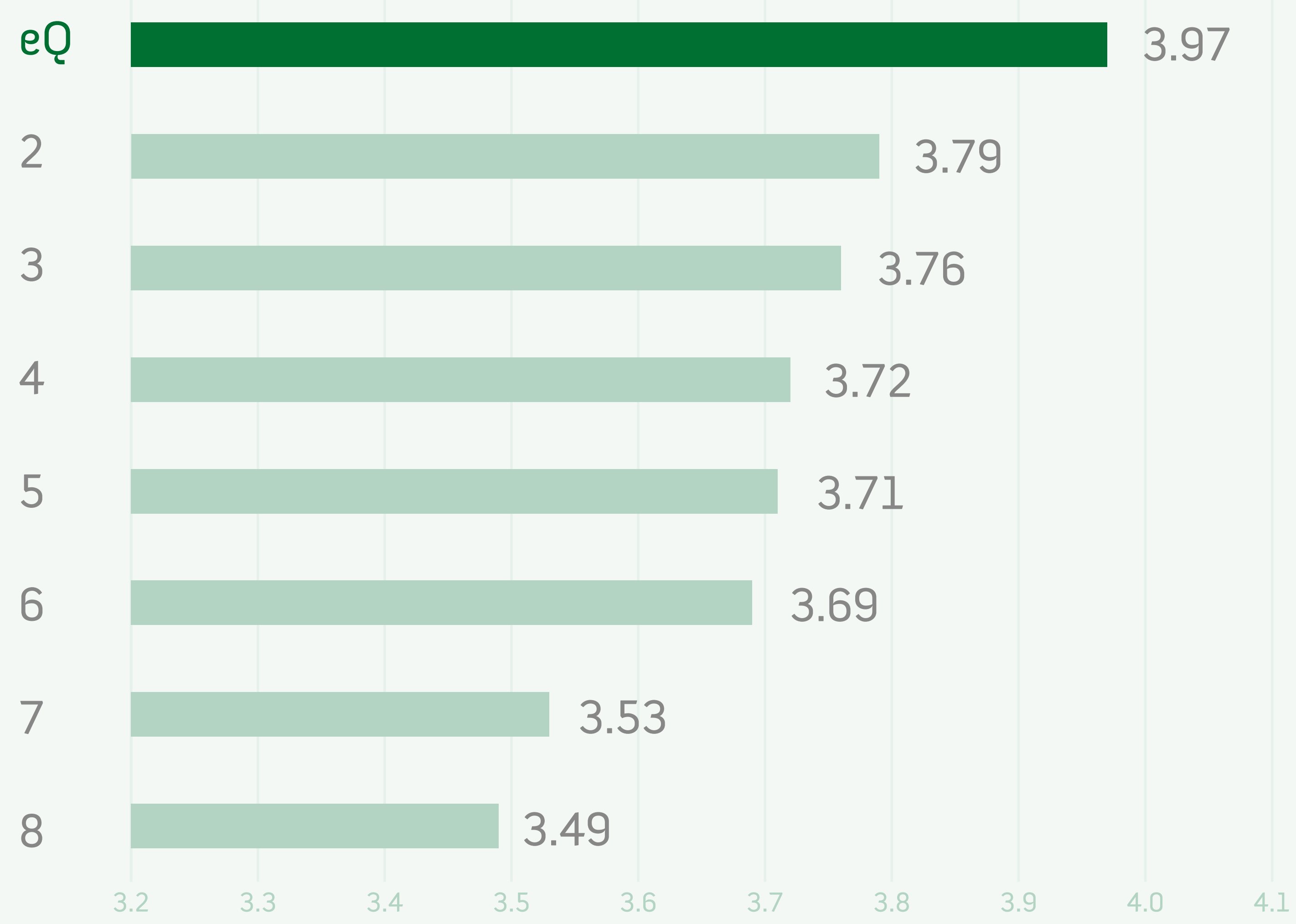
MOST USED INSTITUTIONAL ASSET MANAGERS

Source: SFR research 2019



ASSET MANAGEMENT QUALITY REVIEW (1–5)

Source: SFR research 2019



The returns of eQ funds excellent – eQ won Morningstar's "Best Fund House" award

The returns of the funds managed by eQ have been excellent for a long time. As proof for this, eQ Asset Management won on 6 March 2019 one of the major prices awarded by Morningstar. Morningstar recognised eQ's entire fund range with the "Best Fund House" award. This extremely highly esteemed award is based on the five-year risk-adjusted returns of eQ's equity, fixed-income and balanced funds. eQ has 24 mutual funds registered in Finland. Of these funds, 19 are actively managed and 5 passively managed index funds. eQ´s fund range covers all important asset categories, but we only invest in markets that we know well. The average Morningstar rating of funds managed by eQ exceeded 4 stars at the end of 2019.

MORNINGSTAR Awards

eQ's private equity funds continue to grow strongly

In 2019, eQ Asset Management raised a record amount of capital to the eQ PE XI US Fund, i.e. USD 217 million. eQ's previous US fund was raised in 2017, and its size was USD 105 million. The size of the first US fund, raised in 2015, was USD 80 million. Like its predecessor, the eQ PE XI US Fund makes investments in North American private equity funds that make equity capital investments in unlisted small and mid-sized companies in the US and Canada. eQ also raised EUR 73.5 million to the eQ Private Credit II Fund in 2019.

The majority of eQ's clients make investments in eQ's private equity funds systematically, i.e. they build up a portfolio with investment commitments every year. eQ introduces to the market a fund that makes investments in Europe every second year and a fund that makes investments in the US every second year. In January 2020, eQ held the first closing of the eQ PE XII North Fund at EUR 126 million. The first closing of the eQ PE SF III Fund was held at the same time at EUR 75 million. The eQ PE XII North fund makes investments in private equity funds that invest in unlisted, small and mid-sized companies in Northern Europe. eQ PE SF III is eQ's third secondary market fund. It has the same investment focus as eQ PE XII North, but only makes investments in funds bought in the secondary market. Fundraising to both eQ PE XII North and eQ PE SF III funds will continue in the spring of 2020 with a final closing scheduled in June. Later this year, eQ will also launch its third private credit fund, eQ Private Credit III.

"eQ Asset Management's private equity team is one of the most experienced fund investment teams in Scandinavia, and it also has access to funds that are rapidly raised."

"eQ's real estate funds gathered EUR 317 million of new net subscriptions in 2019."

eQ's real estate funds had a successful year in 2019

eQ's real estate funds gathered EUR 317 million of new net subscriptions in 2019. eQ Asset Management manages two non-UCITS real estate funds, eQ Care and eQ Finnish Real Estate.

The eQ Care Fund has become the most important actor in Finland and reached a solid market position. During its years of operation, it has given its investors a 9.0% return p.a. after expenses. The year 2019 was also successful, and the return of the fund was 9.1. In 2019, the eQ Care Fund sold to Samhällsbyggnadsbolaget i Norden AB (publ) 48 properties, mainly day-care centres and intensive sheltered housing units. The transaction price was about EUR 142 million. This transaction shaped the real estate portfolio of the eQ Care Fund to the desired direction. With this transaction, the fund consolidates its position as owner and developer of larger and more centrally located care and communal properties while improving the effectiveness of its operations. At the end of the year, the value of the eQ Care Fund's real estate assets was EUR 1,237 million.

At the end of 2019, the real estate assets managed by the eQ Finnish Real Estate Fund totalled EUR 1,087 million. During its years of operation, eQ Finnish Real Estate has given its investors a 9.2% return p.a. after expenses. The year 2019 was also successful, and the return of the fund was 7.8%. At the end of the year, the fund owned 50 properties mainly in the Helsinki metropolitan area and Tampere. The occupancy rate of the properties is 95%, which means that they are in practice fully rented.

There are 13 real estate investment professionals in eQ Asset Management's real estate team. Taking into account the legal staff specialising in properties and real estate management, the team comprises 18 professionals. In 2020, eQ will also establish a residential fund. Deviating from eQ's present non-UCITS real estate funds, this fund will have a closed limited liability structure and it is mainly aimed at professional institutional investors.

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. Since its establishment in 2000, the company has carried out approximately 200 corporate and real estate transactions, 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 15 billion.

In 2019, Advium acted as advisor in 12 finalised transactions. Its net revenue was EUR 5.4 million and operating profit EUR 1.9 million. During the year, Advium acted as advisor to the Boards of Kotipizza Oyj and Pöyry Plc related to public cash tenders made on them, for instance. Advium also acted as advisor to, e.g. Starwood Capital, as it bought more than 2,000 rental apartments from Elo Mutual Pension Insurance and OP Group, and as advisor to the buyer when the Swedish company Peab acquired YIT's paving and mineral aggregates business in Scandinavia.

It is typical of the corporate finance business that clients pay a success fee when the transaction has been carried out. Consequently, the transaction dates of the transactions have a major impact on invoicing, and the net revenue may vary considerably.

Corporate Finance	1–12/2019	1–12/2018	Change
Net revenue, M€	5.4	7.1	-24%
Operating profit, M€	1.9	3.2	-40%
Cost/income ratio, %	64.1	54.7	17%
Personnel as full-time resources	15	14	7%

SINCE 2000 APPROXIMATELY 200 M&A AND REAL ESTATE TRANSACTIONS - VALUE

OVER 15 BN€

Advium acted as the financial advisor to the sellers in the divestment of Picnic Group to a fund managed by Sentica Partners

Mikael Swanljung founded the Picnic café chain in 1991, and led its subsequent growth to become a leading domestic café chain operating over 40 cafés. In addition, the group includes the procurement company Europicninc, established in 1993, as well as the La Torrefazione café chain, the majority of which Picnic acquired in 2016. Throughout the group's history, the Swanljung family has had an active hands-on approach, and they decided to evaluate whether a widened ownership base could further accelerate the development of the group companies.

At first, Advium assisted the Swanljung family in reviewing its available strategic alternatives, and following the review, finding a new majority shareholder was identified as the most attractive alternative. During the sales process that ensued, discussions were held with both domestic and international industrial investors as well as financial sponsors.

Ultimately, private equity investor Sentica Partners, with prior sector experience from e.g. their holding in Kotipizza during 2011–2017, was chosen as the new majority shareholder in the Picnic company group. The due diligence -process took place in the spring of 2019, with binding purchase agreements signed in May 2019. Mikael Swanljung and his family remain as significant minority shareholders in the group, which at the time of the transaction had 49 cafés and net sales of approx. EUR 30 million.

"In 2019, Advium acted as advisor in 12 finalised transactions and acted for instance as financial advisor to the seller in a transaction where the café chains Picnic and La Torrefazione together with the procurement company Europicnic were sold to the private equity investor Sentica Partners."

Niclas Tallberg
Director, Advium Corporate Finance Ltd

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 2019, the operating profit of the Investments segment was EUR 0.8 million, and at the end of the period, the fair value of private equity investments was EUR 16.2 million. Of the market value, 86% has been invested in private equity funds managed by eQ. The amount of the remaining investment commitments was EUR 6.7 million.

During the financial period 2019, the investment objects returned capital for EUR 2.3 million and distributed a profit of EUR 1.8 million. Capital calls totalled EUR 2.4 million. The net cash flow from the investments during the period was EUR 1.7 million.

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

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 private equity investments made from eQ's balance sheet have been presented in section Investments from own balance sheet of the Annual Report.

Key figures

Investments	1–12/2019	1–12/2018	Change
Operating profit, M€	0.8	1.8	-56%
Fair value of investments, M€	16.2	16.9	-4%
Investment commitments, M€	6.7	7.8	-14%
Net cash flow of investments, M€	1.7	3.9	-55%

THE VALUE OF PRIVATE EQUITY FUND INVESTMENTS

16.2 M€

Sustainability

Sustainability is present in all eQ Group's activities

I began working for eQ as Director for Responsible Investment in January 2019. The further development and sharpening of our sustainability approach through concrete and practical activities was our key theme at eQ last year.

The year started off with further development of eQ Group's sustainability strategy. Supported by the company management, we defined four sustainability themes and activities to promote them. The awareness and knowledge of our clients and personnel, above all in environmental and climate change matters, was also an important topic that we wished to enhance and develop.

Satisfied clients and employees steer our improvement efforts across our entire operation. The satisfaction of both our clients and employees towards eQ is once more at an excellent level, and we are very grateful for this.

As a result of the successful sustainability performance taken at Group level, eQ Plc was awarded the international ISS ESG Prime responsibility rating in the autumn of 2019. In recognition of the transparency of sustainability reporting, Nasdaq also awarded eQ with the Nasdaq ESG Transparency Partner certificate in 2019.

Sustainability was also a major topic in eQ Asset Management's investment activities and at Advium. Last year, a special development objective was the further development of the contents of the ESG reports on all our asset classes as well as to begin regular ESG reporting to those who invest in the funds and mandates.

Both the needs of our clients and the annual PRI assessment report (Principles of Responsible Investment) support us in the development of our ways of working to the right direction, even in matters pertaining sustainability. In the latest assessment by PRI, eQ's activities for promoting responsible investments in all our asset classes received very good grades, i.e. from A to A+.

We now publish our Sustainability Report on our own initiative for the third time as part of the Annual Report. For us it is very important to report about sustainability regarding our operations to our stakeholders in an open and transparent manner. But at the moment we are already eagerly focusing on the new year. During the year, we will going to assess our current policies and guidelines towards climate change mitigation and also work with the changes brought about by EU's new regulations on sustainable finance, for instance.

Sustainability is part of all that we do and it develops together with our operations.

Sanna Pietiläinen
Director, Responsible Investment

"Sustainability is a key part of eQ's strategy and investment operations."

Sanna Pietiläinen,
Director, Responsible Investment

Corporate Responsibility Prime
RATED BY ISS ESG

NASDAQ ESG TRANSPARENCY PARTNER
Nasdaq

Sustainability Report 2019

Sustainability and its reporting in eQ Group

Purpose of reporting

eQ Group is a Finnish group of companies that concentrates on asset management and corporate finance business. The parent company eQ Plc's shares are listed on Nasdaq Helsinki.

The Sustainability Report describes eQ Group's role as a responsible actor in relation to its stakeholders and society at large. eQ wishes to ensure the transparency and openness of its operations by regularly and extensively reporting on its sustainability work, both at company level and in its investment operations. Even though eQ Group, based on its size and operations, is not obliged to draw up a non-financial report required by the Finnish Accounting Act, the Board of Directors of eQ Plc has decided to voluntarily report on its sustainability to investors and other major stakeholders. eQ Group's Sustainability Report 2019 has been approved by eQ Plc's Board of Directors and it is published as part of the Annual Report 2019.

This report follows Nasdaq's ESG global reporting guide for public and private companies published in May 2019 (ESG Reporting Guide 2.0 – A Support Resource for Companies) for the parts that are relevant to eQ's operations.

eQ Group's responsible operations and responsible investments

eQ acts in a responsible manner at company level as well as in eQ Asset Management's investment operations and Advium's corporate finance operations.

eQ encourages the companies that it invests in to transparent stakeholder information and the development of sustainability reporting, regardless of the size of the company or regulatory requirements. More information about sustainability, the related principles and other relevant documents can be found on eQ's website.

eQ Group and responsible operations

The year started off with further development of eQ Group's sustainability strategy. The Group, supported by its management, defined four sustainability themes and activities to promote them. Strong corporate governance and high ethical standards are the foundations of eQ's business operations. It is important for us that our clients are satisfied and feel that they get professional service. We promote business operations that are environmentally sustainable. In addition, we do our best to make eQ a good working place so that the best professionals want to work with us.

"eQ wishes to ensure the transparency and openness of its operations by regularly and extensively reporting on its sustainability work, both at company level and in its investment operations."

At Group level, the management team is responsible for sustainability, and the work is conducted in close co-operation with eQ's Director for Responsible Investment. The Board receives annual reports on how sustainability has been carried out within the company.

We provide our employees with continuous training in sustainability matters and engage them in developing operations. Improving the awareness and knowledge of our personnel, above all in environmental and climate matters was a key theme in 2019. Towards the end of the year, we published environmentally friendly guidelines to eQ's employees. We also went through sustainability matters at Advium in the autumn to see how sustainability is carried out in corporate finance processes and discussed about upcoming activities regarding the development of ESG integration. In our induction programme, we engage our new employees in eQ's ways of working and responsible investment.

As a result of the successful sustainability performance at Group level, eQ Plc was given the international ISS ESG Prime responsibility rating in the autumn of 2019. ISS assesses how responsibility matters are carried out by a company with regard to environmental, social and governance aspects. ISS ESG Prime rating is awarded to companies that reach or exceed the criteria for the best ESG practices defined by ISS ESG. eQ Plc was among the best tenth in its sector regarding responsible operations.

In order to promote openness and transparency eQ has already for two years reported key ESG ratios describing operations based on sustainability reporting to the ESG database maintained by Nasdaq. In recognition of this, Nasdaq awarded eQ Plc with the "Nasdaq ESG Transparency Partner" certificate in September 2019.

1. Strong corporate governance and high ethical standards are the foundations of our business, covering for instance

- Adherence to the law and the company's internal instructions, commitments, and ethical principles in all operations
- eQ's open and transparent reporting
- Proactive activities against corruption and bribery as well as money laundering, as well as promoting these activities in the entire sector
- eQ Plc publishes a Sustainability Report

2. Professional customer service

- In accordance with our values, we wish to be a professional, honest, skilled and high performing partner for our clients
- In-depth understanding of customer needs and meeting these needs
- Monitoring customer satisfaction (SFR study, etc.)

3. Promoting business operations that are environmentally sustainable

- We only buy green electricity
- BSAG co-operation, which means that we pay 85% of the management fee of one of our funds to BSAG (in 2019 about EUR 60,000)
- We have minimised the use of plastic materials, we recycle in our premises and prefer public transports and alternative ways of travelling (environmentally friendly guidelines to eQ's employees)
- We provide relevant training regarding environmental matters for our employees

4. The shared belief that our company is a responsible employer which attracts the best talent available

- Equal and diverse work community
- Wellbeing at work and work ability – fitness tests, monitoring the quality of indoor air
- Early support programme
- eQ – enabler of professional development
- Monitoring job satisfaction

Responsible investment at eQ Asset Management

eQ Asset Management has for several years acted as an active forerunner for responsible investment. We have signed the United Nations' Principles for Responsible Investment (PRI) in 2010. We promote responsible investment at the Finnish Venture Capital Association, Invest Europe and Rakli. In addition, we are an active member of Finsif (Finland's Sustainable Investment Forum) and have signed CDP's Climate Change programme.

Sustainability is a key element in investment operations and their processes. eQ has no separate policy for responsible investment, as ESG is part of all investment operations. In practice this means that sustainability matters are taken into consideration in the selection and portfolio management of the investments as well as in reporting in all asset classes. eQ's Director for Responsible Investment is responsible for this work. Each investment team also has a dedicated person who has deeper knowledge of responsible investments. In addition to these persons, we believe that it is of utmost importance that all our portfolio managers and analysts understand, recognise and take into account the potential sustainability risks and opportunities pertaining to investments. This is something that cannot be outsourced.

We regularly report to PRI (UN's Principles for Responsible Investment) on sustainability in our investment processes, our concrete impact activities in the investments and our development initiatives regarding our responsible investment approach and processes. The table below shows the ratings for our PRI reporting in 2019.

Reported areas	eQ Asset Management's result in 2019	Median of respondents
Strategy and Governance	A	A
Private Equity	A+	A
Listed Equity – Incorporation of ESG	A	B
Listed Equity – Active Ownership	A	B
Property	A	B

PRI reporting scale E to A+

In the following chapters, we briefly present the most important events concerning ESG matters during the year in our all asset classes.

Continuous development of ESG reporting on equity and fixed income investments and regular ESG reporting

Including sustainability matters in equity and bond investments is very down to earth and part of the portfolio manager's day-to-day work when selecting investments and managing funds. Our aim is an excellent long-term return. Responsible and sustainable operations are fully in line with this goal, and that is why ESG analysis is a key element in the investment processes of all our funds. We influence our investments actively in questions pertaining to sustainability by having a direct dialogue with companies. During the period 1 Jan 2019 to 31 Dec 2019 we made altogether 97 engagement activities in our equity and fixed income funds in the following areas: 32 within governance, 51 regarding the availability of the sustainability report and 14 regarding the follow-up of a verified violation of a norm (ISS-Ethix).

One of the most important areas is the availability of the sustainability reporting, where we have for years actively encouraged companies to better transparency. In practice, we go through all our investments with the ESG metrics that we have selected. Since 2018, our own sustainability assessment work has been supported by ISS-Ethix, which monitors the contents of our funds quarterly to detect any violations of the UN's Global Compact principles. This information is used actively in the interaction with companies, and in all serious violations, we will launch a separate follow-up process of our own in order to find out if the investment is still in line with our responsibility principles for long-term ownership. The number of serious violations has remained very low in 2019, and is limited to a few companies world-wide.

A special development object in 2019 was further development of the contents of our ESG report on equity and fixed income investments. In addition, we started to publish ESG reports for individual funds on eQ's website.

Towards the end of 2018, eQ launched co-operation with Baltic Sea Action Group (BSAG), which means that eQ pays 85% of the management fee of the BSAG share series in the eQ Blue Planet Fund to BSAG. At the end of 2019, the annual support was approximately EUR 60,000. Sustainability and the climate change were prominent themes in both our client seminars and the internal training of our employees last year. The client seminar that we arranged in spring had climate change and BSAG's research and development work for protecting the Baltic Sea on its agenda. This subject was further examined in our autumn seminar. Johan Schmidt (Baltic Sea Action Group), Antti Vihavainen (Puro.earth) and Antero Vartia (Compensate foundation) participated in the seminar to discuss the activities and mechanisms we need of different actors, such as companies and consumers, in the fight against climate change. Our ESG experts have also been active on several domestic and international forums in order to promote the distribution of information based on best sustainability practices.

In real estate asset management concrete activities for promoting sustainability

The real estate business has an important and multi-dimensional impact on society and our living environment.

When a property is purchased, the necessary due diligences always comprise sustainability matters. They go through matters related to soil, energy efficiency and background information about the main tenant, for instance. We also thoroughly assess sustainable forms of transport, the location of the potential investment target with regard to public transport and the management of life cycle costs. During the ownership period, activities are taken in both separate properties and the operating models and processes of the funds in order to promote sustainability (e.g. BREEAM In-Use certifications as well as the development of reporting regarding energy, water and waste and its use in the co-operation with tenants). Carrying out and developing responsible operations is part of the day-to-day work of every member of our real estate team.

In 2019, taking into account and developing sustainability had a major role both in property development and construction and in the management of existing properties and seeing to the needs of the tenants. The real estate funds of eQ Asset Management participated for the first time in the GRESB (Global Real Estate Sustainability Benchmark) assessment of sustainable properties. The results that we get through GRESB will help us identify and prioritise development areas related to sustainable operations and build a strong foundation for systematic development of sustainability in our real estate investments. In 2019, we also joined the TETS programme (energy efficiency agreement of the real estate sector), continued with the development of stakeholder engagements (e.g. tenant satisfaction surveys and the integration of ESG recommendations in new leases) and improved the documentation processes of information pertaining to the energy management of real estate targets.

In our choices we try to find as low-carbon alternatives as possible. The investment targets of both the Finnish Real Estate Fund and Care Fund have used renewable electricity based on wind power since the beginning of 2018. In addition, we always evaluate the possibilities of using geothermal and solar energy in our new real estate targets. Towards the end of 2019, a school centre that we built in Lauttasaari was completed (primary school for about 600 pupils and nursery for 300 children) and delivered to the city of Helsinki. This is the first own developer contracting of our real estate funds. The school centre is completely carbon neutral during its use. The heating and cooling energy used by the centre is produced with geothermal energy, and the object also uses solar panels. A comprehensive system monitoring the quality of the indoor air has also been installed in the school centre.

We are committed to constantly developing our sustainability. We feel that eQ Asset Management is a so-called “permanent owner”, which requires of us sustainable long-term solutions regarding both our own processes and our real estate investment targets.

Sustainability development in the processes of private equity companies

We have also incorporated ESG (environment, social, governance) systematically throughout our private equity investment process including fund selection, portfolio management as well as reporting and communication. The investment team together with eQ´s Director for Responsible Investment are responsible for the analysis and its development. We believe that ESG analysis and the conclusions from it cannot be outsourced.

During the fund selection phase, we scrutinize the prospective fund manager’s ESG policy and overall commitment to sustainability. Concretely, we evaluate relevant ESG checklists, tools for monitoring investments and ESG reporting. We feel that is also important to include matters related to ESG to the legal documentation of the possible investee fund. Sustainability always influence our investment decision.

The sustainability of investee funds is also assessed and monitored continuously with, e.g. a regular inquiry sent to the investee funds and in discussions with them. In connection with each quarterly report sent to investors, eQ produces an assessment of the status of each investee fund regarding ESG performance as well as of the ESG events related to the fund.

A systematic and disciplined ESG approach has been a key element across eQ private equity’s investment activities for many years. The recognition for this long-term ESG work is that eQ private equity received the highest rating A+ in 2019 in PRI assessment (UN Principles for Responsible Investment).

“eQ Asset Management has for several years acted as an active forerunner for responsible investment.”

Environmental Responsibility

The business operations of eQ Group have relatively low direct environmental impacts. Energy consumption is mainly related to the energy consumption of the premises. From the beginning of 2018, companies in eQ Group began using only renewable energy for their own electricity consumption. eQ's premises are modern and exploit technological solutions that promote energy efficiency. The premises have been rented. Consequently, the heat and water consumption as well as the air conditioning (district cooling) is included in the rent, and consumption data regarding them are not available from the lessor. The quality of the indoor air is also an important consideration with regard to the health and wellbeing of our employees. For this end, eQ purchased in the spring of 2019 a system that monitors the quality of indoor air (temperature, humidity, CO_2, fine particles) to the offices.

eQ encourages its employees to use public transport and other alternative ways of travelling. The employees are offered a travel ticket as employee benefit and part of the overall salary, and the employees also have access to eQ's joint public transport travel cards when travelling in the near-by area during the working day. eQ is at the moment studying the possibility of including city cycling in the travel cards for the summer period 2020. The company prefers direct flights, and when possible negotiations are conducted with remote negotiation technologies. eQ also began reporting the CO_2 emissions related to the work-connected flights of our employees at the beginning of 2019.

The lessor of the premises used by eQ is responsible for waste management. eQ takes care of the sorting and recycling of the office waste produced on its premises. In 2019, special attention was paid to reducing the amount of waste and increasing recycling. Key activities were the drawing up of environmentally friendly guidelines to eQ's employees and arranging training on them, going over to double-sided printing, removing individual waste bins for mixed waste and the reassessment of the present sorting containers, giving up plastic bottles and the use of recyclable and permanent tableware. In 2019, eQ has also started to report on the consumption of paper at its premises. eQ has not been engaged in legal proceedings or demands concerning environmental accidents. Climate change mitigation is an important theme both at eQ and in our investment operations. Even though eQ Group has no separate climate change policy, the theme is prominent in the investment decision processes of all our asset classes. Due to the importance and topical nature of the theme we will go through our policies regarding the mitigation of climate change in 2020.

Own energy consumption of the organisation

	2019	2018	2017
Electricity consumption, kwh	100,396	107,235	106,527
Origin of electricity:			
Share of renewable energy, %	100%	100%	25%
Share of nuclear power, %	0%	0%	42%
Share of fossil fuels, %	0%	0%	33%
Specific carbon dioxide emissions of electricity, g/kwh	0	0	198
Nuclear fuel used in electricity, mg/kwh	0.0	0.0	1.2
Carbon dioxide emissions of electricity, total, kg	0	0	21,092
Carbon dioxide emissions of electricity per net revenue, g/EUR	0.00	0.00	0.52
Electricity consumption per rented office square metre, kwh	60	64	64
Electricity consumption per person, kwh	1,128	1,254	1,268

Other environmental responsibilities

	2019	2018	2017
Other indirect greenhouse gas emissions			
Travelling by air, CO_2 emissions, kg	42,455	70,396	75,786
Use of material			
Paper consumption, total, kg	1,985	1,950	1,555
Paper consumption, kg per person	22	23	19

The table shows an assessment of the carbon dioxide emissions of air travel and paper consumption.

Social Responsibility

eQ as employer

The aim of eQ Group is to act as a responsible employer. The personnel is eQ's most important resource, as professional and committed employees are the key to the success of the clients and eQ.

The Group personnel's commitment and satisfaction are at an excellent level. The results of the annually conducted study on well-being at work were excellent in 2019 as well. The study deals with the personnel's commitment, well-being at work, satisfaction with the work community and the work of the superior. On a scale from 1 to 5, job satisfaction and well-being at work received the score 4.4 (2018: 4.3). According to the study, the employees also recommend eQ Group as employer. The eNPS value that describes this was very high at 59 (on a scale from -100 to +100, where 0 to +20 is good, over 20 excellent and over 40 a top result). The response rate was also high at 91.8%. The personnel study is one of eQ's most important tools for developing internal working methods and the quality of managerial work.

eQ invests in the well-being of its personnel by offering extensive occupational health care, exercise benefit vouchers and other welfare services, for instance. The emphasis of occupational health care lies strongly on preventive measures.

Development discussions are conducted with the entire personnel in all Group companies. The discussions are conducted at least once a year and they assess the performance of the previous period and set goals for the following one as well as assess, e.g. the need to develop the employee, managerial work and the work community.

eQ's employees may participate in training offered by the employer and partners or study independently. The Group is favourably disposed to studies at the employees' own initiative. Study leaves are granted and studies are supported with different work arrangements.

Calculated as full-time resources, eQ Group had 89 employees at the end of 2019 (2018: 86). When calculating full-time resources, part-time employees and those on parental and study leave have been included. Altogether 92 persons had an employment relationship with eQ (2018: 91), and four of them worked part-time (2018: 6). Part-time employees are used in seasonal tasks or projects.

Of the personnel, 36% were women (2018: 38%) and 64% men (2018: 62%). The average age of the personnel was 41.3 years (2018: 40.9), and the employee turnover in 2019 was 9.3% (2018: 8.8%). In 2019, the average sick leave of the personnel was 2.8 days per person (2018: 1.9) and there was 1 occupational accident (2018: 2).

Equal pay between genders

eQ Group pays the same salary to employees for the same or similar work regardless of gender. Similar in this respect means that the central requirements, expertise, responsibility, work load and working conditions are on the same level. The job title is not decisive. Instead, the remuneration system is based on how demanding the work is.

Personnel

	2019	2018	2017
Personnel as full-time resources	89	86	84
Permanent employment relationship	88	85	83
Temporary employment relationship	4	6	6
Employment relationship, total	92	91	89
Share of temporary employees, %	4.3%	6.6%	6.7%
Full-time, total	89	86	83
Part-time, total	3	5	6
Age and gender distribution, no.			
18–30 years total, (F/M)	15 (4/11)	17 (6/11)	19 (4/15)
31–40 years total, (F/M)	34 (14/20)	31 (10/21)	30 (11/19)
41–50 years total, (F/M)	17 (7/10)	19 (8/11)	18 (8/10)
51–60 years total, (F/M)	25 (14/11)	22 (11/11)	20 (9/11)
61– years total, (F/M)	1 (-/1)	2 (-/2)	2 (-/2)
Total	92 (39/53)	91 (35/56)	89 (32/57)
Average age of employees, years	41.3	40.9	39.8
Employment relationships based on gender, no. and %			
Women	32, 36%	32, 36%	32, 36%
Men	32, 36%	32, 36%	57, 64%
Employee turnover (%)	9.3%	8.8%	8.4%
Sick leaves during the year, day per person	2.8	1.9	2.3
Registered accidents	1	2	1

NUMBER OF PERSONNEL
89

SATISFACTION AND WELL-BEING AT WORK
4.4
(SCALE 1–5)

Equality

Equality, justice, and non-discrimination are important principles for eQ Group. eQ has drawn up an equality plan, which comprises the measures for promoting equality and the agreed follow-up measures. The plan is assessed and updated on a regular basis and covers all Group companies. The plan is available to all employees of eQ Group on the Group's website.

Health and Safety Policy

eQ Group has drawn up a policy for promoting health and safety at work and for maintaining the working capacity of the employees. It covers the needs to develop working conditions as well as the impacts and development needs of factors related to the work environment. The policy is available to all employees of eQ Group on the Group's website.

Principles related to human rights violation and child labour

eQ Group has not drawn up separate principles related to human rights violations or child labour. All operations of the Group are located in Finland, at one single office. Therefore the Group can monitor operating practices related to the employees in a reliable manner.

Board diversity

The Board's aim is to promote the diversity of the Board's composition for its part. When assessing diversity, the Board takes into consideration, for instance the age and gender of the directors, their education and professional experience, individual characteristics and experience that is essential with regard to the task and the company operations. eQ Plc has defined as goal regarding the equal representation of gender on the Board 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 the goal.

During the financial period 2019, eQ Plc's Board met the preconditions set for the company diversity, including the goal of having representatives of both genders on the Board. The following persons were on eQ Plc's Board of Directors during the financial period 2019 from the Annual General Meeting: Georg Ehrnrooth (Chairman), Nicholas Berner, Timo Kokkila, Lotta Kopra and Tomas von Rettig. The directors have versatile experience from sectors that are of importance to the company, such as the investment and finance sector and the real estate sector. In addition, the diverse work experience and education of the directors as well as their international experience complement each other. eQ Plc's Annual General Meeting elects the directors.

The Board of Directors of the company has monitored diversity issued in the company during the financial period 2019.

Diversity of the Board of Directors in 2019:

Directors, total	5	100%
Female	1	20%
Male	4	80%
Board members who are independent of the company	5	100%
Board members who are independent of the major shareholders	3	60%

Governance

Board – separation of powers and transparent practices

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 Janary 2020. The entire Code is publicly available on the website of the Securities Market Association at (www.cgfinland.fi). eQ Plc draws up annually a Corporate Governance Statement required by the Corporate Governance Code separately from the report by the Board of Directors. The Corporate Governance Statement and other information that shall be disclosed 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/en/about-eq-group).

According to the Board of Directors' charter, the CEO of the company or other persons employed by the company may not be elected to eQ Plc's Board.

The Board's charter, the minutes of meetings and other documents on Board operations are not publicly available. The company discloses information about events that concern the Group in accordance with valid legislation and the company's disclosure policy. The company's disclosure policy is available on eQ's website.

Remuneration

eQ's remuneration system is based on the strategy and long-term goals defined by the Board, and it is one of the major tools used for reaching the Group's long-term and short-term strategic goals. The remuneration system contributes to good, efficient and comprehensive risk management within eQ Group and prevents above all detrimental risk-taking. The aim of comprehensive risk management is to take into consideration the goals, values and interests of the Group companies, funds under management and the investors, for instance. The remuneration of the company management is not separately dependent on meeting certain ESG criteria.

eQ Group's remuneration principles can be found on eQ's website (www.eq.fi/en/about-eq-group/hallinnointi/palkitsemisperiaatteet). eQ Plc publishes a Remuneration Statement annually at the same time as the Annual Report. The Remuneration Statement for 2019 has been drawn up in accordance of the Corporate Governance Code for listed companies that entered into force on 1 Janary 2020 and the transitional provisions included in it, and the Board of Directors has reviewed it on 5 February 2020. eQ Plc's Remuneration Statement is available on eQ's website (www.eq.fi/en/about-eq-group/hallinnointi/palkka-ja-palkkioselvitys).

Application of collective labour market agreements

No collective agreements are applicable to eQ Group's employees, nor are they covered by the universally applicable collective agreement in Finland.

Code of Conduct

eQ has drawn up a Code of Conduct for the Group. eQ Plc's Board of Directors has reviewed and approved the Code, which define eQ's common principles for ethical operations. eQ Group has deemed that it does not need a separate supplier code of conduct due to the low number of suppliers and their insignificance. Guidelines on bribery and anti-corruption are included in eQ Group's Code of Conduct, which states that it is prohibited to issue any improper payments or advantages in business operations. According to eQ's Code of Conduct, all operations that encourage to improper acts or the misuse of a person's position are regarding as giving or taking of bribes. In addition to monetary bribes, gifts, hospitality, credits, discounts, trips, personal advantages, accommodation and services may be regarded as unreasonable or improper advantages.

In addition to offering gifts, the reception or acceptance or unreasonable or improper advantages is forbidden at eQ. It is also forbidden to strive for personal advantage through customer relations. A customer relation has been established between eQ and the customer.

When giving gifts, remembering anniversaries and offering hospitability, the Group takes into account the guidelines on bribery and anti-corruption and in addition, the restrictions and principles for bribery of the receiving person or organisation and respects them. Additionally, the person's superior must always accept the giving and receiving of any gifts and hospitability.

The Code of Conduct is available to all employees of eQ Group on the Group's website.

Tax transparency

As part of this Sustainability Report, eQ reports its financial impact on society in form of taxes and charges of tax-like nature. Transparent reporting is part of responsible operations and governance. eQ Group does not have a separate tax strategy approved by the Board. The Group pays its taxes to Finland.

eQ Group is a major tax payer. In 2019, the income tax for eQ's taxable profit paid in Finland totalled EUR 5.3 million (2018: EUR 4.7 million). The Group's effective tax rate was 20.2% (2018: 20.8%).

As employer, eQ pays charges related to pension, unemployment and social security and remits the withholding made from the salaries to the tax authorities. The charges of tax-like nature related to the personnel that eQ Group paid in 2019 totalled EUR 3.0 million (2018: EUR 2.8 million).The withholdings that eQ made from the salaries amounted to EUR 5.9 million (2018: EUR 5.3 million) and the other tax-like charges totalled EUR 1.3 million (2018: EUR 1.1 million).

The value-added tax remitted by eQ Group in 2019 totalled EUR 1.5 million (2018: EUR 0.8 million). In addition, part of the value-added tax included in purchases is paid by eQ, as the operations are partly exempted from VAT.

The taxes withdrawn from the dividend and equity repayment that eQ Plc paid in 2019 totalled EUR 1.1 million (2018: EUR 1.0 million).

eQ has not received any public subsidies for its operations.

Taxes, EUR 1,000	2019	2018	2017
Taxes paid			
Income tax, Finland	5,306	4,679	4,220
Effective tax rate	20.2%	20.8%	20.9%
Charges of tax-like nature payable by the employer (employee pension, social security and unemployment charges)	2,960	2,770	2,451
Taxes remitted			
Withdrawal from salaries, Finland	5,901	5,267	4,507
Charges of tax-like nature payable by the employee			
(employee pension, unemployment charges)	1,308	1,106	884
Value-added tax paid, Finland	1,503	768	871
Tax withdrawn from dividend and equity repayment, Finland	1,061	976	994

External validation of the report

This report has not been validated by an external party.

The Firm of Authorised Public Accountants KPMG Oy Ab has audited eQ Plc's financial statement for the financial period 1 January to 31 Decmber 2019. eQ Plc's Board and CEO are responsible for the other information in the Annual Report. This report is included in eQ's Annual Report and treated as "other information", as defined in the Auditors' Report. Even though the auditors do not audit other information, they have in their report assessed whether the other information essentially conflicts with the financial statement and information obtained by the auditors or if it otherwise seems to be incorrect for essential parts.

Report by the Board of Directors

Report by the Board of Directors 1 Janary to 31 Decmber 2019

Operating environment

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

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

As for economic growth, the year was sluggish, although more positive than feared. The strongest growth was still seen in China, which reported growth of approximately 6%. Growth in the US is estimated as a little over 2% and in the euro zone and Finland between 1 and 1.5%. Inflation accelerated somewhat globally owing to the continuing rise in oil prices and the increase in food prices in China, for instance.

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

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

Major events during the financial period

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

eQ Plc's Annual General Meeting was held on 25 March 2019. Nicolas Berner, Georg Ehrnrooth, and Timo Kokkila were re-elected to the Board. New members of the Board were Lotta Kopra and Tomas von Rettig. Georg Ehrnrooth continues as Chairman of the Board.

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

Group net revenue and result development

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

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

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

Business areas

Asset Management

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

Mutual funds and asset management

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

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

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

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

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

Private Equity

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

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

During the last stages of a private equity fund's life cycle, performance fees may be of considerable importance to the management company, and therefore we have presented additional information on eQ's present funds as part of the annual report.

Real estate investments

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

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

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

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

Assets under management and clients

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

Result of the Asset Management segment

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

Asset Management	1–12/2019	1–12/2018	Change
Net revenue, M€	44.3	36.7	21%
Operating profit, M€	25.4	19.5	30%
Assets under management, € billion	11.7	9.5	23%
Cost/income ratio, %	42.7	46.9	-9%
Personnel as full-time resources	69	67	3%

Fee and commission income, M€	1–12/2019	1–12/2018	Change
Management fees from traditional asset management	8.0	8.6	-7%
Real estate and private equity management fees	32.1	25.5	26%
Other fee and commission income	0.3	0.3	-12%
Performance fees	4.4	2.7	63%
Total	44.7	37.1	21%

Corporate Finance

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

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

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

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

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

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

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

Result of the Corporate Finance segment

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

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

Corporate Finance	1–12/2019	1–12/2018	Change
Net revenue, M€	5.4	7.1	-24%
Operating profit, M€	1.9	3.2	-40%
Cost/income ratio, %, %	64.1	54.7	17%
Personnel as full-time resources	15	14	7%

Investments

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

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

During the period, the investment objects returned capital for EUR 2.3 million (EUR 4.0 million from 1 Jan to 31 Dec 2018) and distributed a profit of EUR 1.8 million (EUR 1.9 million). Capital calls totalled EUR 2.4 million (EUR

2.0 million). The net cash flow from investments during the period was EUR 1.7 million (EUR 3.9 million). The value changes of the private equity fund investments recognised through profit or loss and permanent losses were EUR -0.8 million during the period (EUR 0.1 million). The Group's internal management fee expenses, which are included in the result of the Investments segment, totalled EUR 0.2 million (EUR 0.2 million).

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

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

Investments	1–12/2019	1–12/2018	Change
Operating profit, M€	0.8	1.8	-56%
Fair value of investments, M€	16.2	16.9	-4%
Investment commitments, M€	6.7	7.8	-14%
Net cash flow of investments, M€	1.7	3.9	-55%

Balance sheet and capital adequacy

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

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

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

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

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

Capital adequacy, 1,000 EUR

	CRR 31 Dec2019 eQ Group	CRR 31 Dec2018 eQ Group
Equity	65,117	62,249
Common equity tier 1 (CET 1) before deductions	65,117	62,249
Deductions from CET 1		
Intangible assets	-29,465	-29,446
Unconfirmed profit for the period	-21,035	-17,799
Dividend proposal by the Board*	-2,715	-2,563
Common equity tier 1 (CET1)	11,901	12,441
Additional tier 1 (AT1)	0	0
Tier 1 (T1 = CET1 + AT1)	11,901	12,441
Tier 2 (T2)	0	0
Total capital (TC = T1 + T2)	11,901	12,441
Risk-weighted items total – Total risk exposure	53,499	128,956
of which credit risk	48,183	48,464
of which market risk - currency risk	5,316	4,576
of which operational risk	n/a	75,916
Common equity tier 1 (CET1) / risk weights, %	22.2%	9.6%
Tier 1 (T1) / risk weights, %	22.2%	9.6%
Total capital (TC) / risk weights, %	22.2%	9.6%

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

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, for instance. On the other hand, the management fees of private equity funds are based on long-term agreements that produce a stable cash flow. The realisation of the performance fee income that is dependent on the success of the investment operations also influences result development. The performance fees of the asset management operations may consist of performance fees paid by mutual funds and real estate funds, profit shares that private equity funds pay to the management company, and performance fees from asset management portfolios. Performance fees may vary considerably by quarter and financial period.

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

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

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 fund 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

At eQ Plc's Annual General Meeting held on 25 March 2019 Nicolas Berner, Georg Ehrnrooth, and Timo Kokkila were re-elected to the Board. New members of the Board were Lotta Kopra and Tomas von Rettig. The Board elected Georg Ehrnrooth Chairman of the Board at its constituent meeting. eQ Plc's Board had nine meetings during the financial period 2019, average attendance being 96%.

During the financial period 2019, eQ Group's Management Team has consisted of the following persons:

- Janne Larma, CEO of eQ Plc
- Staffan Jåfs, eQ Asset Management Ltd, Director, 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 Marcus Tötterman, APA, as auditor with main responsibility.

Personnel

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

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

Loans to related parties

eQ Plc's receivables from related parties have been described in further detail in Note 32 to the Financial Statements.

eQ Plc's share

Authorisations

On 25 March 2019, the AGM authorised the Board of Directors to decide on a share issue or share issues and/or the issuance of special rights entitling to shares referred to in Chapter 10 Section 1 of the Limited Liability Companies Act, in one or several transactions, comprising a maximum total of 5,000,000 new shares. The amount of the authorisation corresponded to approximately 13.26% of all shares in the company on the date of the notice of the AGM. The authorisation can be used in order to finance or carry out potential acquisitions or other business transactions, to strengthen the balance sheet and the financial position of the company, to carry out the company's incentive schemes or for any other purposes decided by the Board. Based on the authorisation, the Board shall decide on all matters related to the issuance of shares and special rights entitling to shares referred to in Chapter 10 Section 1 of the Limited Liability Companies Act, including the recipients of the shares or the special rights entitling to shares and the amount of the consideration to be paid. Therefore, based on the authorisation, shares or special rights entitling to shares may also be issued to certain persons, i.e. in deviation of the shareholders' pre-emptive rights as described in said Act. A share issue may also be executed without payment in accordance with the preconditions set out in the Limited Liability Companies Act. The authorisation cancels all previous corresponding authorisations and is effective until the next AGM, no longer than 18 months, however.

Shares and share capital

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

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

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

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

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

Option rights

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

Option scheme 2015:

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

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

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

Option scheme 2018:

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

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

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

Own shares

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

Shareholders

Major shareholders	Number of shares	% of votes and shares
Fennogens Investments S.A.	7,943,137	20.74%
Chilla Capital S.A.	5,945,275	15.52%
Anchor Oy Ab	5,803,677	15.15%
Teamet Oy	4,100,000	10.70%
Oy Cevante Ab	1,419,063	3.70%
Fazer Jan Peter	1,298,306	3.39%
Lavventura Oy	650,000	1.70%
Linnalex Ab	631,652	1.65%
Procurator-Holding Oy	623,892	1.63%
Pinomonte Ab	529,981	1.38%
Umo Invest Oy	414,240	1.08%
Leppä Jukka-Pekka	325,000	0.85%
Sever Match Oy	240,000	0.63%
Leenos Oy	223,657	0.58%
Louko Antti Jaakko	215,000	0.56%
Liikesivistysrahaston Kannatusyhdistys R.Y.	201,800	0.53%
Mononen Matti	180,000	0.47%
Johansson Ole Henrik	150,000	0.39%
Viskari Jyri	150,000	0.39%
Lund Dick Peter	147,285	0.38%
Others	7,115,233	18.57%
Total	38,307,198	100.00%

The information is based on the situation in the shareholders' register kept by Euroclear Finland Ltd on 31 Decmber 2019.

Ownership structure by sector on 31 Decmber 2019

	Number of shares	% of votes and shares
Corporations	15,722,801	41.04%
Financial and insurance institutions	609,084	1.59%
Public sector entities	61,823	0.16%
Households	7,591,483	19.82%
Foreign	13,916,215	36.33%
Others*	405,792	1.06%
Total	38,307,198	100.00%

* The item Others comprises non-profit organisations.

Ownership structure according to number of shares held

No. of shares per shareholder	Number of shareholders	Share of shareholders, %
1–100	2,162	36.37%
101–500	2,101	35.34%
501–1,000	730	12.28%
1,001–5,000	742	12.48%
5,001–10,000	93	1.56%
10,001–50,000	74	1.24%
50,001–100,000	19	0.32%
100,001–500,000	14	0.24%
500,001–	10	0.17%
Total	5,945	100.00%

No. of shares per shareholder	Number of shares	Share of shareholders, %
1–100	97,952	0.26%
101–500	568,783	1.48%
501–1,000	575,350	1.50%
1,001–5,000	1,619,720	4.23%
5,001–10,000	685,455	1.79%
10,001–50,000	1,543,534	4.03%
50,001–100,000	1,416,069	3.70%
100,001–500,000	2,855,352	7.45%
500,001–	28,944,983	75.56%
Total	38,307,198	100.00%

Nominee-registered shares

Of the company shares, 336,375 were nominee-registered, representing 0.88% of the votes and shares.

Other information on the share

The following information on the company share is found in the Notes to the Financial Statements: 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 on 1 Janary 2020. 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 Decmber 2019 totalled EUR 47,183,575.62. The sum consisted of retained earnings of EUR 22,555,581.38 and the means in the reserve of invested unrestricted equity of EUR 24,627,994.24.

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

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

Events after the financial period

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

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

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

Outlook

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

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

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

Helsinki, 5 February 2020

eQ Plc
Board of Directors

Consolidated key ratios

1,000 EUR	2019	2018	2017	2016	2015
INCOME STATEMENT					
Fee and commission income, net	49,505	43,571	38,938	33,221	28,472
Net income from financial assets	1,132	1,794	1,738	2,194	2,061
Net revenue	50,614	45,367	40,680	35,418	30,520
Operating profit (loss)	26,292	22,450	20,121	16,227	13,225
% of net revenue	51.9	49.5	49.5	45.8	43.3
Profit (loss) for the period	21,035	17,799	15,922	12,832	10,470
BALANCE SHEET					
Claims on credit institutions and liquid assets	22,375	15,848	14,629	6,626	16,623
Financial assets	26,112	26,777	28,857	29,286	27,498
Intangible and tangible assets	29,726	29,748	29,740	29,823	30,354
Other assets and receivables	7,205	5,837	3,584	10,443	6,421
Total assets	85,418	78,211	76,810	76,177	80,896
Total equity	65,117	62,249	62,661	64,511	70,001
Liabilities	20,301	15,962	14,149	11,666	10,895
Total liabilities and equity	85,418	78,211	76,810	76,177	80,896

1,000 EUR	2019	2018	2017	2016	2015
PROFITABILITY AND OTHER KEY RATIOS					
Return on investment, ROI % p.a.	32.4	28.5	25.0	19.1	14.2
Return on equity, ROE % p.a.	33.0	28.5	25.0	19.1	14.2
Equity to assets ratio, %	76.2	79.6	81.6	84.7	86.5
Gearing, %	-45.7	-41.3	-39.4	-25.9	-31.0
Cost/income ratio, %					
Group	48.1	50.5	50.5	53.0	55.1
Asset Management	42.7	46.9	46.8	51.6	53.5
Corporate Finance	64.1	54.7	61.7	52.7	51.8
Private equity fund investments to equity ratio, %	24.8	27.2	30.0	29.8	32.1
Private equity fund investments and remaining commitments to equity ratio, %	35.2	39.7	44.2	47.1	46.8
Number of personnel as full-time resources at the end of the period	89	86	84	80	76
Number of personnel as full-time resources, average	88	85	81	79	76

1,000 EUR	2019	2018	2017	2016	2015
SHARE-RELATED KEY RATIOS					
Earnings per average share, EUR	0.55	0.47	0.43	0.35	0.29
Diluted earnings per average share, EUR	0.51	0.45	0.40	0.33	0.28
Equity per share, EUR	1.70	1.65	1.67	1.75	1.91
Equity per average share, EUR[1]	1.71	1.66	1.68	1.75	1.91
Dividend, EUR 1,000[2]	21,069	17,722	16,128	12,942	11,018
Dividend per share[2]	0.55	0.47	0.43	0.35	0.30
Dividend per earnings, %[2]	100.0	100.0	100.0	100.0	103.4
Repayment of equity, EUR 1,000[3]	2,682	2,640	2,626	5,547	7,345
Repayment of equity per share[3]	0.07	0.07	0.07	0.15	0.20
Dividend and repayment of equity, total, EUR 1,000	23,750	20,362	18,754	18,489	18,364
Dividend and repayment of equity, total per share	0.62	0.54	0.50	0.50	0.50
Effective dividend and equity repayment yield, %	5.0	7.1	6.0	6.2	7.7
Price/earnings ratio, P/E	22.6	16.2	19.3	23.2	22.4
Adjusted share price development, EUR					
Average price	9.61	8.59	8.12	6.38	5.19
Highest price	13.15	9.36	8.65	8.21	6.69
Lowest price	7.72	7.60	7.42	5.28	3.94
Closing price	12.45	7.60	8.30	8.11	6.50
Market capitalisation, EUR 1,000	476,925	286,575	311,310	299,885	238,727
Share turnover, 1,000 shares	1,616	5,444	1,951	7,224	8,744
% of total number of shares	4.2	14.5	5.2	19.6	23.8
Share turnover, EUR 1,000	15,926	45,378	15,836	43,816	45,833
Adjusted number of shares, 1,000 shares					
Average during the year	38,044	37,607	37,289	36,798	36,727
At the end of the year	38,307	37,707	37,507	36,977	36,727

[1] Weighted average number of shares outstanding during the period

[2] The Board's dividend proposal

[3] The Board's proposal for repayment of equity from the reserve for invested unrestricted equity

Calculation of Key Ratios

RETURN ON INVESTMENT, ROI (%)

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

RETURN ON EQUITY, ROE (%)

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

EQUITY TO ASSETS RATIO (%)

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

GEARING (%)

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

COST/INCOME RATIO (%)

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

PRIVATE EQUITY FUND INVESTMENTS TO EQUITY RATIO (%)

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

PRIVATE EQUITY FUND INVESTMENTS AND REMAINING COMMITMENTS TO EQUITY RATIO (%)

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

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 (%)

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

REPAYMENT OF EQUITY PER SHARE

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

EFFECTIVE DIVIDEND AND EQUITY REPAYMENT YIELD (%)

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

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 Decx closing price on 31 Dec

SHARE TURNOVER (%)

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

Financial Statements 2019

Consolidated Income Statement

EUR 1,000	Note	2019	2018
Fee and commission income	5	49,933	43,971
Interest income	6	4	3
Net income from financial assets	7	1,132	1,794
Operating income, total		51,069	45,768
Fee and commission expenses	8	-428	-400
Interest expenses	9	-26	-1
NET REVENUE		50,614	45,367
Administrative expenses	10		
Personnel expenses		-19,758	-18,327
Other administrative expenses		-2,185	-2,234
Depreciation on tangible and intangible assets	11	-219	-216
Depreciation on leases	11	-749	-
Other operating expenses	12	-1,411	-2,141
OPERATING PROFIT (LOSS)		26,292	22,450
PROFIT (LOSS) BEFORE TAXES		26,292	22,450
Income tax	13	-5,257	-4,651
PROFIT (LOSS) FOR THE PERIOD		21,035	17,799

Consolidated statement of comprehensive income

EUR 1,000	Note	2019	2018
Other comprehensive income:		-	-
Other comprehensive income after taxes		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		21,035	17,799
Profit for the period attributable to:			
Equity holders of the parent company		21,035	17,799
Non-controlling interest		-	-
Comprehensive income for the period attributable to:			
Equity holders of the parent company		21,035	17,799
Non-controlling interest		-	-
Earnings per share calculated from the profit of equity holders of the parent company:	14		
Earnings per average share, EUR		0.55	0.47
Diluted earnings per average share, EUR		0.51	0.45

Consolidated Balance Sheet

EUR 1,000	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Liquid assets		72	48
Claims on credit institutions	15	22,303	15,800
Financial assets	16, 25–28		
Financial securities		9,956	9,869
Private equity fund investments		16,156	16,909
Intangible assets	17		
Goodwill and brands		29,212	29,212
Other intangible assets		253	233
Tangible assets	17	261	303
Leases	18	2,433	-
Other assets	19	4,151	5,087
Accruals and prepaid expenditure	20	528	602
Income tax receivables		58	148
Deferred tax assets	21	34	-
TOTAL ASSETS		85,418	78,211

EUR 1,000	Note	31 Dec 2019	31 Dec 2018
LIABILITIES AND EQUITY			
LIABILITIES			
Other liabilities	22	4,780	4,066
Accruals and deferred income	23	12,057	11,106
Lease liabilities	24	2,604	-
Income tax liabilities		831	746
Deferred tax liability	21	29	44
TOTAL LIABILITIES		20,301	15,962
EQUITY	30		
Attributable to equity holders of the parent company:			
Share capital		11,384	11,384
Reserve for invested unrestricted equity		26,482	27,034
Retained earnings		6,215	6,032
Profit (loss) for the period		21,035	17,799
TOTAL EQUITY		65,117	62,249
TOTAL LIABILITIES AND EQUITY		85,418	78,211

Consolidated Cash Flow Statement

EUR 1,000	2019	2018
Cash flow from operations		
Operating profit	26,292	22,450
Depreciation and impairment	968	216
Interest income and expenses	22	-2
Transactions with no related payment transactions	904	564
Financial assets - private equity funds	-61	2,011
Change in working capital		
Business receivables, increase (-) / decrease (+)	1,157	-2,376
Interest-free debt, increase (+) / decrease (-)	919	1,370
Change in working capital, total	2,076	-1,005
Cash flow from operations before financial items and taxes	30,202	24,233
Interests received	4	3
Interests paid	-26	-1
Income taxes	-4,532	-4,087
Cash flow from operations	25,648	20,148
Cash flow from investments		
Investments in tangible and intangible assets	-197	-224
Investments in other investments - liquid mutual funds	93	27
Cash flow from investments	-103	-197
Cash flow from financing		
Dividends/equity repayments	-20,551	-18,754
Option issue with a subscription price	816	-
Subscription of new shares	1,296	22
Deduction of lease liability capital	-578	-
Cash flow from financing	-19,017	-18,732
Increase/decrease in liquid assets	6,527	1,219
Liquid assets on 1 Jan	15,848	14,629
Liquid assets on 31 Dec	22,375	15,848

Change in Consolidated Shareholders' Equity

EUR 1,000	Equity attributable to equity holders of the parent company					
	Share capital	Reserve for invested unrestricted equity	Fair value reserve	Retained earnings	Total	Total equity
Shareholders' equity on 1 Jan 2019	11,384	27,034	0	23,831	62,249	62,249
Comprehensive income						
Profit (loss) for the period				21,035	21,035	21,035
Other comprehensive income				-	-	-
Total comprehensive income			0	21,035	21,035	21,035
Dividends/equity repayments		-2,664		-17,887	-20,551	-20,551
Subscription of new shares		816			816	816
Option issue with a subscription price		1,296			1,296	1,296
Options granted				271	271	271
Shareholders' equity on 31 Dec 2019	11,384	26,482	0	27,251	65,117	65,117
Shareholders' equity on 1 Jan 2018	11,384	29,638	-193	21,832	62,661	62,661
Comprehensive income						
Profit (loss) for the period				17,799	17,799	17,799
Other comprehensive income				-	-	-
Total comprehensive income			0	17,799	17,799	17,799
Dividends/equity repayments		-2,626		-16,128	-18,754	-18,754
Subscription of new shares		22			22	22
Options granted				522	522	522
IFRS 9 change			193	-193	0	0
Other changes				-1	-1	-1
Shareholders' equity on 31 Dec 2018	11,384	27,034	0	23,831	62,249	62,249

Notes to the Consolidated Financial Statements

1 Principles for preparing the Consolidated Financial Statements

Basic information

eQ Plc is a Finnish public limited company founded under Finnish law. The domicile of the company is Helsinki, Finland. eQ Plc and its subsidiaries form eQ Group ("eQ" or "the Group"). The parent company eQ Plc's shares are listed on Nasdaq Helsinki. eQ Group is a group of companies that concentrates on asset management and corporate finance operations. eQ Asset Management offers versatile asset management services to institutions and private individuals. 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/en 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 Janary to 31 Decmber 2019. The Board of Directors of eQ Plc has approved the consolidated financial statements for publication on 5 February 2020. 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.

The consolidated financial statements have been presented in euros, which is the operating and disclosure currency of the parent company. The figures are presented in thousand euros, unless otherwise stated.

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 Decmber 2019 have been applied when preparing the statements.

The Group has applied the following new and amended standards and interpretations from 1 Janary 2019:

- The IFRS 16 standard Leases shall be applied from 1 Janary 2019 or from financial periods beginning after said date. As a result of IFRS 16, almost all leases will be recognised on the balance sheet, as the distinction between operating and finance leases will be removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals will be recognised. The only exceptions are short-term and low-value leases. The major leases concluded by eQ Group concern rented premises. The leases on premises are concluded for a fixed term and they do not include options for continuance or termination, limitations/covenants or, for instance, variable leases based on net sales. eQ Group applies a simplified method when introducing IFRS 16, which means that the figures of the comparison period will not be adjusted.

  The present value of the leases transferred to the balance sheet on 1 Janary 2019 as a result of IFRS 16 was EUR 3.2 million and the present value of lease liabilities correspondingly EUR 3.2 million. The straight-line depreciation for leases entered in the income statement is about EUR 0.7 million annually and the calculated interest expense for the lease liabilities in 2019 about EUR 0.03 million. The expense impact in the income statement will be front-loaded, compared with the former IFRS treatment. As a result, the costs for premises including depreciation and interests increased by about EUR 0.1 million in 2019, as compared with the IFRS treatment in 2018. The reconciliation of the lease liabilities on 31 Decmber 2018 with the lease liabilities on 1 Janary 2019 has been presented in note 18 Leases.

- IFRIC 23 Uncertainty over Income Tax Treatments. To be applied from 1 Janary 2019 or from financial periods beginning after said date. The interpretation clarifies accounting treatment in situations where a taxation decision of an entity still waits for approval by tax authorities. The essential question is whether or not the tax authority will approve the solution that the entity has chosen. The amendment of the standard has not had any impact on eQ Group's financial statements.

- Amendments to IFRS 9 – Prepayment Features with Negative Compensation. To be applied from 1 Janary 2019 or from financial periods beginning after said date. The amendments make it possible to value certain financial instruments that enable payment before due date at amortised cost. The amendment of the standard has not had any impact on eQ Group's financial statements.

- Amendments to the IAS 19 standard – Plan amendment, curtailment or settlement. The amendment of the standard has not had any impact on eQ 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.

- Amendments to the IFRS 3 standard – Definition of a business and Amendments to IAS 1 and IAS 8 standards – Materiality. The amendments are not estimated to have any essential impacts on eQ Group's financial statements. The amendments to the IFRS 3 standard have not yet been approved for application within the EU.

Preparation principles requiring management assessment and 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.

Major areas where the management has made assessments are related to assessing control in private equity funds in form of limited partnerships managed by the Group (note 34 Shares in entities not included in the consolidated financial statements).

The future assumptions and uncertainty factors related to the values on the closing date of the reporting period that cause a significant risk of essential changes in the book values of the Group assets and liabilities during the following financial period have been presented below:

Definition of fair value: The fair value of private equity fund investments is defined according to International Private Equity and Venture Capital Guidelines, as no external market price is available for them (note 28 Value of financial assets across the three levels of the fair value hierarchy). Private equity fund investments have been classified on level 3 of the fair value hierarchy.

Impairment testing: The Group tests for impairment the goodwill and brands with an unlimited useful life annually. The recoverable amount of the cash-generating units have been defined based on value in use. The preparation of these calculations requires the use of estimates (note 17 Intangible assets).

There is more detailed information on estimates requiring management assessment in the revenue recognition section.

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 and the subsidiaries have been consolidated by using the acquisition method. Acquired subsidiaries are consolidated from the moment the Group has gained control and transferred subsidiaries until control is terminated. 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 the following subsidiaries:

- eQ Asset Management Ltd
- eQ Fund Management Company Ltd
- eQ Life Ltd
- eQ Private Equity GP Ltd
- Advium Corporate Finance 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. In segment reporting, 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, 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 fund investments made from eQ Group's own balance sheet.

Foreign currency transactions

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

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

Revenue recognition principles

eQ Group receives administrative fee income related to the asset management operations from funds and asset management portfolios and pays fee repayments related to these to customers. The management fees and fee repayments of the asset management operations, included in the net income from operations, are recorded per month and mainly invoiced afterwards in periods of one, three, six or twelve months. These fees are typically calculated based on the capital in the fund or client portfolio or the original investment commitment and the agreed commission percentage over time.

The performance fees, which depend on the success of investment operations, are also included in the fee and commission income from asset management. The performance fees from asset management may consist of performance fees paid by mutual funds and non-UCITS funds, the performance fees (profit shares) that private equity funds pay to management companies, and performance fees from asset management portfolios. eQ Group takes into consideration the requirement of limiting the assessment of variable consideration when defining the consideration from fees that it expects to be entitled to.

The performance fees of real estate funds are periodised per quarter based on the return of the funds during each quarter. The ultimate performance fee that eQ receives from a real estate fund is determined on the basis of the fund's annual return, and it may change from the amount recognised during an earlier quarter. eQ recognises the performance fees of real estate funds for each quarter only to a likely amount so that no major annulments will have to be made afterwards in the accumulated recognised returns.

eQ Group begins to recognise a performance fee from a private equity fund belonging to the management company (profit share income, carried interest) when the private equity fund has returned the entire required return to investors and the fund has begun to pay a performance fee. The fee is not yet recognised when the calculated hurdle rate is exceeded, as a major annulment can still be possible at this stage. The possible risk of default is also assessed regarding performance fees, and, if necessary, part of the income is left unrecognised.

eQ Group also receives monthly fees and success fees related to corporate finance operations. The monthly fees are recognised over time and the success fees, which are treated as variable consideration, are dependent on the implementation of projects. The success fee income related to corporate finance operations is entered as income for the period during which the outcome of the project can be assessed in a reliable manner and the payment obligation has been carried out. When necessary, eQ Group takes into consideration the requirement of limiting the assessment of variable consideration. The expenses arising from a project are expensed immediately.

The asset items related to contracts with customers consist of management fee receivables, other fee receivables and sales receivables, which are presented separately in the notes. No asset items from receivables from customer contracts that would fulfil the precondition for entering them in the balance sheet have arisen. The liabilities related to customer contracts mainly consist fee repayment liabilities. The Group takes advantage of the tools available and does not recognise the amount of transaction prices for unrealised payment obligations in contracts the original expected duration is one year at the most, or if the amount of the consideration received of the customer and recognised as income corresponds to the value of the transferred services for the customer.

The net income from financial assets included the operating income includes the profit distributions from private equity fund investments made from the Group's own balance sheet, the changes in fair value entered through profit or loss as well as sales profits and losses Profit distributions are entered in the income statement first when cash flows have been realised. The value changes through profit or loss of other direct investments as well as sales profit and losses are also entered among the net income from financial assets.

Financial assets and liabilities

The Group's financial assets are classified into the following groups in accordance with the IAS 9 standard:

a) valued at amortised acquisition cost,
b) entered at fair value through profit or loss and
c) valued at fair value together with other items of comprehensive income.

The classification is based on the business model defined by the Group and the contractual cash flows of financial assets. In connection with the original recognition, the Group values an item belonging to financial assets at fair value, and if the item is some other than an item to be entered among financial assets at fair value through profit or loss, the transaction expenses arising directly from the item are either added or subtracted. In connection with the original recognition, the financial liabilities at fair value though profit or loss are entered in the balance sheet at fair value, and the transaction expenses are recognised through profit or loss.

To the group financial assets valued at amortised acquisition cost are classified financial assets the operating model of which aims at keeping the financial assets and collecting the cash flows based on contract that only consist of the payment of capital and interests. This item comprises sales receivables, loan receivables and other receivables as well as liquid assets. The assets in the group are valued at the periodised acquisition cost using the effective interest method. The book value of short-term sales receivables and other receivables is considered to correspond to their fair value. These items are short-term assets, if it is expected that they are realised within 12 months from the close of the reporting period. The Group's sales receivables are mainly short-term receivables. The Group recognises the deduction regarding expected credit losses from financial assets valued at amortised acquisition cost.

To the group financial assets at fair value though profit or loss are classified items belonging to financial assets that are classified at fair value through profit or loss in connection with the original disclosure. eQ Plc's private equity fund investments and investments in mutual funds are classified among financial assets at fair value through profit or loss. Liquid investments in mutual funds are included in financial securities on the balance sheet. The fair value of mutual fund investments is defined by 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. On the reporting date, the Group had no items valued at fair value through other items of comprehensive income. 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 as classified as follows:

a) valued at amortised acquisition cost,
b) valued at fair value through profit or loss.

In connection with the original recognition, the Group values financial liabilities at fair value, and if the item is some other than financial liabilities to be entered at fair value through profit or loss, the transaction expenses arising directly from the item are either added or subtracted. In connection with the original recognition, the financial liabilities at fair value though profit or loss are entered in the balance sheet at fair value, and the transaction expenses are recognised through profit or loss.

The financial liabilities entered at amortised acquisition cost consist of interest-bearing loans and interest-free liabilities, and they are valued using the effective rate method among amortised acquisition cost. The difference between the obtained amount and repayable amount is entered in the income statement using the effective rate method during the loan period. Financial liabilities are classified as being short-term, unless that Group has an absolute right to postpone the payment of the liability at least 12 months from the end of the reporting period. Accounts payable are classified as short-term liabilities, if they fall due within 12 months. eQ Group did not have any other interest-bearing liabilities than lease liabilities at the reporting moment. eQ Group had no financial liabilities valued at fair value through profit or loss at the reporting moment. 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 whether there is reliable proof of the impairment of a single item or a group of items included in financial assets. eQ recognises credit losses from sales receivables at an amount that corresponds to the expected credit losses during the entire life cycle of the receivables, based on the simplified procedure included in IFRS 9. The expected credit losses are assessed based on historical data on previously realised credit losses, and the model also takes into account the information on future economic conditions available at the time of the assessment. eQ Group does not give credits and it mostly has short-term sales receivables. The sales receivables and receivables of the asset management operations mainly consist of fee receivables from funds managed by eQ. The credit loss risk of these fee receivable is very low.

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 on the development of the capital market, for instance. 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.

Leases

eQ Group recognises almost all leases that it concludes on the balance sheet. An asset (the right to use the leased item) and a financial liability to pay rentals are entered on the balance sheet. The only exceptions are short-term and low-value leases. The major leases concluded by eQ Group are related to leased premises and storage facilities in connection with them. The leases on premises are concluded for a fixed term and they do not include options for continuance or termination, limitations/covenants or, for instance, variable leases based on net sales. eQ Group has not leased out the premises that it has leased or participated in sales or leaseback transactions. The minor lease agreements that eQ Group has concluded are related to rented IT equipment. A straight-line depreciation for leases and calculated interest expenses for the lease liability are entered in the income statement.

eQ Group recognises the right-of-use asset and lease liability from the day when the lease agreement enters into force. A right-of-use asset is originally valued at acquisition cost, which includes the lease liability at its original valuation, the leases paid up to the date of commencement of the agreement deducted with any possible incentives related to the lease agreement as well as any direct costs arising for the group during the initial stage. Depreciation on a right-of-use asset is recognised as straight-line depreciation from the commencement of the agreement, according to its useful life or the lease period, depending on which is shorter. A right-of-use asset is tested for impairment, when necessary, and any impairment is recognised through profit or loss. A lease liability is originally valued at the present value of the lease payments that have not been paid when the agreement enters into force. The Group uses as discount rate the Group's incremental borrowing rate. Later on, the lease liability is valued at the periodised acquisition cost using the effective rate method. The lease liability is redefined when a change has occurred in future lease payments resulting from the index. When the lease liability is redefined in such a manner, a corresponding adjustment is made to the book value of the right-of-use asset, or it is recognised through profit or loss, if the book value of the right-of-use asset has been reduced to zero.

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

The Group has incitement arrangements where the payments are made as equity instruments. 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 expenses are presented among expenses arising from fringe benefits. The fair value of granted options on the grant date has been defined by using the BlackScholes options 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 typically generated from valuing the net value of the acquired companies at fair value.

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 future 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 CRR/CRD 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, there are no market risks 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 fund investments in foreign currencies and change in fair value in euros, EUR million:

31 Dec 2019				decrease in value against the euro	
	Currency	Euro	%	10%	20%
EUR million	13.3	13.3	82.6%		
GBP million	0.0	0.0	0.1%	0.0	0.0
USD million	3.1	2.8	17.3%	-0.3	-0.6
		16.2			

31 Dec 2018				decrease in value against the euro	
	Currency	Euro	%	10%	20%
EUR million	14.6	14.6	86.1%		
GBP million	0.0	0.0	0.1%	0.0	0.0
USD million	2.7	2.3	13.8%	-0.2	-0.5
		16.9			

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 and geographic areas. 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 2019, a 10% change in the market value of the private equity fund portfolio corresponded to a change of EUR 1,293 thousand in the shareholders' equity. At the end of 2018, a 10% change in the market value of the private equity fund portfolio corresponded to a change of EUR 1,353 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 the own private equity fund investments have a major impact on liquidity.

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

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

Maturity distribution of debts, 1,000 EUR

31 Dec 2019	less than 1 year	1 to 5 years	over 5 years	total
Loans from financial institutions	-	-	-	-
Accounts payable and other liabilities	166	-	-	166
Lease liabilities	586	2,066	-	2,653
Total	752	2,066	-	2,818

31 Dec 2018	less than 1 year	1 to 5 years	over 5 years	total
Loans from financial institutions	-	-	-	-
Accounts payable and other liabilities	322	-	-	322
Total	322	-	-	322

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.

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. Among eQ Group's liabilities, only such credit institution liabilities for which there is an external credit rating have been risk-weighted according to the ratings of external rating institutions. eQ Group's own private equity investments are treated as investments with an especially high risk in the capital adequacy calculations, their risk weight being 150%. Liabilities related to investments in fixed-income funds within the frames of excess liquidity are divided between different risk weights based on the credit rating distribution issued by the fund.

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.

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 2019, the shareholders' equity amounted to EUR 65.1 million and the equity to assets ratio was 76.2%. 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	2019	2018
Interest-bearing financial liabilities (incl. lease liability)	2,604	0
Financial securities	9,956	9,869
Liquid assets	22,375	15,848
Net debt	-29,727	-25,717
Total shareholders' equity	65,117	62,249
Net gearing, %	-45.7%	-41.3%

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 Segment information

The Asset Management segment comprises services related to mutual and private equity funds, discretionary asset management, 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 fund investments made from eQ Group's own balance sheet.

EUR 1,000 1 Jan to 31 Dec 2019	Asset Man.	Corporate Finance	Investments	Other	Eliminations	Group total
Fee and commission income	44,514	5,419	-	-		49,933
From other segments	200	-	-	-	-200	-
Interest income	-	-	-	4		4
Net income from financial assets	-	-	996	135		1,132
Other operating income	-	-	-	-		-
From other segments	-	-	-	77	-77	-
Operating income, total	44,714	5,419	996	217	-277	51,069
Fee and commission expenses	-420	-	-	-8		-428
To other segments	-	-	-200	-	200	-
Interest expenses	-17	-5	-	-4		-26
NET REVENUE	44,276	5,413	796	205	-77	50,614
Administrative expenses						
Personnel expenses	-15,620	-2,770	-	-1,368		-19,758
Other administrative expenses	-1,646	-367	-	-248	77	-2,185
Depreciation on tangible and intangible assets	-167	-18	-	-34		-219
Depreciation on leases	-509	-157		-82		-749
Other operating expenses	-971	-159	-	-281		-1,411
OPERATING PROFIT (LOSS)	25,363	1,941	796	-1,809	0	26,292
Income tax				-5,257		-5,257
PROFIT (LOSS) FOR THE PERIOD				-7,065		21,035

EUR 1,000 1 Jan to 31 Dec 2018	Asset Man.	Corporate Finance	Investments	Other	Eliminations	Group total
Fee and commission income	36,887	7,083	-	-		43,971
From other segments	200	-	-	-	-200	-
Interest income	-	-	-	3		3
Net income from financial assets	-	-	1,991	-197		1,794
Other operating income	-	-	-	-		-
From other segments	-	-	-	77	-77	0
Operating income, total	37,087	7,083	1,991	-117	-277	45,768
Fee and commission expenses	-392	0	-	-8		-400
To other segments	-	-	-200	-	200	0
Interest expenses	-	-	-	-1		-1
NET REVENUE	36,696	7,083	1,791	-126	-77	45,367
Administrative expenses						
Personnel expenses	-13,824	-3,238	-	-1,265		-18,327
Other administrative expenses	-1,730	-326	-	-255	77	-2,234
Depreciation on tangible and intangible assets	-167	-15	-	-34		-216
Other operating expenses	-1,478	-292	-	-371		-2,141
OPERATING PROFIT (LOSS)	19,498	3,211	1,791	-2,051	0	22,450
Income tax				-4,651		-4,651
PROFIT (LOSS) FOR THE PERIOD				-6,701		17,799

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	2019	2018
Finland	50,613	45,345
Other countries	1	23
Total	50,614	45,367

The other countries comprise Guernsey.

External net revenue is presented based on domicile.

Notes to the Income Statement

5 Fee and commission income

EUR 1,000	2019	2018
Asset management fees		
Management fees from traditional asset management	8,003	8,611
Real estate and private equity management fees	31,852	25,266
Other fee and commission income	281	321
Performance fees	4,379	2,690
Total	44,514	36,887
Corporate finance fees	5,419	7,083
Total	49,933	43,971

6 Interest income

EUR 1,000	2019	2018
Other interest income	4	3
Total	4	3

7 Net income from financial assets

EUR 1,000	2019	2018
Private equity fund investments		
Profit distribution from private equity funds	1,810	1,863
Changes in fair value and losses	-813	128
Total	996	1,991
Other investment operations		
Changes in fair value	181	-170
Sales profits/losses	-45	-27
Total	135	-197
Total	1,132	1,794

8 Fee and commission expenses

EUR 1,000	2019	2018
Custody fees	-420	-392
Other fees	-8	-8
Total	-428	-400

9 Interest expenses

EUR 1,000	2019	2018
To credit institutions	0	0
Other interest expenses	-1	-1
Interest expenses of lease liabilities	-25	-
Total	-26	-1

10 Administrative expenses

EUR 1,000	2019	2018
Expenses related to employee benefits		
Short-term employee benefits		
Salaries and remuneration	-16,412	-14,639
Other indirect employee costs	-486	-772
Share-related payments	-271	-522
Benefits after end of employment		
Pension costs - defined contribution plans	-2,589	-2,394
Total	-19,758	-18,327
Other administrative expenses		
Other personnel expenses	-399	-392
IT and connection expenses	-929	-967
Other administrative expenses	-856	-875
Total	-2,185	-2,234
Total	-21,943	-20,561

11 Depreciation

EUR 1,000	2019	2018
Depreciation on tangible assets	-95	-98
Depreciation on intangible assets		
Other intangible assets	-125	-118
Depreciation on leases		
Depreciation on leases on premises and stores	-749	-
Total	-968	-216

Leases with a low value have not been entered in the balance sheet and no depreciation is recorded on them. A total of EUR 38 thousand of low-value leases is included in the administrative expenses of the income statement

12 Other operating expenses

EUR 1,000	2019	2018
Expert fees	-34	-56
Audit fees		
Audit fees	-133	-95
Other services	-9	-10
Total	-143	-105
Other expenses		
Premises	-307	-978
Other expenses	-927	-1,002
Total	-1,235	-1,980
Total	-1,411	-2,141

13 Income tax

EUR 1,000	2019	2018
Direct taxes for the financial period	-5,306	-4,679
Changes in deferred taxes	49	29
Total	-5,257	-4,651
Deferred tax related to itemsentered directly into equity	-	-
Tax reconciliation		
Profit (loss) before taxes	26,292	22,450
Taxes calculated with the parent company's tax rate	-5,258	-4,490
Income not subject to tax	0	1
Non-deductible expenses	-28	-55
Taxes for previous financial periods	88	1
Consolidations and eliminations	-59	-107
Taxes in income statement	-5,257	-4,651

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

14 Earnings per share

EUR 1,000	2019	2018
Earnings per share attributable to equity holders of the parent company	21,035	17,799
Shares, 1,000 shares*	38,307	37,609
Earnings per share calculated from the profit of equity holders of the parent company:		
Earnings per share, EUR	0.55	0.47
Diluted earnings per share, EUR	0.51	0.45

* Calculated using the weighted average number of shares.

Notes to the Consolidated Balance Sheet

15 Claims on credit institutions

EUR 1,000	2019	2018
Repayable on demand		
From domestic credit institutions	22,103	15,576
From foreign credit institutions	200	224
Total	22,303	15,800

16 Shares and participations

EUR 1,000	2019	2018
Financial assets		
Private equity fund investments		
Book value on 1 Jan	16,909	18,792
Increases	2,407	1,976
Decreases	-2,346	-3,987
Value adjustment	-630	128
Permanent impairment	-183	-
Book value on 31 Dec	16,156	16,909
Financial securities		
Book value on 1 Jan	9,869	10,066
Increases	5,952	8,500
Decreases	-6,000	-8,500
Value adjustment	181	-170
Sales profit (loss)	-45	-27
Book value on 31 Dec	9,956	9,869

17 Intangible and tangible assets

EUR 1,000	2019	2018
Tangible assets		
Machinery and equipment, acquisition cost on 1 Jan	1,073	981
Increases	53	92
Decreases	-	-
Machinery and equipment, acquisition cost on 31 Dec	1,126	1,073
Accumulated depreciation and impairment on 1 Jan	-779	-681
Depreciation for the period	-95	-98
Accumulated depreciation and impairment on 31 Dec	-874	-779
Tangible assets on 31 Dec	252	294
Other tangible assets on 1 Jan	8	8
Other tangible assets on 31 Dec	8	8
Intangible assets		
Other intangible assets		
Intangible assets, acquisition cost on 1 Jan	1,989	1,856
Increases	144	133
Decreases	-	-
Intangible assets, acquisition cost on 31 Dec	2,132	1,989
Accumulated depreciation and impairment on 1 Jan	-1,755	-1,637
Depreciation for the period	-125	-118
Accumulated depreciation and impairment on 31 Dec	-1,880	-1,755
Other intangible assets on 31 Dec	253	233
Intangible assets on 31 Dec	253	233
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	29,465	29,446

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:

	31 Dec 2019	31 Dec 2018
Asset Management	17.9	17.9
Corporate Finance	7.3	7.3

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

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

	31 Dec 2019	31 Dec 2018
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 assets 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 2019, the discount rate was 7.3% (8.4% in 2018).

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 65% lower than in 2019 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 2019 goodwill test by EUR 34.3 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.

18 Leases

EUR 1,000	2019	2018
Right-of-use asset - premises and stores		
Leases on 1 Jan	3,182	-
Increases	0	-
Decreases	0	-
Depreciation for the period	-749	-
Leases on 31 Dec	2,433	-
Reconciliation of lease liabilities on 31 Dec 2018 with the lease liabilities on 1 Jan 2019		
Lease and leasing agreement liabilities on 31 Dec 2018	3,318	
eQ's incremental borrowing rate	1%	
Discounted present value of lease liabilities on 1 Jan 2019	3,243	
Lease liabilities on low-value assets		
IT equipment	-61	
Lease liabilities and leases on 1 Jan 2019	3,182	

19 Other assets

EUR 1,000	2019	2018
Sales receivables	1,655	3,439
Management fee receivables	1,996	1,356
Other receivables	500	292
Total	4,151	5,087

Sales receivables EUR 1,655 thousand, age distribution: not due.

20 Accruals and prepaid expenditure

EUR 1,000	2019	2018
Other accruals	528	602
Total	528	602

The other accruals include prepayments for pension and employer insurance premiums of EUR 5 thousand.

21 Deferred tax assets and liabilities

EUR 1,000	2019	2018
Deferred tax assets		
Temporary differences in leases	34	-
Deferred tax assets	34	0
Deferred tax liabilities		
Other differences	29	44
Deferred tax liabilities	29	44
Deferred tax assets (-) / tax liabilities (+), net	-5	44

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

22 Other liabilities

EUR 1,000	2019	2018
Accounts payable	166	322
Fee repayment liabilities	3,919	3,064
Other liabilities	695	679
Total	4,780	4,066

23 Accruals and deferred income

EUR 1,000	2019	2018
Holiday pay	1,218	1,076
Other accruals	10,839	10,030
Total	12,057	11,106

24 Lease liabilities

EUR 1,000	2019	2018
Lease liabilities - premises and stores	2,604	-
Maturity distribution of lease liabilities (undiscounted values)		
less than 1 year	586	-
1–5 years	2,066	-
more than 5 years	-	-

The amount of lease liabilities related to low-value leases was EUR 67 thousand at the end of the year. Low-value lease liabilities have not been entered in the balance sheet.

25 Balance sheet items denominated in domestic and foreign currencies

31 Dec 2019 EUR 1,000	Other than EUR	EUR	Total
Balance sheet items			
Claims on credit institutions	-	22,303	22,303
Other assets	2,785	60,330	63,114
Total	2,785	82,633	85,418
Other liabilities	-	20,301	20,301
Total	-	20,301	20,301

31 Dec 2018 EUR 1,000	Other than EUR	EUR	Total
Balance sheet items			
Claims on credit institutions	-	15,800	15,800
Other assets	2,355	60,055	62,410
Total	2,355	75,855	78,211
Other liabilities	-	15,962	15,962
Total	-	15,962	15,962

26 Financial assets and liabilities

	2019				
EUR 1,000	Book value	Interest income and expenses	Profits and losses	Impairment loss	Dividend income
Financial assets					
Financial assets at fair value through profit or loss	26,112	-	1,315	-183	-
Financial assets valued at periodised acquisition cost					
Sales receivables and other receivables	1,655	-	-	-	-
Liquid assets	22,375	3	-	-	-
Total	50,142	3	1,315	-	-
Financial liabilities					
Accounts payable and other liabilities	166	0	-	-	-
Lease liabilities	2,604	-25	-	-	-
Total	2,769	-25	-	-	-

	2018				
EUR 1,000	Book value	Interest income and expenses	Profits and losses	Impairment loss	Dividend income
Financial assets					
Financial assets at fair value through profit or loss	26,777	-	1,794	-	-
Financial assets valued at periodised acquisition cost					
Sales receivables and other receivables	3,439	-	-	-	-
Liquid assets	15,848	-1	-	-	-
Total	46,064	-1	1,794	-	-
Financial liabilities					
Accounts payable and other liabilities	322	-1	-	-	-
Total	322	-1	-	-	-

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 2019.

27 Fair values

	2019		2018	
EUR 1,000	Fair value	Book value	Fair value	Book value
Financial assets				
Financial assets at fair value through profit or loss				
Private equity fund investments	16,156	16,156	16,909	16,909
Financial securities	9,956	9,956	9,869	9,869
Sales receivables and other receivables	1,655	1,655	3,439	3,439
Liquid assets	22,375	22,375	15,848	15,848
Total	50,142	50,142	46,064	46,064
Financial liabilities				
Accounts payable and other liabilities	166	166	322	322
Lease liabilities	2,604	2,604	-	-
Total	2,769	2,769	322	322

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.

28 Value of financial assets across the three levels of the fair value hierarchy

	31 Dec 2019	
EUR 1,000	Level 1	Level 3
Financial assets at fair value through profit or loss		
Private equity fund investments	-	16,156
Financial securities	9,956	-
Total	9,956	16,156

Level 3 reconciliation:

At fair value through profit or loss	Private equity fund investments
Opening balance	16,909
Calls	2,407
Returns	-2,346
Change in fair value	-630
Permanent loss	-183
Closing balance	16,156

	31 Dec 2018	
EUR 1,000	Level 1	Level 3
Financial assets at fair value through profit or loss		
Private equity fund investments	-	16,909
Financial securities	9,869	-
Total	9,869	16,909

Level 3 reconciliation:

At fair value through profit or loss	Private equity fund investments
Opening balance	18,792
Calls	1,976
Returns	-3,987
Change in fair value	128
Closing balance	16,909

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

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

During the period under review, no transfers took place between the levels of the fair value hierarchy.

29 Private equity fund investments

	Market value		Remaining investment commitment	
EUR 1,000	2019	2018	2019	2018
Funds managed by eQ:				
Funds of funds:				
eQ PE XI US	32	-	846	-
eQ PE X North LP	199	43	761	950
eQ PE IX US LP	266	20	686	914
eQ PE VIII North LP	1,586	1,232	1,183	1,595
eQ PE VII US LP	1,786	1,486	727	1,085
eQ PE VI North LP	1,935	1,581	602	1,002
Amanda V East LP	4,387	4,194	595	682
Amanda IV West LP	982	1,902	427	472
Amanda III Eastern PE LP	2,743	3,751	348	448
European Fund Inv. LP (EFI II)	0	33	0	35
Total	13,917	14,242	6,175	7,185
Funds managed by others:				
Large buyout funds	994	1,094	132	174
Midmarket funds	531	691	433	422
Venture funds	715	881	0	12
Total	16,156	16,909	6,740	7,791

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.

Shares and share capital

EUR 1,000	Number of shares	Share capital
1 Jan 2019	37,707,198	11,383,873
Deductions	-	-
Increases	600,000	-
31 Dec 2019	38,307,198	11,383,873

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

Each share in eQ Plc holds one vote, and all shares have equal rights. The share do not have any nominal value. All issued shares have been paid in full. The major shareholders have been presented in the Report by the Board of Directors.

Own shares

At the end of the period, on 31 Decmber 2019, eQ Plc held no own shares.

Management holdings

The shares held by the management are specified in more detail in the note concerning related parties.

31 Contingent liabilities and securities

EUR 1,000	2019	2018
Remaining investment commitments in private equity funds	6,740	7,791
Leasing agreements and leases less than one year	0	627
Leasing agreements and leases exceeding one year but less than five years	0	2,691
Total	6,740	11,108

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 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

EUR 1,000	2019	2018
Salary and remuneration of the CEO	785	622
Salary and remuneration of other Management Team members	1,721	1,292

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.

Statutory pensions

EUR 1,000	2019	2018
Statutory pensions of the CEO	137	114
Statutory pensions of other members of the Management Team	299	236

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

The Group executives have been granted 450,000 rights to subscribe for options in the 2018 option scheme with a subscription price, of which 100,000 to the CEO.

The Board of Directors has no share-related rights or other remuneration schemes.

The AGM held on 25 March 2019 decided that the directors be paid the following remuneration:

Chairman of the Board EUR 3,500 and the other directors EUR 2,000 per month. In addition, the directors are paid of fee of EUR 500 for each Board meeting that they attend.

Transactions with related parties and receivables from related parties

Other transactions with related parties:*

EUR 1,000	2019	2018
Sales	353	368
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 2019:

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, %
Georg Ehrnrooth*	8,018,137	20.93%
Nicolas Berner	60,000	0.16%
Timo Kokkila	10,000	0.03%
Tomas von Rettig	5,000	0.01%
Janne Larma	5,945,275	15.52%
Staffan Jåfs	16,778	0.04%
Mikko Koskimies	4,100,000	10.70%
Juha Surve	40,000	0.10%

* 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%
eQ Private Equity 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 13.9 million on 31 December 2019 (EUR 14.2 million on 31 Dec 2018). In 2019, the Group received from said funds management fees totalling EUR 6.6 million (EUR 5.6 million 1 Jan to 31 Dec 2018) and a profit distribution from own investments totalling EUR 1.2 million (EUR 1.5 million). In 2019, eQ Plc made an investment commitment of USD 1.0 million in the eQ PE XI US 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 financial assets entered in the balance sheet at fair value through profit or loss.

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 2019	Size of the fund	eQ's original commitment	Market value of eQ's investment	eQ's remaining commitment
eQ PE XI US	194,020	892	32	846
eQ PE X North	175,000	1,000	199	761
eQ PE IX US	93,750	979	266	686
eQ PE VIII North	160,000	3,000	1,586	1,183
eQ PE VII US	71,607	2,634	1,786	727
eQ PE VI North	100,000	3,000	1,935	602
Amanda V East	50,000	5,000	4,387	595
Amanda IV West	90,000	5,000	982	427
Amanda III Eastern PE	110,200	10,000	2,743	348
Total	1,044,577	31,505	13,917	6,175

EUR 1,000

31 Dec 2018	Size of the fund	eQ's original commitment	Market value of eQ's investment	eQ's remaining commitment
eQ PE X North	175,000	1,000	43	950
eQ PE IX US	88,400	916	20	914
eQ PE VIII North	160,000	3,000	1,232	1,595
eQ PE VII US	67,400	2,549	1,486	1,085
eQ PE VI North	100,000	3,000	1,581	1,002
Amanda V East	50,000	5,000	4,194	682
Amanda IV West	90,000	5,000	1,902	472
Amanda III Eastern PE	110,200	10,000	3,751	448
Eur. Fund Inv. (EFI II)	88,000	880	33	35
Total	929,000	31,345	14,242	7,185

35 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:

	2010 options
Number of options	2,000,000
Share subscription period begins	1 April 2012-16
Share subscription period ends	31 May 2020

	2019	2018
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	1,700,000	1,350,000
Number of outstanding options	0	350,000
Exercisable options at the end of the period	0	350,000

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 Decmber 2019 was EUR 3.11.

	2019	2018
Number of issued options at the beginning of the period	1,575,000	1,575,000
Options granted during the period	-	-
Options returned during the period	-	-
Number of issued options at the end of the period	1,575,000	1,575,000
Exercised options by the end of the period	250,000	-
Number of outstanding options	1,325,000	1,575,000
Exercisable options at the end of the period	1,325,000	0

Option scheme 2018:

	2018 options
Number of options	2,000,000
Share subscription period begins	1 April 2022
Share subscription period ends	1 April 2024

Share subscription price

The original share subscription price with an option right is EUR 7.88 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 Decmber 2019 was EUR 7.34.

	2019	2018
Number of issued options at the beginning of the period	1,875,000	0
Options subscribed for during the period*	-	1,875,000
Options returned during the period	75,000	-
Number of issued options at the end of the period	1,800,000	1,875,000
Exercised options by the end of the period	-	-
Number of outstanding options	1,800,000	1,875,000
Exercisable options at the end of the period	0	0

Information used in the Black-Scholes model:

	distributed in 2018
Expected volatility	15%
Interest rate on grant date	0%

* The 2018 option scheme has a subscription price. The subscription period of the option scheme with a subscription price began on 26 October 2018 and ended on 30 November 2018. The subscription price of an option right was EUR 0.72 and it had been calculated with the fair value of the option right derived by using the Black & Scholes model. The subscription price includes a discount of 30% from the fair value of the option. The value of the benefit is entered as expense in the income statement during the period during which the benefit arises. The option right recipients at eQ Group subscribed for altogether 1,875,000 option rights during the subscription period.

Parent Company Income Statement (FAS)

EUR	Note no.	2019	2018
Fee and commission income	2	76,800.00	76,800.00
Net gains on trading in securities and foreign currencies	3		
Net gains on trading in securities		-665,651.36	-78,125.57
Income from equity investments	4		
From Group undertakings		28,912.00	169,644.00
From other companies		1,793,782.88	1,855,099.71
Interest income	5	2,683.05	3,362.22
INVESTMENT FIRM INCOME		1,236,526.57	2,026,780.36
Fee and commission expenses	6	-207,733.26	-207,999.92
Interest expenses	7	-7,130.26	-6,406.07
Administrative expenses			
Personnel expenses	8		
Salaries and remuneration		-1,096,205.52	-1,021,237.73
Indirect employee costs			
Pension costs		-198,173.49	-169,332.34
Other indirect employee costs		-45,811.61	-16,320.46
Other administrative expenses	9	-248,049.94	-254,679.27
Depreciation and impairment on tangible and	10	-33,623.22	-34,373.64
intangible assets	11	-354,216.67	-370,868.39
Other operating expenses		-954,417.40	-54,437.46
OPERATING PROFIT (LOSS)			
	12	27,720,000.00	23,065,000.00
Appropriations			
	13	-5,267,473.69	-4,591,280.95
Income tax			
		21,498,108.91	18,419,281.59
PROFIT (LOSS) FOR THE FINANCIAL PERIOD			

Parent Company Balance Sheet (FAS)

EUR	Note no.	31.12.2019	31.12.2018
ASSETS			
Liquid assets		6,420.00	-
Claims on credit institutions			
Repayable on demand	14	1,721,320.80	2,028,924.21
Shares and participations	15, 23	26,099,668.06	26,732,187.80
Shares and participations in			
Group undertakings	15	29,159,555.41	29,159,555.41
Intangible assets	16		
Other intangible assets		33,218.62	50,211.33
Tangible assets			
Other tangible assets	16	32,812.91	37,862.87
Other assets	17	3,732,254.57	1,250,000.00
Accruals and prepaid expenditure	18	41,869.52	44,254.65
TOTAL ASSETS		60,827,119.89	59,302,996.27
LIABILITIES AND EQUITY			
LIABILITIES			
Liabilities to the public and public sector entities			
Other		1,000,000.00	700,000.00
Other liabilities			
Other liabilities	19	920,841.42	1,058,087.21
Accruals and deferred income	20	338,829.85	2,036,693.43
TOTAL LIABILITIES		2,259,671.27	3,794,780.64
EQUITY	24		
Share capital		11,383,873.00	11,383,873.00
Unrestricted equity			
Reserve for invested unrestricted equity		24,627,994.24	25,179,998.10
Retained earnings		1,057,472.47	525,062.94
Profit (loss) for the period		21,498,108.91	18,419,281.59
TOTAL EQUITY		58,567,448.62	55,508,215.63
TOTAL LIABILITIES AND EQUITY		60,827,119.89	59,302,996.27

Parent Company Cash Flow Statement (FAS)

EUR 1,000	2019	2018
Cash flow from operations		
Operating profit	26,766	23,011
Adjustments:		
Depreciation and impairment	112	34
Interests received	-3	-3
Interests paid	7	6
Dividends received	-29	-170
Transactions with no related payment transactions	542	51
Financial assets - private equity funds	-81	1,961
Change in working capital		
Business receivables, increase (-) decrease (+)	-2,480	-1,246
Interest-free liabilities, increase (+) decrease (-)	-2,666	-93
Total change in working capital	-5,146	-1,339
Cash flow from operations before financial items and taxes	22,168	23,551
Interests received	3	3
Interests paid	-7	-6
Dividends received	29	170
Taxes	-4,436	-3,853
Cash flow from operations	17,756	19,864

EUR 1,000	2019	2018
Cash flow from investments		
Investing activities in tangible and intangible assets	-12	-57
Investing activities in investments	-	-2,000
Investing activities in other investments - liquid mutual funds	93	27
Cash flow from investments	82	-2,030
Cash flow from financing		
Dividends paid	-20,551	-18,754
Subscription of new shares	816	22
Option issue with a subscription price	1,296	-
Drawdowns	300	-
Cash flow from financing	-18,139	-18,732
Increase/decrease in liquid assets	-301	-897
Liquid assets on 1 Jan	2,029	2,926
Liquid assets on 31 Dec	1,728	2,029

Notes to the Parent Company Financial Statements

1 Principles for preparing the Financial Statements

General

When preparing the financial statements, the company has followed the Ministry of Finance Decree on financial statements and consolidated financial statements of credit institutions and investment firms (78/2018) 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 periodization principles and methods

Fee and commission income are 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 shares from the private equity fund investments made from eQ Plc's own balance sheet are entered as income from equity investments. The value changes of private equity fund investments recorded through profit or loss are entered among the net gains on trading in securities. The value changes through profit or loss as well as sales profits and losses of investments in mutual funds are also entered among the net gains on trading in securities.

Financial assets are classified into the following groups in accordance with the IFRS 9 standard Financial Instruments:

a) valued at amortised acquisition cost,
b) entered at fair value through profit or loss, and
c) valued at fair value together with other items of comprehensive income.

eQ Plc's private equity fund investments and investments in mutual funds are classified among financial assets at fair value through profit or loss.

Financial liabilities are classified as follows:

a) valued at amortised acquisition cost, and
b) valued at fair value through profit or loss

eQ Plc had no financial liabilities valued at fair value through profit or loss at the reporting moment.

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.

2 Fee and commission income

EUR 1,000	2019	2018
From other operations	77	77

3 Net gains on trading in securities and foreign currencies

EUR 1,000	2019	2018
Net gains on trading in securities		
From financial assets/liabilities entered at fair value through profit or loss		
Changes in fair value	-542	-51
Sales profits/losses	-124	-27
Total	-666	-78

4 Income from equity investments

EUR 1,000	2019	2018
Dividend income from Group undertakings	29	170
Profit shares from financial assets valued at fair value	1,794	1,855
Total	1,823	2,025

5 Interest income

EUR 1,000	2019	2018
Other interest income	3	3
Total	3	3

6 Fee and commission expenses

EUR 1,000	2019	2018
Other fees - management of investments eQ Asset Management	-200	-200
Limit fees	-8	-8
Total	-208	-208

7 Interest expenses

EUR 1,000	2019	2018
To Group undertakings	-7	-6
To credit institutions	0	0
Other interest expenses	0	-1
Total	-7	-6

8 Personnel expenses

EUR 1,000	2019	2018
Salaries and remuneration	-1,096	-1,021
Pension costs	-198	-169
Other indirect employee costs	-46	-16
Total	-1,340	-1,207
Average number of personnel during the period - permanent	5	5
Change during the financial period	-	-

9 Other administrative expenses

EUR 1,000	2019	2018
Other personnel expenses	-24	-32
IT and connection costs	-56	-55
Other administrative expenses	-168	-168
Total	-248	-255

10 Depreciation and impairment

EUR 1,000	2019	2018
Depreciation on intangible and tangible assets	-34	-34

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

11 Other operating expenses

EUR 1,000	2019	2018
Expert fees	-14	-36
Fees to the auditor		
Audit fees	-25	-17
Other services	-1	-
Total	-26	-17
Leases on premises and other rental expenses	-96	-105
Other expenses	-218	-212
Total	-354	-371

12 Appropriations

EUR 1,000	2019	2018
Group subsidies received	27,720	23,065

13 Income tax

EUR 1,000	2019	2018
Income tax for the period		
Income tax for operations	-4,436	-3,853
Deferred taxes	-831	-738
Total	-5,267	-4,591

14 Claims on credit institutions

EUR 1,000	2019	2018
Repayable on demand		
From domestic credit institutions	1,721	2,029

15 Shares and participations

EUR 1,000	2019	2018
Shares and participations		
Financial assets: Private equity fund investments	16,156	16,876
Financial assets: Units in mutual funds	9,911	9,824
Other participations	32	32
Shares and participations in Group undertakings	29,160	29,160
Total	55,259	55,892
- of which at acquisition cost	29,192	29,192

16 Intangible and tangible assets

EUR 1,000	2019	2018
Other intangible assets		
Acquisition cost on 1 Jan	225	167
Increases	7	57
Acquisition cost on 31 Dec	232	225
Accumulated depreciation on 1 Jan	-174	-150
Depreciation for the period	-24	-25
Accumulated depreciation on 31 Dec	-198	-174
Book value on 31 Dec	33	50
Other tangible assets		
Acquisition cost on 1 Jan	235	235
Increases	5	-
Acquisition cost on 31 Dec	239	235
Accumulated depreciation on 1 Jan	-197	-187
Depreciation for the period	-10	-10
Accumulated depreciation on 31 Dec	-206	-197
Book value on 31 Dec	33	38

17 Other assets

EUR 1,000	2019	2018
Receivables from Group undertakings	3,434	1,250
Other receivables	299	-
Total	3,732	1,250

18 Accruals and prepaid expenditure

EUR 1,000	2019	2018
Other accruals	42	44
Total	42	44

19 Other liabilities

EUR 1,000	2019	2018
Accounts payable	69	52
Liabilities to Group undertakings	7	238
Income tax liabilities	831	744
Other liabilities	14	25
Total	921	1,058

20 Accruals

EUR 1,000	2019	2018
Other accruals	339	2,037

21 Items denominated in domestic and foreign currencies and Group items

31 Dec 2019 EUR 1,000	EUR	Other than EUR	Total	From Group undertakings
Balance sheet items				
Claims on credit institutions	1,721	-	1,721	-
Other assets	56,321	2,785	59,106	32,593
Total	58,042	2,785	60,827	32,593
Liabilities to the public and public sector entities	1,000	-	1,000	1,000
Other liabilities	1,260	-	1,260	
Total	2,260	-	2,260	1,000

31 Dec 2018 EUR 1,000	EUR	Other than EUR	Total	From Group undertakings
Balance sheet items				
Claims on credit institutions	2,029	-	2,029	-
Other assets	54,919	2,355	57,274	30,410
Total	56,948	2,355	59,303	30,410
Liabilities to the public and public sector entities	700	-	700	700
Other liabilities	3,095	-	3,095	2,038
Total	3,795	-	3,795	2,738

22 Fair values of financial assets and liabilities

	2019		2018	
EUR 1,000	Fair value	Book value	Fair value	Book value
Financial assets				
Claims on credit institutions	1,721	1,721	2,029	2,029
Shares and participations	26,100	26,100	26,732	26,732
Shares and participations in Group undertakings	29,160	29,160	29,160	29,160
Total	56,981	56,981	57,921	57,921
Financial liabilities				
Liabilities to the public and public sector entities	1,000	1,000	700	700
Total	1,000	1,000	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.

23 Value of financial assets across the three levels of the fair value hierarchy

	31 Dec 2019	
EUR 1,000	Level 1	Level 3
Financial assets at fair value through profit or loss		
Private equity fund investments	-	16,156
Financial securities	9,911	-
Total	9,911	16,156

Level 3 reconciliation - Financial assets at fair value through profit or loss

	Private equity fund investments
Opening balance	16,876
Calls and returns	81
Change in fair value	-723
Permanent impairment loss	-78
Closing balance	16,156

	31 Dec 2018	
EUR 1,000	Level 1	Level 3
Financial assets at fair value through profit or loss		
Private equity fund investments	-	16,876
Financial securities	9,856	-
Total	9,856	16,876

Level 3 reconciliation - Financial assets at fair value through profit or loss

	Private equity fund investments
Opening balance	18,718
Calls and returns	-1,961
Permanent impairment loss	-
Change in fair value	119
Closing balance	16,876

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.

24 Equity

EUR 1,000	2019	2018
Share capital on 1 Jan	11,384	11,384
Share capital on 31 Dec	11,384	11,384
Fair value reserve on 1 Jan	0	-111
Increases/decreases	-	111
Fair value reserve on 31 Dec	0	0
Restricted equity, total	11,384	11,384
Reserve for invested unrestricted equity on 1 Jan	25,180	27,784
Increases/decreases	-552	-2,604
Reserve for invested unrestricted equity on 31 Dec	24,628	25,180
Retained earnings		
Retained earnings on 1 Jan	18,944	16,765
Dividend	-17,887	-16,128
IFRS 9 change	-	-111
Other changes	0	0
Retained earnings on 31 Dec	1,057	525
Profit (loss) for the period	21,498	18,419
Non-restricted equity, total	47,184	44,124
Equity on 31 Dec	58,567	55,508
Calculation of distributable assets on 31 Dec		
Retained earnings	1,057	525
Profit for the period	21,498	18,419
Reserve for invested unrestricted equity	24,628	25,180
Distributable assets	47,184	44,124

The share capital of the company consists of 38,307,198 shares. All shares carry one vote.

Other notes

25 Pledges, mortgages and obligations

1,000 EUR	2019	2018
eQ Plc's investment commitments in private equity funds, remaining commitment	6,740	7,756
Leasing agreements and leases less than one year	574	608
Leasing agreements and leases exceeding one year but less than five years	2,032	2,653
Total	9,346	11,017

Proposal for the distribution of profits

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

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.55 per share be paid out. The proposal corresponds to a dividend totalling EUR 21,068,958.90 calculated with the number of shares at the end of the financial year. Additionally, the Board proposes to the AGM that a repayment of equity of EUR 0.07 per share be paid out from the reserve of invested unrestricted equity. The proposal corresponds to a repayment of equity totalling EUR 2,681,503.86 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 27 March 2020. The Board proposes 3 April 2020 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.

Signatures to the Report by the Board of Directors and Financial Statements

Helsinki, 5 February 2020

Georg Ehrnrooth
Chairman of the Board

Nicolas Berner

Timo Kokkila

Lotta Kopra

Tomas von Rettig

Janne Larma
CEO

Auditor's note

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

Helsinki, 5 February 2020

KPMG Oy Ab
Firm of Authorised Public Accountants

Marcus Tötterman
APA

Auditor’s Report

To the Annual General Meeting of eQ Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of eQ Plc (business identity code 1625441-9) for the year ended 31 Decmber, 2019. The financial statements comprise the consolidated balance sheet, income statement, 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 position, financial performance 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.

Our opinion is consistent with the additional report submitted to the Board of Directors.

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.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 12 to the consolidated financial statements.

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. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

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 and Note 5 page 55)	
— The assets managed by eQ Group entitle to management fees on the grounds of agreements with customers. Management fees make up a significant item in the Group's income statement. — Performance fees and fees from the corporate finance segment also make up a substantial part in the formation of the Group's result and may vary considerably from year to year. — Calculation of fee and commission income is system-based relying on fee agreements and other source data. The functionality of the control environment of IT systems has a substantial importance in respect to the accuracy of the calculations. — Appropriate timing of the recognition of fee and commission income at correct amount is relevant 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 the general ledger, and substantive procedures performed in respect of fee income. In addition, we have evaluated the accuracy of the timing and the amount of revenue recognition. . — Regarding corporate finance fees, we assessed the monitoring procedures used as the well as timing and the 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 and the rules of investment funds. — We inspected the accounting treatment of fees and commissions and the appropriateness of the notes in relation to the requirements of the IFRS 15 standard.

THE KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
Impairment of goodwill (Priniples for preparing the consolidated financial statements and Note 17 pages 56–57)	
— 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 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, in reference to budgets, external sources and our own views. We assessed changes in the key parameters used in forecasts prepared by management by comparing to forecasts from previous years. — We involved valuation specialists that assessed the technical accuracy of the calculations and compared the assumptions used to market and industry information. Furthermore, we evaluated the goodwill in accordance with the consolidated balance sheet and 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 and Notes 16, 26–29 pages 56, 59–60)	
— The determination of fair values for investments is based on the valuation principles as described in the principles for preparing the consolidated financial statements of eQ Group. With respect to illiquid assets in eQ's investment portfolio, fair values are provided by fund managers. In accordance with the IFRS 9 standard, changes in the value of equity investments are recognized in profit or loss. — Private equity fund investments is a significant item in eQ Group's financial statements, and therefore the valuation of 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 inspected the consistency of the accounting treatment in relation to the requirements of the IFRS 9 standard. — 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. In addition, we reconciled the balance sheet values of private equity funds with the separate monitoring of the funds. — 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 a 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 for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about 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 the 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

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 1.1.2014, and our appointment represents a total period of uninterrupted engagement of 6 years

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have 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 other information that we obtained prior to the date of this auditor's report, 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, 5 February, 2020

KPMG OY AB

Marcus Tötterman

Authorised Public Accountant, KHT

Corporate Governance

Corporate Governance Statement 2019

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 5 February 2020. 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/en). The statement is not part of the official financial statements.

In addition to acts and regulations applicable to listed companies, eQ Plc has during 2019 complied 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.

This Corporate Governance Statement has also been drawn up in accordance with the Finnish Corporate Governance Code 2020 issued by the Securities Markets Association. The new Code entered into force on 1 Janary 2020 and is available on the website of the Securities Market Association at www.cgfinland.fi.

In 2019, eQ Plc complied with the Finnish Corporate Governance Code 2015 without any departures.

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 25 March 2019.

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 their 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. In addition, eQ reports the directors' independence of the company or its major shareholders together with the reasoning for determining that a board member is not independent.

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 25 March 2019 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-; 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: Management positions in family owned companies with responsibility for finance and investments, 2008-; eQ Plc and eQ Bank Ltd, CEO, 2005.
Independent of the company, but not independent of its significant shareholders. Georg Ehrnrooth is a significant shareholder of eQ Plc's significant shareholder Fennogens Investments S.A.

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, partner, 1998–2011.
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: Ilmarinen Mutual Pension Insurance Company, member of the Board, 2017-; Valmet Automotive Ltd, member of the Board, 2016-; SRV Group Plc, member of the Board, 2010-; LAK Real Estate Oy, member of the Board, 2018-; 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.
Independent of the company and significant shareholders.

Lotta Kopra, born 1980, female, member of the Board since 2019, M. Sc. (Econ)
Key positions of trust: Lindström Invest Ltd, member of the Board, 2019-; Solteq Plc, member of the Board, 2018-.
Primary work experience: Spinnova Oy, Chief Commercial Officer, 2019-; BearingPoint, Executive level, 2015–2018; Magenta Advisory, Founder, Chairman of the Board, 2010–2015; Finland and Nordics, Management consultant, 2004–2010.
Independent of the company and significant shareholders.

Tomas von Rettig, born 1980, male, member of the Board since 2019, BBA, CEFA certificate
Key positions of trust: Rettig Group Oy Ab, Chairman of the Board, 2019-; Purmo Group Oy Ab, Chairman of the Board, 2016-; Terveystalo Oyj, Vice Chairman of the Board, 2017-; Rettig Capital Oy Ab, member of the Board, 2014-.
Primary work experience: Rettig Group Oy Ab, CEO, 2016–2019; Rettig Group Oy Ab, vice president business development, vice president corporate finance and development, 2011–2015; Rettig Asset Management Oy Ab, portfolio manager, senior portfolio manager, 2008–2011; Skandinaviska Enskilda Banken, Middle Office, 2006–2008.
Independent of the company, but not independent of its significant shareholders. Tomas von Rettig is a shareholder and member of the Board of Rettig Capital Ltd, an indirect parent company of Anchor Oy, which is a significant shareholder of eQ Plc.

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 Decmber 2019:

Member of the Board	Security	Holding
Nicolas Berner	Share	60,000
Georg Ehrnrooth	Share	8,018,137
Timo Kokkila	Share	10,000
Lotta Kopra	Share	0
Tomas von Rettig	Share	5,000

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 so called unconventional related party transactions that are not conducted in the ordinary course of eQ's operation and which are not made on ordinary commercial terms
- monitors and assesses related party transactions at least once a year
- reviews the Remuneration Policy for Governing Bodies of eQ at least once a year and presents the policy to the General Meeting of the company for consideration at least every four years
- reviews eQ Group's remuneration principles at least once a year
- 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 2019, the Board of Directors of eQ Plc convened nine (9) times, average attendance being 96%

Attendance at the Board meetings 2019:

Member of the Board	
Nicolas Berner	8/9
Georg Ehrnrooth	9/9
Carl Haglund	1/2
Timo Kokkila	9/9
Lotta Kopra	7/7
Annika Poutiainen	2/2
Tomas von Rettig	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 2019, 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 2019.

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 and his duties

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 organised 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 Decmber 2019:

Name	Task in the organisation	Security	Holding
Janne Larma	CEO	2015 Option right 2018 Option right Share	100,000 100,000 5,945,275

Other Management Team members

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 2019:

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 Management Team members and entities that they control in eQ Plc at the end of the financial period on 31 Decmber 2019:

Name	Task in the organisation	Security	Holding
Staffan Jåfs	Director, Private Equity, eQ Asset Management Ltd	2015 Option right 2018 Option right Share	100,000 100,000 16,778
Mikko Koskimies	CEO, eQ Asset Management Ltd	2015 Option right 2018 Option right Share	100,000 100,000 4,100,000
Antti Lyytikäinen	CFO, eQ Plc	2015 Option right 2018 Option right	55,000 75,000
Juha Surve	Group General Counsel, eQ Asset Management Ltd	2015 Option right 2018 Option right Share	45,000 75,000 40,000

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.

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 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.

Principles concerning related party transactions

eQ's Group Administration is responsible for managing related party matters at Group level and for maintaining the related party register, in accordance with principles on the management of related party matters approved by eQ Plc's Board of Directors. The management of each company that is a member of the Group is responsible for ensuring that any related party transactions at the Group are made in accordance with the approved principles. At eQ Group, all business transactions within the Group and related party transactions are always made on arm's-length terms and as part of the company's normal business operations. Group companies can offer their services to related party individuals or organisations under their control or influence on market terms, and ordinary assignments are implemented in the ordinary course of business of the company. Related party transactions are allowed, provided that they promote the purpose and interest of the company and are commercially justified.

The Board of Directors regularly monitors and evaluates transactions between eQ Plc and the company's related parties, and assesses how contracts and other legal transactions made between the company and its related parties meet the requirements on the ordinary course of business and arm's-length terms. Primarily, all related parties are personally responsible for ensuring that eQ is informed of any related party transactions they make. eQ also monitors related party transactions on a business segment basis, and eQ Plc's CFO is responsible for reporting related party transactions to the Board of Directors annually. Related party transactions that are not conducted in the ordinary course of eQ's operation and which are not made on ordinary commercial terms are "unconventional business transactions". Only eQ Plc's Board of Directors can make decisions on implementation of unconventional business transactions. The Board of eQ Group's parent company always decides on all related party loans to related parties or entities outside the eQ Group.

eQ complies with the obligations of the Finnish Corporate Governance Code 2020 for listed companies and the IFRS standards (IAS 24) on related party disclosures. As required by the standard, eQ discloses, in the consolidated financial statements or separate financial statements, the related party relationships and transactions and outstanding balances of the parent company or an investor with joint control or significant control over the investment target with related parties, which are presented in accordance with the IFRS. eQ also discloses in the company's annual report information to be presented on the basis of the Finnish Limited Liability Companies Act, concerning loans, liabilities and commitments to related parties and the main terms thereof, if the business transactions are material and implemented on unconventional terms.

eQ Plc publishes, by a stock release, related party transactions that are significant for the company's shareholders.

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. The company has informed the company management, insiders and persons covered by the trading restriction of the insider guidelines.

Managers and persons closely associated with them are 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 managers (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 managers 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.

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 at the end of 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 2019, the company auditor was KPMG Oy Ab, a firm of authorized public accountants, with Marcus Tötterman, APA, as auditor with main responsibility.

KPMG Oy Ab has acted as eQ Plc's auditor since 2014 and Marcus Tötterman, APA, has acted as auditor with main responsibility since the Annual General Meeting 2019. 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 fees in 2019: for the audit and closely related services a total of EUR 133,170 (2018: EUR 95,310) and for other services than audit a total of EUR 9,395 (2018: 9,674).

Remuneration Statement 2019

This Remuneration Statement of eQ Plc (eQ) has been drawn up in accordance with the Corporate Governance Code 2015 for listed companies that entered into force on 1 Janary 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 5 February 2020.

The new Corporate Governance Code 2020 has entered into force on 1 Janary 2020. eQ Plc has applied a transition rule of the new Corporate Governance Code 2020, according to which the Remuneration Statement of the company for the year 2019 complies with the Corporate Governance Code 2015 (including remuneration report from 2019 and information on the remuneration of the other Management Team members on aggregate level). In 2021, the company will disclose the first new remuneration report drafted in accordance with the new code for the financial year 2020.

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 2019 decided that the directors would receive remuneration according to following: Chairman of the Board EUR 3,500 per month (2018: EUR 3,500) and the directors EUR 2,000 per month (2018: EUR 2,000). The AGM also decided that the directors be paid EUR 500 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 Management Team

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 risk profile of remuneration and the remuneration system of eQ Group has been estimated to be low overall taking into consideration the size of eQ Group and the scope and nature of its business.

The key guiding principles for eQ Group's remuneration and its remuneration system are the competitiveness and fairness of the remuneration. The objective of the remuneration system is to encourage and reward personnel for their personal achievements and to encourage them to work in alignment with the following objectives: increase of the shareholder value, improvement of eQ Group's financial situation and work in alignment with eQ Group's strategy. On the other hand, the objective of the remuneration system is to support the recruitment of committed, skilled and professionally competitive persons as well to sustain and develop their diverse know-how in alignment with eQ Group's strategy, objectives, values and long-term interests. The remuneration systems shall be consistent with the measures taken to avoid conflicts of interests.

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 remuneration system shall not encourage to such risk-taking that is contradictory to the rules of the group or the funds managed by it or to the interests of the clients.
- 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.
- In principle, the share of the variable remuneration may not exceed 100% of the total fixed remuneration of the recipient. However, if a General Meeting of the company that is the employee's employer so expressly decides, the variable remuneration can amount to 200% of the total fixed remuneration.
- eQ Group has decided that the maximum amount of the variable remuneration is EUR 750,000 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 of persons engaged in supervisory operations depends on the achievement of their personal goals and 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.
- Payments relating to premature termination of a contract shall be based on long-term results and shall not lead to rewarding of failed performance.
- Employees of the eQ Group may not use financial instruments or insurance in order to hedge the risk related to the remuneration payment.

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. The Board may decide that the annual bonus can be paid, in part or in full, in financial instruments.

It is the responsibility of the Board of eQ Plc to identify the employees whose professional conduct has a significant impact on the risk profile of the eQ Group. The Board conducts an annual assessment in order to identify such persons. Identification of these employees is part of the practical implementation of the eQ Group's remuneration principles.

If the variable remuneration of such persons mentioned above exceeds EUR 50,000 at annual level, at least 50 percent of the variable remuneration will be deferred so that it is paid during the following three (3) years (even payments each year). 50 percent of the deferred remuneration is linked to the development of eQ Plc's share price during the deferral period. eQ Plc's Board shall annually decide on the interest possibly payable to the remaining part of the deferred remunaration. If the variable remuneration does not exceed EUR 50,000 at annual level, payment shall not, in principle, be deferred. The Board may decide that the variable remuneration of other employees (other than such employees whose professional conduct has a significant impact on the risk profile of the eQ Group) can also be deferred.

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 2019, the CEO was paid an overall remuneration of EUR 784,613 (2018: EUR 622,314), the share of variable remuneration being EUR 293,040 (2018: EUR 262,007). The deferred variable remuneration of the CEO from years 2016–2018, that has not yet been paid out by 31

Decmber 2019 (including changes in stock prices and dividend consideration) were EUR 409,666 in aggregate on 31 Decmber 2019.

Remuneration and other financial benefits of the other Management Team members

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 2019, the other Management Team members than the CEO were paid an overall remuneration of EUR 1,720,949 (2018: EUR 1,291,714), the share of the variable remuneration being EUR 767,980 (2018: EUR 634,827). The deferred variable remuneration of the other Management Team members than the CEO from years 2016–2018, that has not yet been paid out by 31 Decmber 2019 (including changes in stock prices and dividend consideration) were EUR 1,196,827 in aggregate on 31 Decmber 2019.

Other relevant persons

In the beginning of the financial year 2019 eQ has expanded the group of other relevant persons significantly. Therefore, the data for 2018 and 2019 are not directly comparable. In 2019, other relevant persons (Finnish Act on Credit Institutions 610/2014, Chapter 8) than the Management Team members were paid an overall remuneration of EUR 2,071,300 (2018: 623,974), the share of the variable remuneration being EUR 683,986 (2018: 182,479). The deferred variable remuneration of the other relevant persons from years 2016–2018, that has not yet been paid out by 31 Decmber 2019 (including changes in stock prices and dividend consideration) were EUR 855,249 in aggregate on 31 Decmber 2019.

Option schemes

eQ Group has two option schemes, option schemes 2015 and 2018, based on which eQ Group has issued option rights and option subscription 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 2015 and 2018 contain no special terms related to ownership.

Option scheme 2015

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

Name	Task in the organisation	Number of option rights granted
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

The share subscription period with the option rights 2015 begun during the year 2019. Therefore, the number of option rights in the possession of each option rights holder above at the time of this report may vary from the number of option rights originally granted.

Option scheme 2018

Based on option scheme 2018, the CEO and other members of the Management Team have originally been granted option subscription rights as part of the engagement system as follows:

Name	Task in the organisation	Number of option rights granted
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

The share subscription period with the option rights 2018 begins on 1 April 2022 and ends on 1 April 2024.

Board authorisations regarding remuneration

The AGM of 2019 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.

Board of Directors

eQ Plc Board of Directors since 25 March 2019:

Georg Ehrnrooth

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

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

Primary working experience:
2008– Management positions in family owned companies responsible for finance and investments
2005 eQ Corporation and eQ Bank Ltd, Chief Executive Officer

Primary positions of trust:
Paavo Nurmi Foundation, Member of the Board; Anders Wall Foundation, Member of the Board; Louise and Göran Ehrnrooth Foundation, Chairman 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, Partner

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.), University of Technology Espoo

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:
Ilmarinen Mutual Pension Insurance Company, Member of the Board; Valmet Automotive Ltd, Member of the Board; SRV Group Plc, Member of the Board; Pontos Ltd, Member of the Board; LAK Real Estate Ltd, Member of the Board

Independent of the company and significant shareholders.

Lotta Kopra

Member of the Board since 2019
Born: 1980

Education:
M.Sc. (Econ.), HSE

Primary working experience:
2019– Spinnova Oy, Chief Commercial Officer
2015–2018 BearingPoint, Executive level
2010–2015 Magenta Advisory, Founder, Chairman of the board
2004–2010 Finland and Nordics, Management consultant

Primary positions of trust:
Lindström Invest Ltd, Member of the Board; Solteq Ltd, Member of the Board

Independent of the company and significant shareholders.

Tomas von Rettig

Member of the Board since 2019
Born: 1980

Education:
BBA (Bachelor of Business Administration), Arcada University of Applied Sciences
CEFA degree, Hanken Svenska handelshögskolan

Primary working experience:
2016–2019 Rettig Group Oy Ab, CEO
2011–2015 Rettig Group Oy Ab, vice president business development, vice president corporate finance and development
2008–2011 Rettig Asset Management Oy Ab, portfolio manager, senior portfolio manager
2006–2008 Skandinaviska Enskilda Banken, Middle Office

Primary positions of trust:
Rettig Group Oy Ab, Chairman of the Board; Purmo Group Oy Ab, Chairman of the Board; Terveystalo Oyj, Vice Chairman of the Board; Rettig Capital Oy Ab, Member of the Board

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

Lotta Kopra Tomas von Rettig Georg Ehrnrooth Timo Kokkila Nicolas Berner

Management Team

eQ Group's Management Team:

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.

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.

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.

Juha Surve Mikko Koskimies Janne Larma Staffan Jåfs Antti Lyytikäinen

Performance fees of private equity funds managed by eQ

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

Present funds

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

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

** Capital covered by performance fee MEUR 75

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

Previous funds

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

Example of the calculation of a performance fee

Size of the fund	MEUR 100
Hurdle rate	7.0%
Performance fee	7.5%
eQ's share of the performance fee	100%

Performance fee obtained by eQ, MEUR	
Fund return below 7.0% (IRR)	0.00
Fund return above 7.0% (IRR) and return multiple 1.3x*	2.25
Fund return above 7.0% (IRR) and return multiple 1.4x*	3.00
Fund return above 7.0% (IRR) and return multiple 1.5x*	3.75
Fund return above 7.0% (IRR) and return multiple 1.6x*	4.50
Fund return above 7.0% (IRR) and return multiple 1.7x*	5.25

* Return before the performance fee

Investments from own balance sheet

eQ's own Fund of Funds

eQ PE XI US

Vintage Year	2019
Management company	eQ Private Equity GP Ltd
Total size of the Fund	217.0 MUSD
eQ's commitment	1.0 MUSD
Financing stage	Buyout
Geographical focus	Northern America
Target funds	No sector preference
www pages	www.eQ.fi/en

eQ PE X North

Vintage Year	2018
Management company	eQ Private Equity GP Ltd
Total size of the Fund	175.0 MEUR
eQ's commitment	1.0 MEUR
Financing stage	Buyout
Geographical focus	Northern Europe
Target funds	No sector preference
www pages	www.eQ.fi/en

eQ PE IX US

Vintage Year	2017
Management company	eQ Private Equity GP Ltd
Total size of the Fund	105.0 MUSD
eQ's commitment	1.1 MUSD
Financing stage	Buyout
Geographical focus	Northern America
Target funds	No sector preference
www pages	www.eQ.fi/en

eQ PE VIII North

Vintage Year	2016
Management company	eQ Private Equity 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/en

eQ PE VI North

Vintage Year	2013
Management company	eQ Private Equity 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/en

Amanda IV West

Vintage Year	2007
Management company	eQ Private Equity GP Ltd
Total size of the Fund	90.0 MEUR
eQ's commitment	5.0 MEUR
Financing stage	Buyout
Geographical focus	Western Europe
Target funds	No sector preference
www pages	www.eQ.fi/en

eQ PE VII US

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

Amanda V East

Vintage Year	2011
Management company	eQ Private Equity 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/en

Amanda III Eastern Private Equity

Vintage Year	2006
Management company	eQ Private Equity 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/en

Funds managed by others than eQ

EQT V

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.eqtpartners.com

Triton Fund II

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

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

Permira Europe IV

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	Mega Buyout
Geographical focus	Europe, USA and Asia
Target funds	Large companies
www pages	www.permira.com

Gresham Fund IV

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

Permira Europe III

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

Atlas Venture VI

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

Permira Europe II

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	Midmarket Buyout
Geographical focus	Europe
Target funds	Middle-sized and large companies
www pages	www.permira.com

Balderton Capital I

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

Information about capital adequacy

Capital adequacy 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 CRR/CRD regulations. This section presents information about the capital adequacy management and calculations of eQ Group (Pillar III).

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 calculated capital adequacy requirements set out in the first pillar regarding the risks defined in the regulations. 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

The goals and practises of risk management at eQ Group have been presented in the Notes to the Financial Statements. Information about corporate governance and remuneration in eQ Group can be found as part of the Annual Report and on eQ's website.

Capital adequacy

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

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

Capital adequacy, EUR 1,000

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

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

Capital instruments' main features:

Capital instruments' main features template	CET 1
1. Issuer	eQ Plc
2. Unique identifier	Issuer 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 (CET1)
5. Post-transitional CRR rules	Common equity tier 1 (CET1)
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	11.9
9. Nominal amount of instrument	N/A
9a. Issue price	N/A
9b. Redemption price	N/A
10. Accounting classification	Shareholders' equity
11. Original issue date	1.11.2000
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

Capital instruments' main features template	CET 1
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

Total capital based on transitional provisions, EUR 1,000

31 Dec 2019	Amount at disclosure date	Relevant article in regulation (EU) no 575/2013
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	6,215	Article 26(1)(c)
3. Accumulated other comprehensive income and other funds	26,482	Article 26(1)
5a. Independently reviewed interim profits net of any foreseeable charge or dividend	-2,715	Article 26(2)
6. Common equity tier 1 (CET 1) capital before regulatory adjustments	41,366	
Common equity tier 1 (CET 1) capital: regulatory adjustments		
8. Intangible assets (net of related tax liability) (negative amount)	-29,465	Article 36(1)(b), article 37
28. Total regulatory adjustments to common equity tier 1 (CET 1)	-29,465	
29. Common equity tier 1 (CET1)	11,901	
59. Total capital (TC = T1 + T2)	11,901	
60. Total risk-weighted assets	53,499	
61. Common equity tier 1 (CET1) (as percentage of risk exposure amount)	22.2%	Article 92(2)(a)
62. Tier 1 (T1) (as percentage of risk exposure amount)	22.2%	Article 92(2)(b)
63. Total capital (as percentage of risk exposure amount)	22.2%	Article 92(2)(c)

To the shareholders

Information to the shareholders

eQ Plc's share

eQ Plc's share is traded on Nasdaq Helsinki. At the end of 2019, the company had had 5,945 shareholders (5,451 shareholders on 31 Dec 2018). The largest shareholders have been presented in the Report by the Board of Directors.

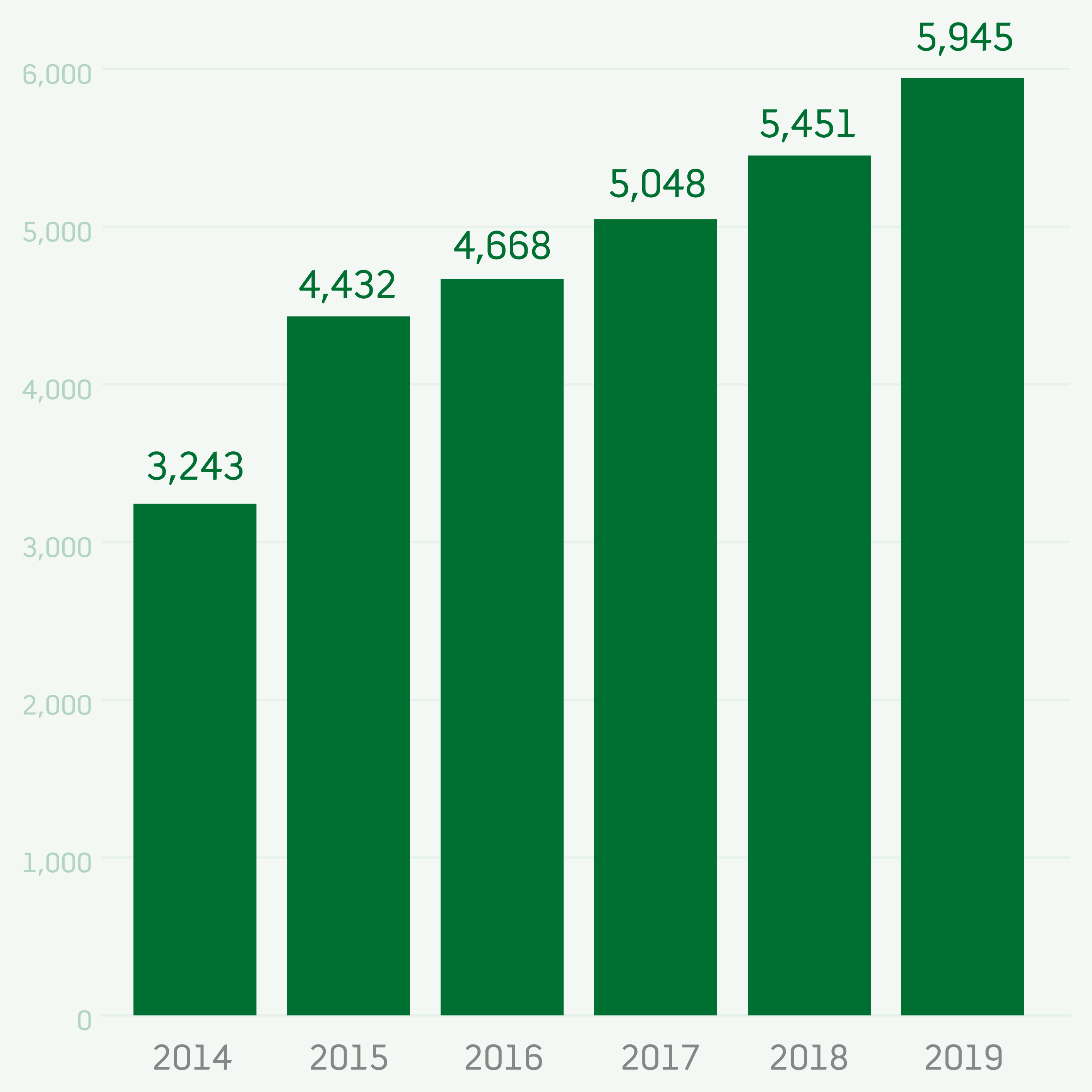
- Symbol: EQV1V
- Sector: Financial Services
- Market capitalisation classification: Mid Cap companies

Why to invest in eQ's share

eQ Group's profit growth has been strong and profitability at a good level during the recent years. eQ aims also in the future in a strong growth, constant cost-efficiency and to pay competitive dividend.

eQ aims at creating value for its shareholders through profitable and high-quality business areas. eQ Asset Management has a strong position as a service provider for the most professional investors in Finland. About 64 per cent of 100 largest institutional investors in Finland use eQ Asset Management's services and eQ has been ranked as No.1 in overall quality by the institutional investors (SFR-survey 2019). eQ Asset Management has an excellent product offering even in the current low interest rate environment. Low interest rates have led to a significant increase in demand for alternative investment products such as real

NUMBER OF SHAREHOLDERS



SHARE PRICE DEVELOPMENT 2014 TO 2019
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estate and private equity funds in recent years. In the Corporate Finance -segment advisory services are offered by Advium Corporate Finance, which is one of the most experienced and highly esteemed advisors in Finland.

eQ also has committed personnel. Personnel owns about 40 per cent of eQ Plc and personnel's satisfaction is at an excellent level according to the personnel surveys. Professional and committed employees are the key to good customer services, investment operations and advisory.

Annual General Meeting

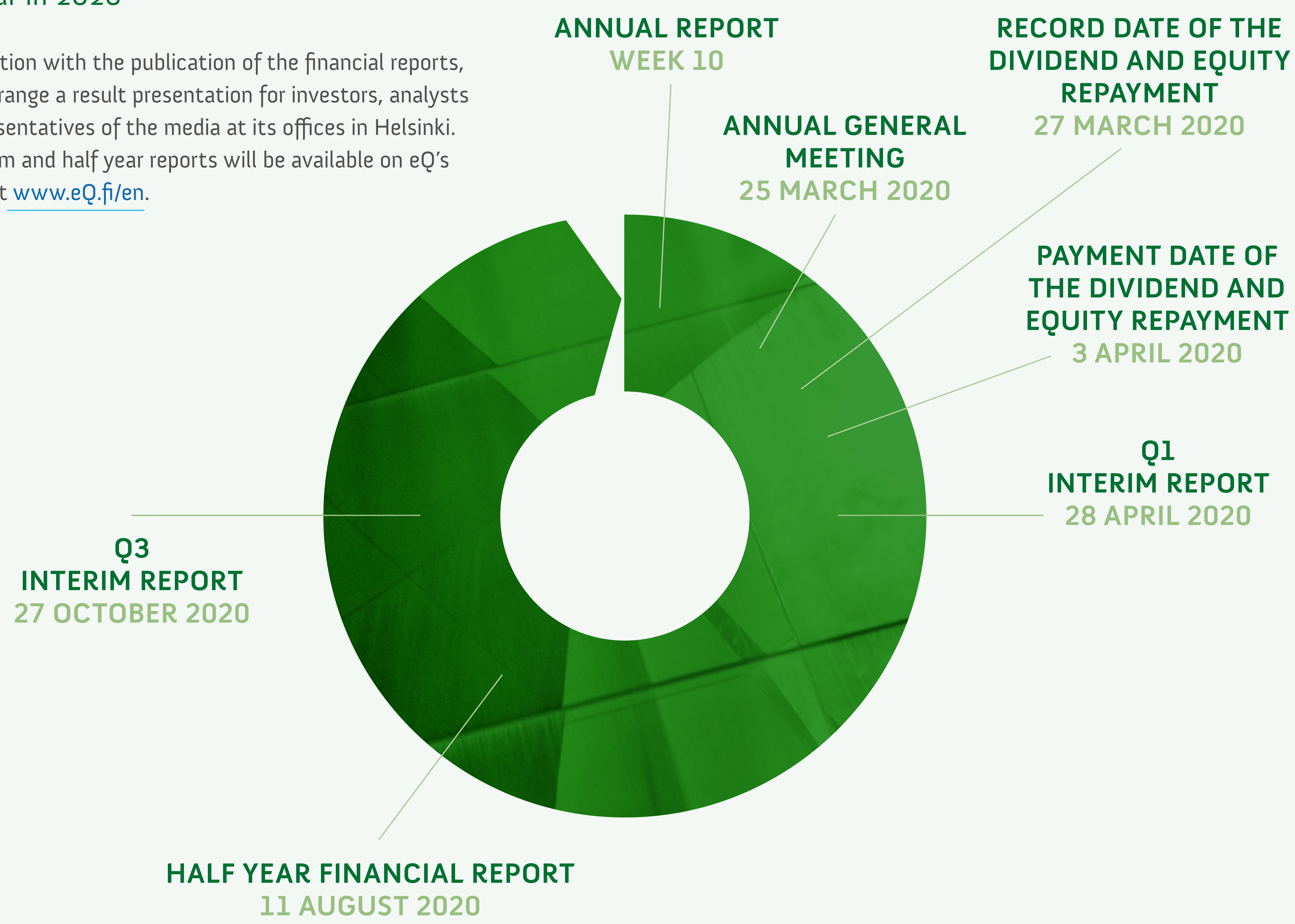
eQ Plc's Annual General Meeting (AGM) will be held on Wednesday 25 March 2020 in Helsinki. Detailed information and instructions for participation can be found on the company website at www.eQ.fi/en.

Dividend distribution

The Board of Directors proposes to the 2020 Annual General Meeting that a dividend of EUR 0.55 per share be paid out. Additionally, the Board proposes to the AGM that an equity repayment of EUR 0.07 per share be paid out from the reserve of invested unrestricted equity. Record date of the dividend and equity repayment is 27 March 2020 and payment date 3 April 2020.

Calendar in 2020

In connection with the publication of the financial reports, eQ will arrange a result presentation for investors, analysts and representatives of the media at its offices in Helsinki. The interim and half year reports will be available on eQ's website at www.eQ.fi/en.



Analysts following eQ Plc

The analysts mentioned below follow eQ Plc. eQ is not responsible for their comments or assessments.

- Inderes Oy, Sauli Vilén, +358 44 025 8908, sauli.vilen@inderes.com
- OP Corporate Bank Plc, Antti Saari, +358 10 252 4359, antti.saari@op.fi

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