

# Annual Report 2011



Private Equity  
Corporate Finance  
Asset Management

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## eQ IN BRIEF

eQ Group is a Finnish group of companies that specialises in asset management and corporate finance operations. The Group offers services related to mutual funds, private equity funds and hedge funds as well as traditional asset management for institutions and individuals. The assets managed by the Group totalled approximately EUR 3.5 billion on 31 December 2011. The assets managed under equity and bond investments were about EUR 0.9 billion and within private equity investments, the assets under discretionary management were about EUR 1.5 billion. The assets covered by the non-discretionary management totalled approximately EUR 1.1 billion. eQ manages 21 fixed-income and equity funds and seven private equity funds of funds. In addition, Advium Corporate Finance Ltd, which is part of the Group, offers advisory services related to mergers and acquisitions, real estate transactions and equity capital markets.

Amanda Capital Plc, Advium Corporate Finance Ltd and eQ Asset Management Group joined forces in March 2011 to become a strong Finnish asset manager and corporate finance advisor. By combining Amanda Capital's strong expertise in the private equity market with the services offered by eQ Asset Management, we can clearly expand the investment alternatives that we offer to our clients. Advium Corporate Finance Ltd's expertise in advisory services related to mergers and acquisitions as well as real estate transactions and equity capital markets complements the services of the new Group in an excellent manner. The joined companies have no overlapping business activities. The new and larger Finnish financial player offers better resources for the further development of the asset management business and for serving both our present and future clients even better than before.

The Group's asset management operations have been gathered under one brand. The Extraordinary General Meeting of Amanda Capital Plc held on 22 September decided to change the parent company name to eQ Plc. eQ is a widely known brand in Finland, and the combination supports the Group's target to grow fast in the asset management segment.

### Assets under Management 31.12.2011

Equity and Bond Investments	0,9 bn
Private Equity	
Discretionary	1,5 bn
Non-discretionary	1,1 bn
Assets under Management total	3,5 bn





# CEO'S REVIEW

## Challenging market environment

The year 2011 will probably go down in history – and neither will Europeans forget it easily. Few people could imagine that the euro zone would go through such an economic upheaval that we saw in 2011. The crisis of public economies, which crept in slowly in 2010, advanced with an accelerating speed through Ireland and Greece to the south of Europe. If the EU, ECB and IMF had not intervened, some euro countries would already have become insolvent. The crisis has had a major impact on euro countries, the entire Europe and even the outlook of global economy. All countries, including Finland, are now forced to thoroughly weigh different alternatives and make difficult decisions in order to balance their public sectors within a reasonable period. At the beginning of 2012, some hope of a calmer situation in the capital market has emerged and the trust in future is gradually restoring itself. It is clear, however, that the crisis will slow down the growth of national economies during the next few years.

## A year of change for eQ

The year 2011 also meant great changes for eQ. eQ, formerly Amanda Capital, bought the share capital of eQ Asset Management and Advium Corporate Finance. The combination created a strong Finnish asset manager and corporate finance advisor. As a result of the transactions, eQ's fee and commission income grew markedly and now comes from a variety of sources. Due to the combination, we can offer our clients a wider offering, which covers private equity and alternative investments as well as traditional asset management, including a wide range of equity and fixed-income funds managed by eQ. We decided to change the name of the parent company to eQ Plc and introduce the eQ brand within the entire asset management segment. The brand is associated with reliability, progressive operations and long experience. The entire asset management team now works in common premises, which helps us serve our clients even better than before. Corporate finance works separately from asset management, but we have been able to exploit the expertise of both segments and carried out some joint projects during the year.

## Good year in all business areas

The year 2011 was a challenging period for asset managers. At the beginning of the year, the equity market rose and the economic outlook was reasonable. The euro crises, however, turned share prices to a strong fall and led to considerable uncertainty in the capital market. Within asset management, this could be seen as a fall in the assets under management and in the corporate finance sector as a slow-down in corporate and real estate transactions. Despite this, eQ Group made a profitable result in all its business segments in 2011. The operating profit of the Asset Management segment was EUR 2.2 million in 2011 and the operating profit of the Corporate Finance segment EUR 0.7 million. When considering the market situation, we can be satisfied with the result of both these segments. Last year, our investments yielded an especially good result, which shows the strength of private equity investments as an asset class, even though share prices fell markedly. The capital distributions from investments totalled EUR 8.3 million and the distribution of profit was EUR 6.8 million. The operating profit generated was EUR 6.1 million. Capital calls during the year totalled EUR 6.1 million.

## Looking for growth

The Group's balance sheet is in excellent shape. At the year-end, there were no interest-bearing liabilities in the balance sheet, and the liquid assets totalled EUR 10.5 million. This gives us great opportunities to invest in growth. We strongly believe that the Finnish asset management market will be consolidated in the years to come and we believe that eQ will take part in this consolidation.

I would like to thank our clients for the confidence they have shown in us. I would also like to thank our employees for work well done, above all considering the challenging market situation and the changes that have taken place within the company.

Helsinki, 6 February 2012

Janne Larma  
CEO



# BUSINESS AREAS

eQ's Business Areas are Asset Management, Corporate Finance and Investments

## ASSET MANAGEMENT

The Asset Management segment consists of the asset management and sales of equity, fixed-income and hedge funds as well as private equity investments and of business support. eQ's goal is to ensure that client assets are invested profitably taking into account prevailing market conditions, investment risks and the client's situation. eQ provides a variety of investment strategies for international equity and fixed-income markets including alternative investment classes.

eQ offers discretionary asset management services and individual investment solutions to private individuals, families, companies and organisations wishing to have individual service for the management and growth of their assets. eQ offers a wide range actively managed and successful mutual funds, which offer well-diversified investment opportunities by applying various strategies. Our fund offering consists of 21 mutual funds under our own management as well as funds managed by our international partners, covering all major investment classes and markets. The mutual funds are divided into equity, fixed-income, asset-allocation and hedge funds, based on the investment object.

The Asset Management segment was formed in 2011, as the business operations of eQ Asset Management Group and the private equity asset management operations of Amanda Advisors Ltd were combined. The combination of the operations in practice started in late autumn 2011, and from the beginning of 2012, the private equity asset management operations have become part of eQ Plc's subsidiary eQ Asset Management Ltd, as a result of the merger of the companies. The entire asset management segment was reorganised, and the personnel moved to common premises. In practice, co-operation has been launched in sales, customer relationship management, product development, and in middle and back office functions. The change of the parent company name to eQ Plc was registered in October, and consequently, the entire Asset Management segment uses the eQ brand, which was revised in December.

### Operating environment of the Asset Management segment

The operating environment of the Asset Management segment was exceptionally difficult in 2011. The major single factor that has influenced the global capital market has been the debt crisis of the euro zone. The market has not believed in the ability of political decision-makers to solve the debt problems of some euro states, mainly in the south of Europe. Even though it was possible to solve the refinancing needs of states and possibly also banks in a manner that satisfies the market, there is a risk that heavy savings programmes are reflected on economic growth and the business preconditions of companies in coming years. During the first weeks of 2012, financial media have turned their attention from the debt crisis to the macro-indicators of national economies and the result outlook of companies, which has led to a positive development in both the equity and bond market.

Being a geographic fringe area, the Finnish equity market dropped more than the equity market on the average in 2011. The HEX Cap Index fell by 24.9% during the year. Other stock exchanges in Western Europe also developed negatively, and the Eurostoxx 600 index fell by 11.3%, whereas MSCI World (EUR), which describes shares globally, only fell by 4.6%. The U.S. market ended up at the same level as at the beginning of the year. MSCI EM Total Return Net (EUR), which describes emerging markets, also fell by 15.9%.

The year was challenging for bond investors as well. Despite the debt crises of several governments, the bond market of the euro zone gave an average annual return of 3.3%. The best performers were government bonds issued by Germany, which is felt to be a safe country, with an almost 10% return. As for the countries that are in the centre of the crisis, Greece and Portugal, investors suffered, on the other hand, from value decreases of several tens of percent, as the increased possibility of defaults was transferred to prices. For corporate loans, the year was twofold. Corporate loans with the highest credit rating gave a reasonable return of about 2%, while high-yield loans with a high risk gave a negative return of about the same size.

In the European private equity market, the first half of the year was very active, and the number of corporate acquisitions was about 600 in the total value of EUR 45 billion. After summer, the fluctuations of bond and equity markets clearly reduced activity, and in the third quarter, only 180 corporate acquisitions were concluded, their total value being a little less than EUR 15 billion. (Source: unquote, Private Equity Barometer).

Net subscriptions in hedge funds globally totalled USD 51 billion in 2011. The largest subscriptions were made in North American funds. Altogether 1 100 new funds were established. At the end of December, the assets in hedge funds totalled EUR 1.7 trillion (source: EurekaHedge). The return difference of hedge funds with the equity market was +2 percentage points (Hedge Fund Research Index Conservative vs. MSCI World local TR).

Emerging markets also suffered from the crisis of the euro zone, and the MSCI index for emerging markets fell by more than 18% in 2011. The poor economic growth in Europe did not markedly slow down the strong growth of emerging economies, however. The world's second largest economy China continued to grow strongly, by more than 9%. Other Asian countries also posted solid growth, and these national economies are expected to grow strongly in 2012 as well.

The Russian economy grew by more than 4% in 2011, supported by the high price of oil. Development in Russia was positive as a whole despite the fact that the election in December led to major demonstrations and accusations of electoral fraud. Russia carried out several reforms in the management of government-owned companies, the transparency of companies was improved, and the government took stricter measures against corruption and malpractice.

### Asset management operations in 2011

It was difficult to sell asset management services to both private individuals and institutions during the latter part of 2011, as news about the debt crisis dominated the media. Customers have been very cautious in making new investments, and the risk levels of positions have been cut down in general. The assets under the segment's management totalled EUR 3 519 million at the end of 2011. On 31 December 2011, the assets managed under equity and bond investments totalled EUR 881 million and within private equity investments, the assets under management were EUR 2 639 million. Of these assets, EUR 1 147 million was covered by the non-discretionary services.

#### Debt crisis has also been an opportunity



"Private equity investments are long-term investments that often have poor liquidity but that offer a high return expectation. It takes thorough planning and a long-term investment horizon to build a private equity investment programme. Market disturbances, such as the euro crisis, may make it necessary for investors to give up part of their investments or even the entire asset class for either strategic or liquidity reasons. The ever tighter capital requirements and new solvency

rules also force investors to rearrange their balance sheets. This creates an interesting secondary market for the private equity market, in which shares in private equity funds can be bought and sold. Creative investors who are building a private equity investment programme or increasing their private equity investments draw advantage of the secondary market, both due to the favourable pricing and the more rapid commitment of capital. There is no actual market place for the secondary market, but the transactions are largely based on networks between investors, private equity funds and brokers. The current debt crisis has boosted the secondary market, and even though even large funds that only buy fund shares in the secondary market have been raised internationally, the supply clearly exceeds demand. This is naturally reflected on the price of fund shares, and therefore it is possible to buy fund shares clearly below their market price.

eQ Private Equity's investment team has experience in the sector since 1994, which means that our network is extensive. During the past few years, we have been an active actor in the secondary market and bought a considerable number of fund shares for ourselves and above all for our clients. eQ Private Equity has been an active private equity investor in the Russian and East-European market for more than ten years, and we have also managed to obtain an important position in the secondary markets of these geographic regions. One good example of this is the Amanda V East Fund established in 2011, the main focus of which is to invest in the growing consumer markets of Russia and Eastern Europe. In the investment operations of Amanda V, we can also exploit the investment opportunities offered by the secondary market."

*Staffan Jåfs*  
Director, alternative investments  
eQ Asset Management

## Equity and Bond Asset Management

Net subscriptions in eQ Funds totalled EUR -23 million during the year, and the assets managed by the funds dropped to EUR 440 million because of the fall in value. Within eQ Asset Management, the fixed-income fund that clearly gathered the most net subscriptions was the eQ Emerging Markets Corporate Bond Fund, which makes investments in corporate loans in emerging markets. Investors were interested in investments outside the crisis-struck Europe, and on the other hand, the interest rate level of corporate loans, which was higher than that of government bonds. In addition, the Fund is the only Finnish fund product that makes investments in this market.

The mutual fund eQ Emerging Dividend, which makes investments in dividend stock in emerging markets, was launched in February. The investment strategy arouses interest among institutional investors, and the fund grew evenly by EUR 23 million during the year despite the difficult market.

Morningstar, which makes international fund management company comparisons, rated eQ Fund Management Company Ltd the best special equity house in Finland in 2011, the second time in a row. In the autumn of 2011, eQ Asset Management Ltd also showed good results in the asset manager comparison that SFR research institute conducted among Finnish institutional investors. eQ Asset Management received a top grade (gold medal) in the comparison, the second year in a row.

## eQ Private Equity

eQ Private Equity is responsible for the management and consulting services of private equity investments. eQ advises its clients in matters pertaining to private equity investments. Clients, such as insurance and pension insurance companies as well as foundations, have outsourced their private equity business or part of it to eQ. eQ's investment team looks for and offers new investment objects actively to its clients. The continuous monitoring of the investments and high-quality reporting are important parts of the service entity. eQ also acts as general partner in seven private equity funds of funds that it has established.

The 2011 was an excellent year for eQ Private Equity. The Amanda V East private equity fund was established, and despite the difficult market situation, EUR 33.0 million was raised to the fund. The fund will continue to raise means, and we will offer it to all customers of eQ during the spring of 2012. The private equity fund makes investments in growth and buyout private equity funds, which make investments in small and mid-sized unlisted companies in Russia, CIS, CEE and SEE countries. As for investments, eQ Private Equity has above all been active in the secondary market and acted as both buyer and advisor. Strong demand for the reporting and monitoring services also continued and the number of clients increased.

## Profit for the period

The net sales of the Asset Management segment during the financial period 2011 totalled EUR 7.6 million and the operating profit was EUR 2.2 million. The income statement of eQ Asset Management Group has been consolidated with the income statement of eQ Group and the Asset Management segment from 1 April 2011. The number of personnel in the segment was 44 at the end of the financial period.

Asset Management	Jan. to Dec. 2011
Net sales	EUR 7.6 million
Operating profit	EUR 2.2 million
Personnel	44



## CORPORATE FINANCE

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

Advium is one of the most highly esteemed and experienced advisors in Finland. We have carried out more than 100 corporate and real estate transactions during the past eleven years, and in many of them, at least one of the parties has been an international actor.

### Net sales at previous year's level

The year 2011 was relatively challenging for Advium. As a result of the general economic development and uncertainty, the market slowed down considerably in the second half of the year. All in all, we acted as advisor in six transactions during the calendar year.

Advium acted as advisor in, for instance, the largest real estate deal in Finland in 2011, when Sponda Plc bought of Suomi Mutual Life Assurance Company the Fennia block in the city centre of Helsinki at a debt-free transaction value of EUR 122 million. We also acted as advisor in deals through which the Partioaitta trade chain was sold to the Swedish company Fenix Outdoor and the Finnish company Miratel Oy, which designs nurse call systems, was sold to the Swiss company Ascom Holding AG, which provides data communication solutions.

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 deals have a major impact on our invoicing. During the period that eQ Plc has owned Advium, i.e. from 1 April to 31 December 2011, Advium's net sales totalled EUR 2.1 million and the operating profit was EUR 0.7 million. The Corporate Finance segment had 11 employees at the end of the financial period.

Corporate Finance	Jan. to Dec. 2011
Net sales	EUR 2.1 million
Operating profit	EUR 0.7 million
Personnel	11

### Experience is accentuated in a demanding operating environment

During the year 2011, uncertainty increased once more as the crisis in Greece and the entire euro zone deepened. This led to a marked slow-down of economic growth in the second half of the year. The threats of disturbances in the financial market and an economic recession led to a fall in the prices of securities and a slow-down of the real estate market in Finland during the year.

The importance of experience and market insight is emphasised in a demanding operating environment. Advium Corporate Finance's experts have a long experience of mergers and acquisitions in various market conditions, which offers Advium good opportunities to succeed even in a challenging operating environment.

# INVESTMENTS

The business operations of the Investments segment consist of private equity fund investments made from the own balance sheet of eQ Group. During the financial period, the net income of eQ Plc's Investments segment totalled EUR 6.5 million. At the end of the period, the fair value of the private equity investments made from the own balance sheet was EUR 42.5 million, and the remaining investment commitments totalled EUR 14.7 million. During the financial period, private equity funds called in a total of EUR 6.1 million and returned EUR 8.3 million.

Investments	Jan. to Dec. 2011
Net sales	EUR 6.5 million
Operating profit	EUR 6.1 million
Personnel	1

Private Equity Investments	Dec. 2011
Fair value	EUR 42,5 million
Remaining investment commitments	EUR 14,7 million

The aim is to achieve an average return on investments that is higher than that of the equity market. The aggregate return of private equity investments since the beginning of operations is 22.32% p.a. (IRR). eQ has experience of making private equity investments in Europe, the U.S., Asia and Russia. eQ has made a decision that it will only make new investments in funds managed by eQ in future. eQ's investment objects have been presented on page 70 of the Annual Report.



# FINANCIAL STATEMENTS 2011

## REPORT BY THE BOARD OF DIRECTORS

### Financial environment

#### Equity market

The year 2011 was an unexceptionally challenging period for the capital market. In spring the market plummeted because of the political unrest in North Africa and the earthquake in Japan, but the impacts of these events were rather short-lived. Instead investors have fully concentrated on the debt crisis in Europe. Above all, the challenges of euro countries have received an unforeseen attention in global financial media, and this has had a strong impact on the behaviour of investors. During the entire autumn, investors have concentrated their main attention to the ability of the Greece, Italian and Spanish states to stimulate their economies. It has been exceptionally difficult for political decision-makers to make decisions with a long-term impact, and as a result, several Mediterranean countries have changed their government. From time to time, the entire euro zone's credibility and ability to function have been viewed in a critical manner. In any case, the crisis will slow down the growth of national economies during the next few years. It is also clear that the crisis will reflect on the solvency of European banks, which have needed and will need recapitalisation. The European Central Bank is also expected to take on a more active role in the management of the crisis.

Being a geographic fringe area, the Finnish equity market dropped more than the equity market on the average in 2011. The HEX Cap Index fell by 24.9% during the year. Other stock exchanges in Western Europe also developed negatively, and the Eurostoxx 600 index fell by 11.3%, whereas MSCI World (EUR), which describes shares globally, only fell by 4.6%. The U.S. market ended up to the same level as in the beginning

of the year. MSCI EM Total Return Net (EUR), which describes emerging markets, also fell by 15.9%.

In 2011, the market concentrated exceptionally strongly on the results of these political processes, and less attention was paid to actually analysing the fundamentals of different asset classes. Already in December and above all in January 2012, financial media shifted their attention from the euro crisis to macro-economic indicators and the results of individual companies. As a result, the last weeks of 2011 and the first weeks of 2012 have been quite positive in the market. Share prices have risen by about 5 to 10% almost globally.

#### Bond market

The year was challenging for bond investors as well. Despite the debt crises of several governments, the



bond market of the euro zone gave an average annual return of 3.3%. The best performers were government bonds issued by Germany, which is felt to be a safe country, with an almost 10% return. As for the countries that are in the centre of the crisis, Greece and Portugal, investors suffered, on the other hand, from value decreases of several tens of percent, as the increased possibility of defaults was transferred to prices. For corporate loans, the year was twofold. Corporate loans with the highest credit rating gave a reasonable return of about 2%, while high-yield loans with a high risk gave a negative return of about the same size.

We experienced the most difficult time of the year in November, when the interest rates of Spanish and Italian corporate bonds rose record high in the secondary market, to about 7%. At the same time, these countries had clear difficulties in the issuance of new bonds. Political decision-makers managed to calm down the situation, however, by tightening up the budget rules of member states and by improving support networks. The measures that the European Central Bank took towards the end of the year in order to safeguard the bank system also restored investors' trust in above all debt securities issued by banks.

### Finnish market for mutual funds

The uncertain economic situation was also reflected on the investments that Finns made in mutual funds. The net subscriptions in mutual funds operating in the Finnish market totalled about EUR -1.0 billion in 2011. Redemptions followed the movements of the investment market and increased in the second half of the year. The largest redemptions took place in equity and corporate bond funds. Within equity funds, redemptions took above all place in funds that make investments in emerging markets. As investors wanted to find safe havens, capital flowed to short-term fixed-income funds and hedge funds. At the end of the year, the fund capital of Finnish funds totalled EUR 55 billion, which is EUR 6 billion less than at the beginning of the year.

### Private equity market

In the European private equity market, the first half of the year was very active, and the number of corporate acquisitions was about 600 in the total value of EUR 45 billion. After summer, the fluctuations of bond and equity markets clearly reduced activity, and in the third quarter, only 180 corporate acquisitions were concluded, their total value being a little less than EUR 15 billion. (Source: unquote, Private Equity Barometer).

In the fundraising market, the year 2011 was the poorest year in the past ten years. By the end of September, only EUR 170 billion of new capital had been raised worldwide, which is only 25% of the corresponding figure for 2008. The biggest fundraising market was once more the U.S., even though its share of the private equity market fell. Investors were interested in emerging markets, above all Asia and China, and their share of the fundraising market rose markedly. (Source: Preqin)

### Major events

The Annual General Meeting held on 16 March 2011 decided to approve the transaction whereby eQ Plc (formerly Amanda Capital Plc) acquired 100% of the shares in Advium Corporate Finance Ltd and eQ Asset Management Group Ltd as well as a convertible bond issued by eQ Asset Management Group Ltd and authorise the Board of Directors to decide on a share issue. On the basis of the authorisation, the Board of Directors issued on 16 March 2011 altogether 10 302 605 new shares in eQ Plc to the shareholders of Advium and eQ Asset Management Group as well as the holders of the convertible bond. As a result of the execution of the share issue and combination agreement, Advium and eQ AMG have become fully owned subsidiaries of eQ Plc.

After the subscription and registration of the issued shares, the total number of shares issued by the company was 33 070 351. At its constituent meeting on 16 March 2011, the Board of Directors of eQ Plc appointed Janne Larma CEO of the company, in accordance with a previous announcement.

In the second quarter of the year, the Board of Directors appointed Janne Larma, Petter Hoffström, Lauri Lundström and Annamajja Peltonen to the Group's Management Team. The Board also decided to introduce three different segments starting from 1 April



2011, i.e. Asset Management, Corporate Finance and Investments.

The Amanda V East private equity fund, established and managed by eQ, made its first closing on 30 June 2011 at the size of EUR 33.0 million. The private equity fund makes investments in growth and buyout private equity funds, which make investments in small and mid-sized unlisted companies in Russia, CIS, CEE and SEE countries. The fund is eQ's second private equity fund that makes investments in Eastern Europe. Like its predecessor, it makes investments in both new private equity funds and acquires their shares from the secondary market. The fund will continue to raise funds, and the final closing will take place by 30 June 2012.

The Extraordinary General Meeting of eQ Plc (formerly Amanda Capital Plc) held on 22 September 2011 decided to change the company name to eQ Plc. The change of company name was registered with the Trade Register on 10 October 2011.

The Extraordinary General Meeting also decided to consolidate the capital structure of the company through a directed share issue by offering 390 000 new shares to the members of the company's Board of Directors, deviating from the pre-emptive right of present shareholders. After the subscription and registration of the shares issued, the total number of shares issued by eQ Plc is 33 460 351. The new shares were registered with the Trade Register on 13 October 2011.

In the last quarter of the year, the Board of Directors appointed Staffan Jåfs to the Group's Management Team. From 23 November 2011, the Group's Management Team consisted of the following persons: Janne Larma, Lauri Lundström, Staffan Jåfs and Annamajja Peltonen. Lauri Lundström was appointed substitute for eQ Plc's CEO from 23 November 2011.

## Group net sales and result development

Advium Corporate Finance Ltd and eQ Asset Management Group Ltd, acquired on 16 March 2011, have had an impact on the result development of Group, as the result of said companies are consolidated with the result of eQ Plc Group from 1 April 2011.

The consolidated net sales totalled EUR 15.8 million (EUR 5.1 million from 1 Jan. to 31 Dec. 2010). Fee and commission income increased from the comparison period due to the acquisition of Advium Corporate Finance Ltd and eQ Asset Management Group Ltd. The Group's fee and commission income rose to EUR 9.3 million (EUR 4.0 million). The net investment income also increased from the comparison period to EUR 6.5 million (EUR 1.1 million), including a write-down

of EUR 0.4 million with result impact. The Group's expenses and depreciation totalled EUR 8.6 million (EUR 3.3 million). Personnel expenses totalled EUR 4.6 million (EUR 1.3 million) and depreciation was EUR 0.9 million (EUR 0.7 million). Other operating expenses were EUR 3.1 million (EUR 1.2 million).

The Group's operating profit was EUR 7.2 million (EUR 1.8 million). The increase from the comparison period is due to the increasing income from investment operations and the result of the acquired companies. The operating profit of the financial period comprises non-recurring expenses of EUR 0.3 million due to corporate acquisitions. The profit for the financial period was EUR 4.9 million (EUR 0.8 million).

## Business areas

The Board of Directors of eQ Plc decided to introduce three separate segments from 1 April 2011: Asset Management, Corporate Finance and Investments.

### Asset Management

The Asset Management segment was formed in 2011, as the business operations of eQ Asset Management Group and the private equity asset management operations of Amanda Advisors Ltd were combined. The combination of the operations started in practice in late autumn 2011, and from the beginning of 2012, the private equity asset management operations have become part of eQ Plc's subsidiary eQ Asset Management Ltd, as a result of the merger of the companies. The entire asset management segment was reorganised, and the personnel moved to common premises. In practice, co-operation has been launched in sales, customer relationship management, product development, and in middle and back office functions. The change of the parent company name to eQ Plc was registered in October, and consequently, the entire Asset Management segment uses the eQ brand, which was revised in December.

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It was difficult to sell asset management services to both private individuals and institutions during the latter part of 2011, as news about the debt crisis dominated the media. Customers have been very cautious in making new investments, and the risk levels of positions have been cut down in general. The assets under the segment's management totalled EUR 3 519 million at the end of 2011. On 31 December 2011, the assets managed under equity and bond investments totalled EUR 881 million and within private equity investments, the assets under management were EUR 2 639 million. Of these assets, EUR 1 147 million was covered by the reporting service.

Net subscriptions in eQ Funds totalled EUR -23 million during the year, and the assets managed by the funds dropped to EUR 440 million because of the fall in value. Within eQ Asset Management, the fixed-income fund that clearly gathered the most net subscriptions was the eQ Emerging Markets Corporate Bond Fund, which makes investments in corporate loans in emerging markets. Investors were interested in investments outside the crisis-struck Europe, and on the other hand, the interest rate level of corporate loans, which was higher than that of government bonds. In addition, the Fund is the only Finnish fund product that makes investments in this market.

The mutual fund eQ Emerging Dividend, which makes investments in dividend stock in emerging markets, was launched in February. The investment strategy arouses interest among institutional investors, and the fund grew evenly by EUR 23 million during the year despite the difficult market.

The Amanda V East private equity fund, established and managed by eQ, made its first closing on 30 June 2011 at EUR 33.0 million. The private equity fund makes investments in growth and buyout private equity funds, which make investments in small and mid-sized unlisted companies in Russia, CIS, CEE and SEE countries. The fund will continue to raise funds and it will be offered to all customers of eQ Asset Management during the spring of 2012.

Morningstar, which makes international fund management company comparisons, rated eQ Fund Management Company Ltd the best special equity house in Finland in 2011, the second time in a row. In the autumn of 2011, eQ Asset Management Ltd also showed good results in the asset manager comparison that SFR research institute conducted among Finnish institutional investors. eQ Asset Management received a top grade (gold medal) in the comparison, the second year in a row.

Asset Management	Jan. to Dec. 2011
Net sales	EUR 7.6 million
Operating profit	EUR 2.2 million
Personnel	44

The income statement of eQ Asset Management Group has been consolidated with the income statement of eQ Group and the Asset Management segment from 1 April 2011.

## Corporate Finance

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

The year 2011 was relatively challenging for Advium. As a result of the general economic development and uncertainty, the market slowed down considerably in the second half of the year. We acted as advisor in six transactions during the calendar year.

Advium acted as advisor in, for instance, the largest real estate deal in Finland in 2011, when Sponda Plc bought of Suomi Mutual Life Assurance Company the Fennia block in the city centre of Helsinki at a debt-free transaction value of EUR 122 million. We also acted as advisor in deals through which the Partioaitta trade chain was sold to the Swedish company Fenix Outdoor and the Finnish company Miratel Oy, which designs nurse call systems, was sold to the Swiss company Ascom Holding AG, which provides data communication solutions.

At the end of December, the number of personnel at Advium was 11.

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	Jan. to Dec. 2011
Net sales	EUR 2.1 million
Operating profit	EUR 0.7 million
Personnel	11

The income statement Advium Corporate Finance Ltd has been consolidated with the income statement of eQ Group from 1 April 2011.

## Investments

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

During the financial period, the net income of eQ Plc's Investments segment totalled EUR 6.5 million (EUR 1.1 million from 1 Jan. to 31 Dec. 2010), including a write-down of EUR 0.4 million with result impact. At the end of the period, the fair value of the private equity funds was EUR 42.5 million (EUR 40.6 million). As for private equity investments, the amount of the re-



maining investment commitments was EUR 14.7 million (EUR 16.7 million on 31 Dec. 2010). During the financial period, private equity funds called in a total of EUR 6.1 million and returned EUR 8.3 million.

In 2011, the largest exits were:

- Exit of the EQT V Fund from the security service company Securitas Direct, which generated a cash flow of about EUR 1.7 million to eQ,
- Exit of PAI IV from Spie, which offers HVAC services, which generated a cash flow of EUR 2.1 million,
- Exit of the IK 1997 Fund from Superfos, which manufactures plastic packaging material, which generated a cash flow of EUR 0.6 million,
- Exit of the IK 2000 Fund from Idex, a company offering energy services, which generated a cash flow of EUR 0.3 million,
- Exit of MB III from Medivire, which offers care and medical services, which generated a cash flow of EUR 1.8 million.

eQ has made a decision that it will only make new investments in funds managed by eQ in future.

Investments	Jan. to Dec. 2011
Net sales	EUR 6.5 million
Operating profit	EUR 6.1 million
Personnel	1

## Balance sheet and financial position

The consolidated balance sheet total was EUR 74.0 million (EUR 51.5 million). The increase from the comparison period was mainly due to the transaction concluded on 16 March 2011.

At the end of the period, eQ Plc's shareholders' equity was EUR 69.7 million (EUR 44.2 million). The shareholders' equity was influenced by the profit for the financial period, the change in the fair value reserve and the transaction executed on 16 March 2011, whereby 10 302 605 shares were issued at the price of EUR 1.59 per share. The shareholders' equity was also influenced by the consolidation of the company's capital structure through a directed share issue by offering 390 000 new shares to the members of the company's Board of Directors, deviating from the pre-emptive right of present shareholders, decided by the Extraordinary General Meeting on 22 September 2011. The subscription price of the shares was EUR 1.63 per share.

The increase in the reserve for invested unrestricted equity by EUR 17.0 million is due to the share issue related to the transaction and the share issue directed to the Board of Directors.

EUR 0.0 million (EUR 5.8 million) of the debt was interest-bearing short-term debt. There are no long-term interest-bearing debts. Interest-free long-term debt amounted to EUR 1.2 million (EUR 0.9 million) and interest-free short-term debt totalled EUR 3.1 million (EUR 0.4 million). eQ's equity to assets ratio was 94.1% (85.9%).

## Major risks associated with the operations

The single major risk of the Group is the dependence of the operating income on the changes in the external operating environment. The result of the Asset Management segment depends on the development of the assets under management, which is highly dependent of the development of the capital market. The management fees of private equity funds are based on long-term agreements that produce a stable cash flow, however. Success fees, which depend on the number of mergers and acquisitions and real estate transactions, have a considerable impact on the result of the Corporate Finance segment. These vary considerably within one year and are dependent on economic trends.

The risks associated with eQ Group's investment operations are the market risk, currency risk and liquidity risk. Among these, the market risk has the greatest impact on investments. eQ's investments are well diversified, which means that the impact of one investment in a company, made by one individual fund, on the yield of the investments is often small. eQ has tried to diversify the risks related to the investment operations by making investments in private equity funds that make investments in different geographic areas and fields of industry. Most of the company's investments have been made in investments denominated in euro, which means that the exposure to the currency risk is not considerable. The company has made a decision that it will only make new private equity investments in funds managed by eQ in future.

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

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

The Annual General Meeting of eQ Plc held on 16 March 2011 elected the following persons to the company Board of Directors: Ole Johansson, Georg Ehrnrooth, Eero Heliövaara, Jussi Seppälä and Catharina

Stackelberg-Hammarén. At its constituent meeting, the Board elected Ole Johansson Chairman of the Board. During the financial period, eQ Plc's Board convened 11 times, average attendance being 96%.

On 18 May 2011, eQ Plc's Board of Directors appointed Janne Larma, Petter Hoffström, Lauri Lundström and Annamajja Peltonen to the Group's Management Team. From 23 November 2011, the Management Team has consisted of the following persons: Janne Larma, Lauri Lundström, Annamajja Peltonen and Staffan Jåfs.

Petter Hoffström, CFO, acted as CEO from 1 January to 16 March 2011. Janne Larma was appointed CEO from 16 March 2011. The substitute for the CEO was Jyrki Orpana from 1 January to 23 November 2011, and from 23 November onward Lauri Lundström.

The company auditor has been Ernst & Young Oy, a firm of authorized public accountants, with Ulla Nykky, APA, as auditor with main responsibility.

## Personnel

At the end of the financial period, the number of personnel was 62. The Asset Management segment had 44 employees, the Corporate Finance segment 11 employees and the Investments segment one employee. Group administration had six employees. The personnel of the Asset Management segment comprises ten persons with fixed-term employment.

The overall salaries paid to the employees of eQ Group during the financial period totalled EUR 4.6 million (EUR 1.3 million). This sum comprises the salaries of Advium Corporate Finance Ltd and eQ Asset Management Group from 1 April to 31 December and the salaries of eQ Plc's and Amanda Advisors Ltd's personnel from 1 January to 31 December 2011.

## eQ Plc's share

### Shares and share capital

eQ Plc's number of shares increased as a result of the decision by the Annual General Meeting, according to which eQ Plc acquired the shares of Advium Corporate Finance Ltd and eQ Asset Management Group Ltd as well as a convertible bond issued by eQ Asset Management Group Ltd by issuing 10 302 605 new shares at the price of EUR 1.59 per share. After the subscription and registration of the issued shares, the total number of shares issued by eQ Plc was 33 070 351. The increase did not influence the share capital of EUR 11 383 873.

The Extraordinary General Meeting held on 22 September 2011 decided to consolidate the capital structure of the company through a directed share issue by offering 390 000 new shares to the members of the company's Board of Directors, deviating from the pre-emptive right of present shareholders. The issued shares were subscribed for as follows:

Number of shares:	
Georg Ehrnrooth	75 000
Eero Heliövaara	30 000
Ole Johansson	150 000
Jussi Seppälä	75 000
Catharina Stackelberg-Hammarén	60 000

The subscription price of the shares, EUR 1.63 per share, was entered in the reserve for invested unrestricted equity. After the subscription and registration of the issued shares, the total number of shares issued by eQ Plc is 33 460 351. The increase did not influence the share capital of EUR 11 383 873. The new shares were registered with the Trade Register on 13 October 2011.

### Option rights

During the financial period, the Board of Directors of the company decided to allocate 450 000 options from the Option Scheme 2010 to Janne Larma, CEO. At the end of the financial period, altogether 700 000 options had been allocated. Based on the authorisation received by the Board on 14 April 2010, there were 1 300 000 unallocated options at the end of the financial period. During the financial period, 200 000 options from the option scheme 2010 were returned to eQ Plc. The terms and conditions of the option scheme have been published in a stock exchange release of 18 August 2010, and they can be found in their entirety on the company website at [www.eQ.fi](http://www.eQ.fi).

### Purchase of own shares

On 30 June 2011, eQ Plc acquired 163 153 own shares at the price of EUR 1 per share. The transaction is related to the corporate acquisition carried out on 16 March 2011, in which eQ Plc acquired the share capital of eQ Asset Management Group Ltd and Advium Corporate Finance Ltd. As a person who was party in the transaction terminated his employment, eQ Plc had the right, in accordance with the terms of the transaction, to repurchase shares given as payment. The right to repurchase own shares was granted by the Annual General Meeting held on 14 April 2010 and the right remained valid for 18 months from the decision date. At the end of the financial year company held 163 153 shares that corresponds to 0,5% of the total shares.

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

## Corporate governance

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

eQ Plc departs from the following recommendations of the Code: 50. Internal audit. In addition, eQ Plc has no Board committees.

The Corporate Governance Statement for the year 2011 has been issued on page 58 of the annual report.

## Proposal for the distribution of profits

The distributable means of the parent company on 31 December 2011 totalled EUR 51.4 million. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.12 per share be paid out on the record date 16 March 2012 to shares held by others than the company. Corresponding dividend is total of EUR 3 995 663.76. The Board proposes that the dividend payment date is 26 March 2012.

After the end of the financial period, no essential changes have taken place in the financial position of the company. The Board of Directors feel that the proposed distribution of profit does not endanger the liquidity of the company.

## Events after the financial period

Group Legal Counsel Juha Surve was appointed member of the Management Team on 21 February 2012. As of 21 February 2012, the Group's Management Team consists of the following persons: Janne Larma (chairman), Staffan Jåfs, Lauri Lundström, Annamaija Peltonen and Juha Surve.

## Outlook

The trust of the market has improved markedly at the beginning of the year. Investors have increasingly turned their focus to analysing the profitability of companies, instead of the debt crises of the euro zone. Even though trust in the future has improved, it is clear that the crisis will slow down the growth of national economies in the years to come. Changes in the assets under the Group's management and the development of the fee and commission income will correlate with the development of the capital market.

Helsinki, 21 February 2012

eQ Plc

Board of Directors



## KEY RATIOS, CONSOLIDATED

EUR 1 000	2011	2010	2009	2008	2007
<b>INCOME STATEMENT</b>					
Net investment income	6 482	1 136	-5 331	1 540	12 186
Management fees	9 327	3 972	4 295	4 558	4 373
Turnover	15 808	5 108	-1 036	6 098	16 559
Operating profit	7 234	1 829	-4 489	-2 124	12 591
% of turnover	45,8	35,8	433,2	-34,8	76,0
Financial income and expenses	-302	-623	-172	447	583
% of turnover	-1,9	-12,2	16,6	7,3	3,5
Profit (loss) before appropriations and taxes	6 932	1 205	-4 662	-1 678	13 173
% of turnover	43,9	23,6	449,9	-27,5	79,6
Direct taxes	-1 988	-371	2 107	358	-3 483
<b>PROFIT (LOSS) FROM THE FINANCIAL YEAR</b>	<b>4 942</b>	<b>834</b>	<b>-2 555</b>	<b>-1 319</b>	<b>9 691</b>

<b>BALANCE EUR 1 000</b>					
Intangible and tangible assets	19 470	4 623	5 348	6 041	6 637
Investments	42 633	40 625	30 769	32 389	38 541
Long-term receivables	79	1 684	3 093	466	-
Short-term receivables	1 299	441	480	922	165
Financial securities and cash	10 540	4 112	3 741	5 782	21 645
<b>TOTAL ASSETS</b>	<b>74 020</b>	<b>51 486</b>	<b>43 432</b>	<b>45 599</b>	<b>66 988</b>
Shareholders' equity	69 684	44 229	38 968	41 401	60 727
Non-interest-bearing liabilities	4 336	1 456	1 464	605	6 262
Interest-bearing liabilities	-	5 800	3 000	3 500	-
Provisions	-	-	-	94	-
<b>TOTAL LIABILITIES</b>	<b>74 020</b>	<b>51 486</b>	<b>43 432</b>	<b>45 599</b>	<b>66 988</b>

PROFITABILITY AND OTHER KEY RATIOS	2011	2010	2009	2008	2007
Return on investment, ROI % p.a.	8,8	3.2	-5.4	-2.3	16.5
Return on equity, ROE % p.a.	8,7	2.0	-6.4	-2.6	16.5
Equity to asset ratio, %	94,1	85.9	89.7	90.8	90.7
Gearing, %	-15,2	3.8	-1.9	-5.5	-35.6
Private equity investment to equity ratio, %	61,0	91.8	79.0	78.2	63.5
Investment commitments to equity ratio, %	82,1	129.6	161.6	209.9	150.8
Number of personnel at period end	62	13	15	15	15
Number of personnel on average	50	14	15	14	14

SHARE RATIOS	2011	2010	2009	2008	2007
Earnings per share, EUR	0,15	0.04	-0.11	-0.06	0.43
Earnings per average share, EUR	0,16	0.04	-0.12	-0.06	0.43
Earning per share, diluted, eur	0,16	0,04	-0,12	-0,06	0,43
Shareholders' equity per share, EUR	2,08	1.94	1.71	1.82	2.67
Shareholders' equity per average share, EUR <sup>3)</sup>	2,25	1.99	1.76	1.86	2.72
Dividend EUR 1 000 <sup>1)</sup>	3 996	-	-	-	8 424
Dividend per share <sup>1)</sup>	0,12	-	-	-	0.37
Dividend per result, % <sup>1)</sup>	80,8	-	-	-	86.9
Effective dividend yield	7,7	-	-	-	10,9
Price/earnings ratio, P/E	10,4	46.8	-15.3	-29.8	7.9
Price development of share issue adjusted shares, EUR					
Average stock price	1,78	1.61	1.78	3.29	3.50
Highest stock price	1,90	1.95	2.20	3.91	3.90
Lowest stock price	1,34	1.37	1.40	1.50	3.05
Closing price	1,56	1.73	1.71	1.79	3.38
Market capitalisation EUR 1,000 <sup>2)</sup>	52 198	39 388	38 933	40 754	76 955
Share turnover 1,000 shs	3 354	3 007	1 173	2 001	4 596
% of total number of shares	10,0	13.2	5.2	8.8	20.2
Share turnover EUR 1,000	5 956	4 856	2 091	6 584	16 406
Share issue adjustment number of shares 1,000 shs					
Average during the period	30 983	22 768	22 768	22 768	22 768
At period end	33 460	22 768	22 768	22 768	22 768

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

2) Closing price and volume of the trading day has been used in calculation of the ratio.

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

## CALCULATION OF KEY RATIOS

### RETURN ON INVESTMENT, ROI (%)

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

### DIVIDEND PER EARNINGS (%)

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

### RETURN ON EQUITY, ROE (%)

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

### EFFECTIVE DIVIDEND YIELD (%)

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

### EQUITY TO ASSETS RATIO (%)

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

### PRICE/EARNINGS RATIO, P/E

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

### GEARING (%)

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

### MARKET CAPITALISATION

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

### EARNINGS PER SHARE, EPS

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

### TURNOVER (%)

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

### SHAREHOLDERS' EQUITY PER SHARE

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

### PRIVATE EQUITY INVESTMENTS TO EQUITY RATIO (%)

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

### DIVIDEND PER SHARE

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

### PRIVATE EQUITY COMMITMENTS EQUITY RATIO (%)

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

## INCOME STATEMENT, CONSOLIDATED

EUR 1 000	Note no.	2011	2010
NET SALES	5		
Net investment income		6 482	1 136
Management fees		9 327	3 972
Total		15 808	5 108
Operating expenses	6, 7	-7 709	-2 570
Depreciations	8	-865	-710
OPERATING PROFIT		7 234	1 829
Financial income and expenses	9	-302	-623
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		6 932	1 205
Income taxes	10	-1 988	-371
Minority share		-3	
PROFIT (LOSS) FOR THE FINANCIAL YEAR		4 942	834
Other comprehensive income			
Available-for-sale financial assets, net		3 432	3 407
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		8 374	4 241
Earnings per share	11		
Undiluted earnings per share, EUR		0,15	0,04
Earnings per average share, EUR *)		0,16	0,04
Diluted earnings per share, EUR		0,16	0,04



## BALANCE SHEET, CONSOLIDATED

EUR 1 000	Note no.	Dec. 31, 2011	Dec. 31, 2010
<b>ASSETS</b>			
Long-term assets			
Intangible assets	15	19 318	4 574
Tangible assets	15	151	50
Investments available for sale	12-14,16		
Financial securities		49	-
Private equity investments		42 539	40 625
Deferred tax assets	17	79	1 684
<b>Total long-term assets</b>		<b>62 137</b>	<b>46 933</b>
Current assets			
Accrued income and advance payments	18	1 257	401
Tax receivable		42	40
Investments available for sale	12-14,16		
Financial securities		45	-
Cash		10 540	4 112
<b>Total current assets</b>		<b>11 883</b>	<b>4 553</b>
<b>TOTAL ASSETS</b>		<b>74 020</b>	<b>51 486</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity			
Share capital	19	11 384	11 384
Invested unrestricted equity		46 631	29 614
Own shares		0	-
Fair value reserve		-546	-6 819
Retained earnings		7 273	9 216
Profit (loss) for the financial year		4 942	834
<b>Total shareholders' equity</b>		<b>69 684</b>	<b>44 229</b>
Non-current liabilities			
Deferred tax liabilities	17	1 230	946
Current liabilities			
Other liabilities	20	2 034	509
Tax payable		1 073	1
Interest-bearing liabilities		-	5 800
<b>Total current liabilities</b>		<b>3 106</b>	<b>6 310</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>74 020</b>	<b>51 486</b>

## CONSOLIDATED CASH FLOW STATEMENT

EUR 1 000	2011	2010
<b>CASH FLOWS FROM OPERATIONS</b>		
Operating profit	7 234	1 829
Depreciation and amortisation	865	710
Operations without cash payment	102	-
Investments available for sale, change	2 643	-4 752
Change in working capital		
Business receivables, increase (-) decrease (+)	-809	39
Interest-free debt, increase (+) decrease (-)	1 525	-130
Interest-debt, increase (+) decrease (-)	-5 800	2 800
Total change in working capital	-5 083	2 709
Cash flows from operations before financial items and taxes	5 761	496
Interests received	52	10
Interests paid	-354	-633
Deferred taxes	-336	-371
<b>CASH FLOWS FROM OPERATIONS</b>	<b>5 122</b>	<b>-498</b>
<b>CASH FLOWS FROM INVESTMENTS</b>		
Investing activities to investments*)	669	15
<b>CASH FLOWS FROM INVESTMENTS</b>	<b>669</b>	<b>15</b>
<b>CASH FLOWS FROM FINANCING</b>		
Share issue	636	
Acquisition of own shares	0	-31
Sale of own shares	-	1 085
Other distribution of profits	-	-34
<b>CASH FLOWS FROM FINANCING</b>	<b>636</b>	<b>1 020</b>
<b>INCREASE/DECREASE IN LIQUID ASSETS</b>		
Liquid assets 1 Jan.	4 112	3 575
Liquid assets 31 Dec.	10 540	4 112

\*) Investing activities to investments are net figures. Liquid assets contain cash and bank deposits.

## CHANGE IN CONSOLIDATED SHAREHOLDERS' EQUITY

EUR 1 000	Share Capital	Invested unrestricted equity	Other reserves	Fair value reserve	Retained earnings	Total
Shareholders' equity 1.1.2011	11 384	29 614	0	-6 819	10 051	44 229
Fair value reserve change				6 274	-2 841	3 432
Profit for the financial year					4 942	4 942
Total comprehensive income				6 274	2 101	8 374
Purchase of own shares			0			0
Share issue		17 017				17 017
Other changes					64	64
Shareholders' equity Dec. 31, 2011	11 384	46 631	0	-546	12 215	69 684

EUR 1 000	Share Capital	Invested unrestricted equity	Other reserves	Fair value reserve	Retained earnings	Total
Shareholders' equity 1.1.2010	11 384	29 614	-1 769	-7 701	7 439	38 968
Fair value reserve change				881	2 526	3 407
Profit for the financial year					834	834
Total comprehensive income				881	3 360	4 241
Purchase of own shares			2			2
Sale of own shares			1 766		-681	1 085
Other changes					-67	-67
Shareholders' equity Dec. 31, 2010	11 384	29 614	0	-6 819	10 051	44 229

The company has booked in 2010 from fair value reserve to retained earnings 2 526 thousand euros and in 2011 from retained earnings to fair value reserve 2 841 thousand euros. These entries are related to the taxes of the fair value changes of the private equity investments allocated between profit and loss and comprehensive income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. PRINCIPLES FOR PREPARING THE CONSOLIDATED FINANCIAL STATEMENTS

### Main operations

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 OMX Helsinki. eQ Group is a group of companies that concentrates on asset management and corporate finance operations. The Group offers services related to mutual funds, private equity funds and hedge funds as well as traditional asset management for institutions and private individuals. In addition, Advium Corporate Finance, which is part of the Group, offers services related to mergers and acquisitions, real estate transactions and equity capital markets.

A copy of the consolidated financial statements is available on the company website at [www.eq.fi](http://www.eq.fi) or at the head office of the parent company, address Mikonkatu 9, Helsinki.

The consolidated financial statements have been prepared for the 12-month period 1 January to 31 December 2011. The Board of Directors of eQ Plc has on 21 February 2012 approved the consolidated financial statements for publication. According to the Finnish Limited Liability Companies Act, the Annual General Meeting shall have the right to adopt, reject or amend the financial statements after their publication.

### Principles for preparing the financial statements

eQ Plc's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, IFRS, approved by the EU, and the IAS and IFRS standards and SIC and IFRIC interpretations valid on 31 December 2011 have been applied when preparing the statements.

The Group has applied the following new standards and amended standards and interpretations from 1 January 2011:

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective from 1 February 2010 or from financial periods beginning after said date). The amendment concerns above all the treatment of foreign currency denominated share issues. In future, the subscription rights related to a foreign currency denominated share issue may under certain terms and conditions be classified as equity and not as derivative instruments, which has been the case. A central precondition is that the shares are offered for subscription in relation to previous holdings and that the foreign currency denominated subscription price is fixed. If the subscription right were regarded as a derivative instrument, the chan-

ges in the fair value of the subscription rights during the subscription period should be expensed. The Group assesses that the amendments have not had any impact on the consolidated financial statements.

- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments (effective from 1 July 2010 or from financial periods beginning after said date). The interpretation clarifies bookkeeping in cases where the company renegotiates the terms of a financial liability and issues, as a result of the negotiations, equity instruments to the creditor in order to either partly or in full amortise the financial liability. The interpretation has not had any impact on the consolidated financial statements.
- -Amendments to interpretation IFRIC 14 Prepayments of a Minimum Funding Requirement (effective from 1 January 2011 or from financial periods beginning after said date). The amendment corrects the undesired impacts of interpretation IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. After the amendment, companies are allowed to enter among the assets shown in the balance sheet some prepayments based on minimum funding requirements paid voluntarily in advance. The amendment has not had any major impact on the consolidated financial statements.
- Amended IAS 24 Related Party Disclosures (effective from 1 January 2011 or from financial periods beginning after said date). The definition of a related party has been specified and certain requirements regarding the notes to the financial statements of organisation with connections with the government have been amended. The Group assesses that the amendment has not had any major impact on the consolidated financial statements.
- Amendment to IFRS 1 First-time Adoption of IFRSs issued – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective from 1 July 2010 or from financial periods beginning after said date). The interpretation has not had any impact on the consolidated financial statements.

### Use of estimates

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

## Consolidation principles

The consolidated financial statements comprise the parent company eQ Plc and all the subsidiaries, which are:

- Advium Corporate Finance Ltd
- eQ Asset Management Ltd
- eQ Fund Management Company Ltd
- eQ Asset Management Group Ltd
- Cautus Capital Ltd
- Active Hedge Advisors AHA Ltd
- Amanda Advisors Ltd
- Amanda GP I and II Ltd
- Amanda III Eastern GP Ltd
- Amanda IV West GP Ltd
- Amanda V East GP Ltd
- Nordic Venture Partners Limited
- Nordic Venture Managers Limited
- Proventure Scotland GP
- European Fund Investment II Limited GP

The subsidiaries that have been established and acquired during the accounting period have been consolidated from the date of establishment or acquisition. On 16 March 2011, eQ Plc acquired 100% of the shares of Advium Corporate Finance Ltd and eQ Asset Management Group Ltd as well as a convertible bond issued by eQ Asset Management Group Ltd. The acquired companies have been consolidated from 1 April 2011. The Group's internal income statement items as well as receivables and debts have been eliminated in the financial statements. The Group's internal dividends are eliminated in the consolidated financial statements.

eQ Asset Management Group Ltd has been merged with eQ Asset Management Ltd on 30 December 2010, and Amanda Advisors Ltd, Cautus Capital Ltd and Active Hedge Advisors AHA Ltd with eQ Asset Management Ltd on 31 December 2011.

## Segment reporting

eQ Plc's Board of Directors decided to introduce three separate segments from 1 April 2011: Asset Management, Corporate Finance and Investments. eQ Plc's geographic segment is Finland.

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 financial income and expenses and taxes.

The business segments consist of business units with different types of products and services as well as different income logic and profitability. The pricing between the segments is based on fair market value. The income, expenses and assets that directly belong to the business

areas or can on sensible grounds be allocated to them are allocated to the business areas. Group administrative functions are presented under Other segments. The unallocated items presented under Other segments also comprise financial income and expenses and taxes.

The Asset Management segment comprises the asset management and sales of equity, fixed-income and hedge funds as well as private equity investments and business support. 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 European Central Bank's average exchange rates on the balance sheet date.

Realised foreign currency translation gains and losses from available for sale investments are included in the income statement under net income from investment operations. Unrealised foreign currency translation gains and losses from available for sale items are included in the investments available for sale and the fair value reserve.

## Revenue recognition

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

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

## Tangible and intangible assets

Tangible assets are entered into the balance sheet at original acquisition cost less depreciation according to plan and impairment.

Intangible assets include the goodwill generated from corporate acquisitions. Goodwill corresponds to the share of the acquisition price that exceeds the net assets of the acquired company at fair value, valued at the time of the acquisition.

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 according to plan 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 5 to 10 years
- Software and other intangible rights 4 to 5 years

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

The need for impairment is assessed at the level of cash-generating units, i.e. the lowest unit level that is mainly independent of other units and the cash flow of which can be separated from other cash flows. For the testing of impairment, the recoverable amount of the asset item has been defined by calculating the asset items' value in use. The calculations are based on five-year cash flow plans approved by the management. The income cash flow of equity and bond asset management is based on the assessed development of the assets under management. The development of the assets under management depends essentially on the development of the equity and bond market, new sales and the assessment on redemptions. The future cash flows of private equity asset management are based on agreement, and the manage-

ment feels that their realisation is almost risk-free as for valid agreements. The income cash flows have been defined in advance in the agreements, which means that no uncertainty factor associated with prognoses is related to them. In addition to existing agreements, an estimate on future new agreements is taken into account in the result cash flows. 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 a year and depending 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 a discount rate that reflects the view on the time value of money and the special risks associated with the asset item.

## Employment pensions

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

## Share-based payments

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

## Income taxes

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 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 end of the financial year. The most significant temporary differences are generated from valuing acquired companies' net assets at fair value and from valuing available for sale financial assets at fair value.

## Cash

Cash in hand and at bank includes cash and money in bank accounts.

## Financial instruments

eQ Group's financial instruments are grouped into available for sale financial assets and other financial liabilities. Private equity fund investments and investments in mutual funds are classified as available for sale financial assets and loans from financial institutions are classified as other financial liabilities. Mutual fund investments available for sale are valued at fair value using quoted market prices and rates. Private equity fund investments are valued using the practice generally used in the sector, i.e. the fair value of the private equity fund investment is the latest fund value announced by the private equity fund management company added with the capital investments and less the capital returns that have taken place between the balance sheet date and the announcement of the management company. The changes in the fair value of investments available for sale are entered directly into shareholders' equity under the fair value reserve. Impairment assessed as permanent is, however, entered into the income statement. When assessing the permanence of impairment, e.g. the following factors are taken into account: the life cycle of the private equity fund, does the private equity fund have uncalled investment commitments and the evaluation of the private equity fund's management company on the permanence of the fair value and acquisition price. When an investment available for sale is realised, the accumulated changes in fair value are booked from shareholders' equity to earnings. Other financial liabilities, i.e. loans from financial institutions, are valued at periodised acquisition cost and entered into and from the balance sheet on the day of clearing.

## Earnings per share

Earnings per share are calculated using the weighted average number of outstanding shares during the financial period.

## 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. MAJOR RISKS ASSOCIATED WITH THE OPERATIONS

The single major risk of the Group is the dependence of the operating income on the changes in the external operating environment. The result of the Asset Management segment depends on the development of the assets under management, which is highly dependent of the development of the capital market. The management fees of private equity funds are based on long-term agreements that produce a stable cash flow, however. Success fees,

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

The risks associated with eQ Group's investment operations are the market risk, currency risk and liquidity risk. Among these, the market risk has the greatest impact on investments. eQ's investments are well diversified, which means that the impact of one investment in a company, made by one individual fund, on the yield of the investments is often small. eQ has tried to diversify the risks related to the investment operations by making investments in private equity funds that make investments in different geographic areas and fields of industry. Most of the company's investments have been made in investments denominated in euro, which means that the exposure to the currency risk is not considerable. The company has made a decision that it will only make new private equity investments in funds managed by eQ in future.

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

## The price risk of eQ's investments in private equity funds

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 comparison companies
- valuation method selected by the management company of the fund

The price risk of eQ's private equity fund portfolio has been diversified by making investments in different sectors, geographic areas and funds investing in different development stages. On the balance sheet date, there were altogether more than 310 indirectly owned companies in eQ's private equity fund portfolio. The impact of one individual risk on the value of eQ's private equity fund portfolio is small, owing to efficient diversification.

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

At the end of 2011, a 10% change in the market value of the private equity fund portfolio corresponds to a change of EUR 3 147.9 thousand in the shareholders' equity. At

the end of 2010, a change of 10% in the market value of the private equity fund portfolio corresponded to change of EUR 3 006.2 thousand in the shareholders' equity.

### Currency risk

Foreign exchange rates have an impact on the company's result, cash flow and balance sheet. eQ does not particularly monitor the changes caused by foreign exchange rates but views them as part of the change in the fair value of the investment object. The currency breakdown of eQ's private equity fund investments is as follows:

Change in euros of the fair value of items denominated in foreign currencies

Currency risk 2011				decrease in value against the euro	
	currency	euros	share %	10%	20%
EUR million	37.1	37.1	87.3		
GBP million	3.5	4.2	9.8	-0.4	-0.8
USD million	1.6	1.3	3.0	-0.1	-0.3
		42.5			

Currency risk 2010				decrease in value against the euro	
				10%	20%
EUR million	36.4	36.4	89.5%		
GBP million	2.4	2.8	6.8%	-0.3	-0.6
USD million	2.0	1.5	3.7%	-0.1	-0.3
		40.7			

### 3. SEGMENT INFORMATION

eQ Plc's Board decided to introduce three different segments starting from 1 April 2011, i.e. Asset Management, Corporate Finance and Investments. The Asset Management segment consists of the asset management and sales of equity, fixed-income and hedge funds as well as private equity investments and of business support. The corporate finance segment offers 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 the own balance sheet of eQ Group.

1.1.-31.12.2011	Asset Management	Corporate Finance	Investments	Others	Eliminations	Group total
External income	7 226	2 101	6 482			15 808
Income from other segments	400				-400	
Net sales	7 626	2 101	6 482		-400	15 808
Operating profit	2 179	707	6 082	-1 734		7 234
Profit for the period	2 179	707	6 082	-4 026		4 942
Long-term assets	10 063	9 384	42 618	71		62 137

The item presented on the Operating profit line under Others comprises undivided personnel, administrative and other expenses related to Group administration and the non-recurring expenses related to the acquisition of eQ Asset Management Group and Advium. The legal and consulting services related to the acquisitions totalled EUR 276 000 and the audit services EUR 42 000.

In addition to the above, the item in line Profit for the period under Others comprises undivided financial income and expenses and taxes. The eliminations comprise the elimination of the Group-internal management fee for eQ Plc's own investments.

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

## 4. CORPORATE ACQUISITIONS

On 16 March 2011, eQ Plc acquired 100 % of the shares in Advium Corporate Finance Ltd and eQ Asset Management Group Ltd and a convertible bond issued by eQ Asset Management Group Ltd. The combined entity is a strong Finnish company that specialises in the management of private equity and alternative investments, asset management and corporate finance operations. The value of the transaction totalled EUR 16.6 million, and it was paid by issuing 10 302 605 new shares in eQ Plc. Of the shares, 5 854 563 were allocated to the shareholders of Advium Corporate Finance Ltd, and their purchase price was EUR 9.4 million. 3 903 042 shares were allocated to the shareholders of eQ Asset Management Group Ltd, their purchase price being EUR 6.3 million. 545 000 shares were issued for acquiring the convertible bond issued by eQ Asset Management Group Ltd, the purchase price being EUR 0.9 million. The purchase price comprises a transfer tax of EUR 0.2 million.

The purchase price exceeded Advium Corporate Finance Ltd's net assets by EUR 9.3 million and the purchase price of eQ Asset Management Group Ltd exceeded the net assets by EUR 5.3 million. As for Advium, EUR 2.0 million was allocated to intangible assets by calculating a fair value for the Advium brand. For eQ Asset Management Group Ltd's part, EUR 2.5 million was allocated to intangible assets by calculating fair values for the concluded customer agreements and the brand. A deferred tax liability allocated to these assets was recorded in the amount of EUR 0.1 million. The remaining goodwill for Advium is EUR 7.3 million and for eQ Asset Management Group Ltd EUR 2.9 million. The goodwill is based on the personnel and its expertise and offers eQ the opportunity to expand its operations to new business areas, which increases its customer base and product selection.

Had Advium Corporate Finance and eQ Asset Management Group been consolidated with eQ Group at the beginning of 2011, the Group's net sales had been EUR 1.6 million higher during the period under review and the result EUR 0 million higher.

### Acquired net assets and goodwill (EUR million):

	Advium	eQ Asset Management
Cash and investments	0.5	1.3
Tangible assets	0.1	0.1
Intangible assets	0.0	0.7
Receivables	0.5	0.8
Financial liabilities	-0.6	-1.4
Other liabilities	-0.4	-0.4
Acquired net assets	0.1	1.0
Acquisition cost	9.4	6.3
Acquisition cost	9.3	5.3
Fair value of the brand	2.0	2.0
Customer agreements	0.0	0.5
Customer agreements	0.0	0.1
Goodwill	7.3	2.9

On 31 May 2011, the Group increased its holding in the investment firm Active Hedge Advisors AHA Ltd, which has offered advisory services to eQ Asset Management in connection with the investment operations of the eQ Active Hedge Fund, from 50 to 100%. This transaction has no impact on the portfolio management of the eQ Active Hedge Fund.

### Acquired net assets and goodwill (EUR 1 000):

Cash and investments	43.7
Other liabilities	1.1
Acquired net assets	42.6
Acquisition cost	113.1
Unallocated purchase price	70.5
Goodwill	70.5

## NOTES TO THE CONSOLIDATED INCOME STATEMENT

	EUR 1 000	2011	2010
<b>5. NET SALES</b>			
Net income from investments			
Profit distribution from private equity investments		6 818	1 870
Impairment losses		-352	-767
Dividends		6	1
Other income		11	31
Management fees		9 327	3 972
<b>TOTAL</b>		<b>15 808</b>	<b>5 108</b>
<b>6. EXPENSES RELATED TO EMPLOYEE BENEFITS</b>			
Short-term employee benefits			
Salaries and remunerations		-3 743	-1 003
Other indirect employee costs		-114	-40
Share-based payments		-104	11
Termination benefits		-35	-90
Benefits after end of employment			
Pension costs - payment based arrangements		-607	-208
<b>TOTAL</b>		<b>-4 603</b>	<b>-1 330</b>
<b>7. OTHER OPERATING EXPENSES</b>			
Fees for advisory services		-331	-65
Fees for audit services		-232	-80
Auditing fees		-150	-79
Certificates		-1	-
Tax consulting		-10	-1
Other services		-71	-
Other expenses		-2 543	-1 094
<b>TOTAL</b>		<b>-3 105</b>	<b>-1 240</b>
<b>TOTAL OPERATING EXPENSES</b>		<b>-7 709</b>	<b>-2 570</b>
<b>8. DEPRECIATIONS AND AMORTISATIONS</b>			
Depreciations on tangible assets		-37	-17
Amortisations on intangible assets		-828	-692
<b>TOTAL</b>		<b>-865</b>	<b>-710</b>

## 9. FINANCIAL INCOME AND EXPENSES

2011 2010

Interest income	49	10
Other financial income	3	0
Interest expense from current liabilities	-208	-383
Other financial expenses	-146	-250
<b>TOTAL</b>	<b>-302</b>	<b>-623</b>

## 10. INCOME TAXES

Direct taxes for the review period	-1 360	-18
Change in deferred taxes	-628	-353
<b>TOTAL</b>	<b>-1 988</b>	<b>-371</b>
Deferred tax related items entered directly into equity	-1 119	-1 178
<b>Taxes</b>		
Profit (loss) before tax	6 932	1 205
Tax calculated at parent company's tax rate	-1 802	-313
Income not subjected to tax	1	0
Expenses not allowable for tax purposes	-4	-3
Change of parent company tax base	17	
Consolidation procedures and eliminations	-200	-55
<b>TOTAL</b>	<b>-1 988</b>	<b>-371</b>

\*) Tax base for the parent company was 26% during 2010 and 2011.

Deferred taxes have been calculated using tax bases legislated before the end of the financial year. Tax base for the parent company in 2012 is 24,5%.

## 11. EARNINGS PER SHARE

Earnings for the period	4 944	834
Shares, 1 000 shs *)	30 942	22 202
Earnings per share	0.16	0.04

## NOTES TO THE CONSOLIDATED BALANCE SHEET

EUR 1 000

### 12. FINANCIAL ASSETS AND LIABILITIES

2011	Carrying amount	Financial inc./exp.	Gains/ losses	Impairment losses	Management fees	Dividends
<b>FINANCIAL ASSETS</b>						
Financial assets available for sale	42 633	-	6 818	352	13 707	6
Loans and receivables	10 540	52	-	-		
<b>TOTAL</b>	<b>53 172</b>	<b>52</b>	<b>6 818</b>	<b>352</b>	<b>13 707</b>	<b>6</b>
<b>FINANCIAL LIABILITIES</b>						
Other financial liabilities	-	-354	-	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>-354</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

2010	Carrying amount	Financial inc./exp.	Gains/ losses	Impairment losses	Management fees	Dividends
<b>FINANCIAL ASSETS</b>						
Financial assets available for sale	40 625	-	1 870	767	3 972	1
Loans and receivables	4 112	10	-	-	-	-
<b>TOTAL</b>	<b>44 737</b>	<b>10</b>	<b>1 870</b>	<b>767</b>	<b>3 972</b>	<b>1</b>
<b>FINANCIAL LIABILITIES</b>						
Other financial liabilities	5 800	-633	-	-	-	-
<b>TOTAL</b>	<b>5 800</b>	<b>-633</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

EUR 10 million credit limit is available for eQ Group of which EUR 0 is drawn at end of financial year 2011.

### 13. FAIR VALUES

	2011 Fair value	2011 Carrying amount	2010 Fair value	2010 Carrying amount
<b>FINANCIAL ASSETS</b>				
Financial assets available for sale				
Private equity investments	42 539	42 539	40 625	40 625
Financial securities	94	94	-	-
Loans and receivables	10 540	10 540	4 113	4 113
<b>TOTAL</b>	<b>53 172</b>	<b>53 172</b>	<b>44 738</b>	<b>44 737</b>
<b>FINANCIAL LIABILITIES</b>				
Other financial liabilities	-	-	5 800	5 800

In the table above are presented fair values and carrying amounts of financial assets and liabilities. The detailed measurement bases of financial assets and liabilities are disclosed in Accounting Policy.

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

31.12.2010	Fair value	Tier 3
Available-for-sale financial assets		
Private equity investments	42 539	42 539
Financial securities	94	94
<b>Total</b>	<b>42 633</b>	<b>42 633</b>

Tier 3

Available-for-sale financial assets

	Private equity investments	Financial securities	Total
<b>Private equity investments</b>			
Acquisition cost 1. Jan	40 625	-	40 625
Increases and decreases	-2 243	94	-2 149
Write-down	-352	-	-352
Fair value change	4 510	-	4 510
Acquisition cost 31. Dec	42 539	94	42 633

The fair values of level 3 instruments are based on the value reported by the private equity fund management company, and their use in generally accepted valuation models. Private equity fund investments are valued according to the International Private Equity and Venture Capital Guidelines. Permanent write-downs in valuations are based on management's consideration as described in the principles of the financial statements.

No transfers took place between tiers of the fair value hierarchy during the financial period.

## 15. TANGIBLE AND INTANGIBLE ASSETS

2011

2010

<b>Tangible assets</b>		
Machinery and equipment, Acquisition cost 1 Jan.	237	248
Increases	139	7
Decreases	-	-17
Machinery and equipment, Acquisition cost 31 Dec.	376	237
Accumulated depreciation and impairment losses 1 Jan.	-196	-178
Depreciation for the period	-37	-17
Accumulated depreciation and impairment losses 31 Dec.	-233	-196
<b>Tangible assets 31. Dec.</b>	<b>143</b>	<b>41</b>
Other tangible assets 1 Jan.	8	8
Other tangible assets 31 Dec.	8	8
<b>Intangible assets</b>		
Acquisition cost 1 Jan.	5 720	5 725
Increases	1 278	-
Decreases	-	-5
Acquisition cost 31 Dec.	6 998	5 720

	2011	2010
Accumulated amortisation and impairment losses 1 Jan.	-2 945	-2 252
Amortisation for the period	-828	-692
Accumulated amortisation and impairment losses 31 Dec.	-3 773	-2 945
Intangible assets	3 225	2 776
Goodwill acquisition cost 1 Jan.	1 798	1 798
Increases	10 295	
Goodwill acquisition cost 31 Dec.	12 093	1 798
Brands 1 Jan.	0	-
Increases	4 000	-
Brands 31 Dec.	4 000	-
Intangible assets, carrying amount 31 Dec.	19 318	4 574

### Goodwill and value of the brands

eQ Plc has goodwill generated from corporate acquisitions related to equity and bond asset management, private equity asset management and corporate finance operations. The goodwill associated with equity and bond asset management is related to the acquisition of eQ Asset Management Group Ltd in March 2011, the goodwill associated with private equity asset management is related to the acquisition of Mandatum Private Equity Fund Ltd in December 2005, and 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. 2011	31 Dec. 2010
Equity and bond asset management	2.9	0.0
Private equity asset management	1.8	1.8
Corporate Finance	7.3	0.0

Additionally, EUR 2.0 million of the purchase price of the equity and bond asset management and corporate finance operations has been allocated to intangible assets by calculating fair values for the eQ and Advium brands.

### Impairment testing

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

The income cash flow of equity and bond asset management is based on the assessed development of the assets under management. The development of the assets under management depends essentially on the development of the equity and bond market, new sales and the assessment on redemptions. The future cash flows of private equity asset management are based on agreement, and the management feels that their realisation is almost risk-free as for valid agreements. The income cash flows have been defined in advance in the agreements, which means that no uncertainty factor associated with prognoses is related to them. In addition to existing agreements, an estimate on future new agreements is taken into account in the result cash flows. 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 a year and depending 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 10%, which reflects the view on the time value of money and the special risks related to the asset item. During 2010 the company used discount rate based on the long term return on equity. The impairment tests show no indication of decrease in value. The current uncertain market situation has been taken into consideration as a decrease in the value of the assets under management and in the number of new asset management agreements and corporate finance transactions.

### 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:

- 1) by using annually an income cash flow that was 1 to 2% lower than the prognosis
- 2) by using annually an expense cash flow that was 1 to 2% higher than the prognosis
- 3) by using 0% growth in the final value calculations
- 4) by using a 1 to 3% higher discount rate

Based on the sensitivity analyses, none of the scenarios changes the recoverable amount to any great extent or leads to a situation where the book value would exceed 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.

## 16. INVESTMENT AVAILABLE FOR SALE

2011

2010

<b>Private equity investments</b>		
Acquisition cost 1 Jan.	40 625	30 769
Increases	6 083	8 727
Decreases	-8 326	-2 722
Acquisition cost 31 Dec.	38 382	36 774
Change in value	4 510	4 481
Write -down recorded as permanent	-352	-630
Carrying amount 31 Dec.	42 539	40 625
<b>Equity fund investments</b>		
Acquisition cost 1 Jan.	-	166
Increases	-	-
Decreases	-	-166
Acquisition cost 31 Dec.	-	0
Change in value	-	-
Carrying amount 31 Dec.	-	0
<b>Financial securities</b>		
Acquisition cost 1 Jan.	-	-
Increases	94	-
Decreases	-	-

	2011	2010
Acquisition cost 31 Dec.	94	-
Change in value	-	-
Carrying amount 31 Dec.	94	-

## 17. DEFERRED TAX ASSETS AND LIABILITIES

<b>Deferred tax assets</b>		
Changes in fair value	79	105
Parent company's loss	-	1 579
<b>Deferred tax assets</b>	<b>79</b>	<b>1 684</b>
<b>Deferred tax liabilities</b>		
Contracts	147	80
Changes in fair value	953	654
Other differences	129	212
<b>Deferred tax liabilities</b>	<b>1 230</b>	<b>946</b>
<b>Deferred tax assets (-) / tax liabilities (+), net</b>	<b>1 150</b>	<b>-738</b>

The deferred tax asset is booked until it is probable that there will be future taxable income, against which unused tax losses can be utilized.

## 18 SALES AND OTHER RECEIVABLES

Sales receivable	407	57
Other receivable	621	161
Accruals	228	184
Tax receivable	42	40
<b>Total</b>	<b>1 299</b>	<b>441</b>

Sales receivable EUR 407 thousand, age distribution: less than 30 days. Accruals include pension contribution EUR 98 thousand.

## 19. EQUITY

### Description of equity funds:

#### Reserve for invested unrestricted equity

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

#### Fair value reserve

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

## 20. CURRENT LIABILITIES

2011

2010

Accounts payable	213	68
Other liabilities	589	88
Other accruals	1 232	353
Tax payable	1 073	1
<b>TOTAL</b>	<b>3 106</b>	<b>510</b>
Interest-bearing liabilities	-	5 800
<b>CURRENT LIABILITIES TOTAL</b>	<b>3 106</b>	<b>6 310</b>

Major items in other accruals are bonus reservation EUR 475 thousand and holiday pay reserve EUR 471 thousand..

## 21. OBLIGATIONS

eQ Plc's remaining commitments to private equity funds were	14 658	16 719
Leasing and rental commitments not later than one year	516	141
Leasing and rental commitments later than one year and not later than five years.	1 031	48
<b>TOTAL</b>	<b>16 204</b>	<b>16 907</b>

## 22. MANAGEMENT OF CAPITAL

The aim of the Group's capital management operations is to create an efficient capital structure, which can safeguard the Group's normal operating preconditions and growth opportunities as well as the sufficiency of capital in relation to the risks associated with the operations. The company influences 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 financial period 2011, the company's shareholders' equity totalled EUR 69.7 million. There were no interest-bearing debts and the equity to assets ratio was 94.1%. The major source of financing is the positive cash flow from operations. The Group also has access to a credit line. The covenants of the credit line are ordinary terms and conditions regarding the equity to assets ratio and the minimum requirement for the shareholders' equity. The Group has fulfilled the credit line covenants during the financial period.

The sufficiency of the capital is assessed by comparing the capital that is available with the capital needed for covering risks. Capital planning is based on estimates on the future development of the operations and the possible impacts of the risks associated with the operations. The plans include the viewpoints of different interest groups, authorities, creditors and owners.

## 23. RELATED PARTY DISCLOSURES

The parent company, the subsidiaries and the members of the Board of Directors and the Management Team including CEO are considered as related party.

	2011	2010
Fees and remunerations of the CEO	264	362
Management Team	189	0

Include fees and remunerations of the CEO and the Deputy CEO. The retirement age of the CEO is 65 years.

Management has been granted 700 000 option rights of which 450 000 to the CEO.

The Board of Directors has no share based remuneration or other bonus schemes. The Annual General Meeting of Shareholders held on 16 March, 2011: remuneration of EUR 3 300 per month was paid to the Chairman of the Board and EUR 1 800 per month to the members of the Board of Directors.

The Management Team or the members of the Board of Directors did not have loan from eQ Group as of 31 December 2011.

### The ownership of the Management Team and the members of the Board of Directors in eQ Plc as of 31 December 2011

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

	Shares
Johansson, Ole	150 000
Ehrnrooth, Georg*	3 725 000
Heliövaara, Eero	60 000
Seppälä, Jussi	75 000
Stackelberg-Hammarén, Catharina	60 000
Larma, Janne	3 374 731
Lundström, Lauri	368 211
Peltonen, Annamajja	58 914
Jåfs, Staffan	89

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

### The subsidiaries considered as related party, on which eQ has 100% holdings and voting rights

eQ Asset Management Ltd, domicile Helsinki  
eQ Fund Company Ltd, domicile Helsinki  
Advium Corporate Finance Ltd, domicile Helsinki  
Amanda GP I and II Ltd, domicile Helsinki  
Amanda III Eastern GP Ltd, domicile Helsinki  
Amanda IV West GP Ltd, domicile Helsinki  
Amanda V East GP Ltd, domicile Helsinki  
Nordic Venture Partners Limited, domicile Guernsey  
Nordic Venture Managers Limited, domicile Guernsey  
Proventure Scotland GP, domicile Edinburgh  
European Fund Investment II Limited GP, domicile Edinburgh



## INCOME STATEMENT, PARENT COMPANY (FAS)

EUR	Note no.	2011	2010
NET SALES	2	14 983 318,63	4 540 007.63
Other operating income		-	50.00
Cost of investments	3	-6 070 599,57	-8 679 355.40
Change in inventories	3	611 557,31	8 741 452.90
Staff costs	4	-640 743,31	-687 765.84
Depreciation	5	-20 505,96	-26 240.10
Other operating expenses	6	-1 391 610,94	-895 741.75
		-7 511 902,47	-1 547 600.19
OPERATING PROFIT		7 471 416,16	2 992 407.44
Financial income and expenses	7	103 955,94	-132 806.41
PROFIT (LOSS) BEFORE EXTRAORDINARY ITEMS		7 575 372,10	2 859 601.03
EXTRAORDINARY ITEMS			
Extraordinary income	8	-	2 100 000.00
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		7 575 372,10	4 959 601.03
Direct taxes	9	-486 517,28	-
PROFIT (LOSS) FOR THE FINANCIAL YEAR		7 088 854,82	4 959 601.03

## BALANCE SHEET, PARENT COMPANY (FAS)

EUR	Note no.	31.12.2011	31.12.2010
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	10	38 647,13	19 951.00
Tangible assets	10	32 562,53	40 683.65
Investments	11	19 960 590,51	6 384 649.36
<b>TOTAL NON-CURRENT ASSETS</b>		<b>20 031 800,17</b>	<b>6 445 284.01</b>
<b>CURRENT ASSETS</b>			
Inventories			
Private equity investments	12	38 047 343,10	37 435 785.79
Long-term receivables	13	33 304,17	33 304.17
Short-term receivables	13	868 233,23	910 230.25
Cash in hand and cash at bank		4 825 566,45	1 689 305.54
<b>TOTAL CURRENT ASSETS</b>		<b>43 774 446,95</b>	<b>40 068 625.75</b>
<b>TOTAL ASSETS</b>		<b>63 806 247,12</b>	<b>46 513 909.76</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
	14		
Share capital		11 383 873,00	11 383 873,00
Invested unrestricted equity		44 776 730,66	29 614 357,61
Retained earnings		-502 012,64	-5 461 612,67
Profit (loss) for the financial year		7 088 854,82	4 959 601,03
<b>TOTAL</b>		<b>62 747 445,84</b>	<b>40 496 218,97</b>
<b>LIABILITIES</b>			
Current liabilities	15	1 058 801,28	6 017 690,79
<b>TOTAL LIABILITIES</b>		<b>1 058 801,28</b>	<b>6 017 690,79</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>63 806 247,12</b>	<b>46 513 909,76</b>

## CASH FLOW STATEMENT, PARENT COMPANY (FAS)

EUR 1 000	2011	2010
<b>CASH FLOW FROM OPERATIONS</b>		
Operating profit	7 471	2 992
Adjustments:		
Depreciation	21	26
		-
Change in working capital		
Business receivables, increase (-) decrease (+)	210	45
Non-interest-bearing liabilities, increase (+) decrease (-)	375	-56
Interest-bearing liabilities, increase (+) decrease (-)	-5 800	2 800
Investments, increase (-) decrease (+)	-612	-8 796
Total change in working capital	-5 826	-6 008
Cash flows from operations before financial items and taxes	1 666	-2 989
Financial income and expenses	104	-133
Taxes	-21	-
<b>CASH FLOW FROM OPERATIONS</b>	<b>1 749</b>	<b>-3 122</b>
<b>CASH FLOW FROM INVESTMENTS</b>		
Investing activities to tangible and intangible assets	-31	11
Investing activities to investments	182	527
<b>CASH FLOW FROM INVESTMENTS</b>	<b>151</b>	<b>537</b>
<b>CASH FLOW FROM FINANCING</b>		
Share issue	636	-
Acquisition of own shares	-	1 054
Group support	600	2 160
<b>CASH FLOW FROM FINANCING</b>	<b>1 236</b>	<b>3 214</b>
Increase/decrease in liquid assets	3 136	629
Liquid assets 1 Jan.	1 689	1 060
Liquid assets 31 Dec.	4 826	1 689

Liquid assets contain cash in hand and cash at bank and financial securities.

# NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

## 1. ACCOUNTING PRINCIPLES

### General

The financial statements of eQ Plc, domiciled in the city of Helsinki, have been prepared according to the Finnish Accounting Standards (FAS).

### Net sales

The net sales include the capital returns and income from investments in private equity funds, the sales of private equity fund units and the dividends paid by the investment objects of private equity funds in form of partnerships.

### Valuation of inventories

The inventories include the investments in private equity funds and other investments pertaining to the company's actual business. The inventories are valued at acquisition cost or at a lower probable repurchase or transfer price. In connection with a return of the capital invested in a private equity fund, the corresponding share of the acquisition cost of the private equity fund investment is entered as change in inventories.

### Valuation of current assets

The securities included in current assets are valued at acquisition cost or at a lower market price.

### Depreciation principles

A depreciation plan drawn up in advance has been used when defining the depreciation according to plan. The depreciation according to plan is calculated as straight-line depreciation based on the original acquisition cost. Long-term expenses are depreciated over 3 to 10 years. Machinery and equipment is depreciated over 4 to 10 years.

### Foreign currency items

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

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

EUR 1 000	2011	2010
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### 2. NET SALES

Dividends	6	1
Return of capital from private equity funds	14 978	4 539
<b>TOTAL</b>	<b>14 983</b>	<b>4 540</b>

### 3. MATERIAL AND SERVICES

Investments		
Purchases during the financial period	-6 071	-8 679
Change in inventories		
Private equity investments	612	8 796
Equity fund investments	-	-55
<b>TOTAL</b>	<b>-5 459</b>	<b>62</b>

### 4. STAFF COSTS

Salaries and remunerations	-530	-557
Pension costs	-95	-110
Other indirect employee costs	-16	-21
<b>TOTAL</b>	<b>-641</b>	<b>-688</b>

Average number of personnel during the fiscal year	5	5
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### 5. DEPRECIATIONS AND AMORTISATIONS

Depreciations and amortisations on tangible and intangible assets	-21	-26
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Depreciation specification to balance sheet item is included under intangible and tangible assets.

### 6. OTHER OPERATING COSTS

Management fees paid for Amanda Advisors Ltd	-400	-100
Fees for advisory services	-300	-42
Fees for audit services	-146	-52
Auditing fees	-65	-51
Tax consulting	-9	-1
Other fees	-72	
Other expenses	-546	-701
<b>TOTAL</b>	<b>-1 392</b>	<b>-896</b>

## 7. FINANCIAL INCOME AND EXPENSES

2011

2010

Financial income		
Dividend income	827	900
Interest income	44	2
<b>TOTAL</b>	<b>871</b>	<b>902</b>
Impairment from investments held as non-current assets	-402	-402
Financial expenses		
Interest expense from current liabilities	-220	-383
Other financial expenses	-146	-250
<b>TOTAL</b>	<b>-366</b>	<b>-633</b>
<b>FINANCIAL INCOME AND EXPENSES TOTAL</b>	<b>104</b>	<b>-133</b>

## 8. EXTRAORDINARY ITEMS

Extraordinary income		
Group contribution from Amanda Advisors Ltd	-	2 100

## 9. INCOME TAXES

Income taxes for period		
Income taxes from the operations	-487	-

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

EUR 1 000	2011	2010
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### 10. INTANGIBLE AND TANGIBLE ASSETS

<b>Intangible rights</b>		
Acquisition cost 1 Jan.	56	56
Increases	31	-
Acquisition cost 31 Dec.	87	56
Accumulated amortisation and impairment losses 1 Jan.	-36	-26
Amortisation for the period	-12	-11
Accumulated amortisation and impairment losses 31 Dec.	-49	-36
Carrying amount 31 Dec.	39	20
<b>Machinery and equipment</b>		
Acquisition cost 1 Jan.	149	160
Increases	-	7
Decreases	-	-17
Acquisition cost 31 Dec.	149	149
Accumulated amortisation and impairment losses 1 Jan.	-117	-101
Depreciation for the period	-8	-16
Accumulated amortisation and impairment losses 31 Dec.	-125	-117
Carrying amount 31 Dec.	24	32
<b>Other tangible assets</b>		
Acquisition cost 1 Jan.	8	8
Acquisition cost 31 Dec.	8	8

### 11. INVESTMENTS

<b>Shares of subsidiary</b>		
Acquisition cost 1 Jan.	6 385	6 911
Increases	13 978	
Decreases	-1	-125
Acquisition cost 31 Dec.	20 362	6 786
Impairment losses	-402	-402
Carrying amount 31 Dec.	19 961	6 385

**12. INVENTORIES** **2011**      **2010**

Private equity investments 1.1.	37 436	28 640
Change in inventories	612	8 796
Private equity investments 31.12.	38 047	37 436

**13. RECEIVABLES** **2011**      **2010**

Long-term receivables	33	33
Short-term receivables		
Receivables from group companies		
Other receivables	809	626
Other short-term receivables	9	101
Accrued income	50	184
<b>TOTAL</b>	<b>868</b>	<b>910</b>
<b>RECEIVABLES TOTAL</b>	<b>902</b>	<b>944</b>

**14. SHAREHOLDERS' EQUITY**

Share capital 1 Jan.	11 384	11 384
Share capital 31 Dec.	11 384	11 384
Restricted equity	11 384	11 384
Invested unrestricted equity 1 Jan.	29 614	29 614
Increase	15 162	-
Invested unrestricted equity 31 Dec..	44 777	29 614
Retained earnings 1 Jan.	-5 462	-2 098
Profit brought forward	4 960	-4 418
Dividends	-	-
Purchase of own shares	0	-31
Sale of own shares	-	1 085
Retained earnings 31 Dec.	-502	-5 462
Profit for the financial year	7 089	4 960
Non-restricted equity	51 364	29 112
<b>SHAREHOLDERS' EQUITY 31 DEC.</b>	<b>62 747</b>	<b>40 496</b>
Calculation of distributable earnings 31 Dec.		
Retained earnings	-502	-5 462
Profit loss for the financial year	7 089	4 960
Invested unrestricted equity	44 777	29 614
<b>DISTRIBUTABLE EARNINGS</b>	<b>51 364</b>	<b>29 112</b>

The share capital of the company consists of 33,460,351 shares. All share carry one vote.

## 15. CURRENT LIABILITIES

2011 2010

Accounts payable	380	30
Prepayments from group companies		
Other	-	0
Other liabilities		
Interest-bearing liabilities	-	5 800
Other	87	52
<b>Total</b>	<b>87</b>	<b>5 852</b>
Accrued expenses	591	135
<b>TOTAL</b>	<b>1 059</b>	<b>6 018</b>

## OTHER NOTES OF THE PARENT COMPANY

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

Remaining commitments	31 Dec. 2011	31 Dec. 2010
Remaining commitments	14 340	16 401
Leasing and rental commitments not later than one year	21	121
Leasing and rental commitments later than one year and not later than five years	21	24
<b>TOTAL</b>	<b>14 382</b>	<b>16 546</b>

## SHARES AND SHAREHOLDERS

Major shareholders	Number of shares	Share of shares and votes, %
Veikko Laine Oy	3 655 302	10,92
Fennogens Investements SA	3 650 000	10,91
Berling Capital Oy	3 563 251	10,65
Ulkomarkkinat Oy	3 353 425	10,02
Chilla Capital	2 666 253	7,97
Oy Hermitage Ab	2 365 246	7,07
Mandatum Henkivakuutusosakeyhtiö	2 053 296	6,14
Oy Cevante Ab	1 419 063	4,24
Linnalex Ab	881 652	2,63
Louko Antti Jaakko	747 918	2,24
Notalar Oy	708 478	2,12
Pinomonte Ab	529 981	1,58
Ab Kelonia Oy	405 500	1,21
Leenos Oy	368 211	1,10
Änkilä Petteri Juha Väinämö	346 500	1,04
Suomen Kulttuurirahasto	340 000	1,02
Liikesivistysrahaston kannatusyhdistys r.y.	276 800	0,83
Piela Ventures Oy	260 000	0,78
Leppä Jukka-Pekka	240 000	0,72
Rausanne Oy	236 200	0,71
Muut	5 393 275	16,10
<b>Yhteensä</b>	<b>33 460 351</b>	<b>100,00</b>

The information is based on the situation in the shareholders register kept by Euroclear Finland Ltd on 31 December 2011

Ownership structure by sector 31.12.2010	Number of shares	Share of shares and votes
Corporations	21 351 227	63,81
Financial and insurance institutions	2 701 461	8,07
Public organisations	37	0,00
Households	4 984 017	14,90
Foreign	3 656 128	10,93
Others 1)	767 481	2,29
<b>TOTAL</b>	<b>33 460 351</b>	<b>100,00</b>

1) The others comprise non-profit organisations and shares not registered to securities system.

Ownership structure according to number of shares held

Shares No./shareholder	Number of owners	Share of shareholders %
1 -100	1 278	39,36
101 -500	972	29,94
501 -1.000	416	12,81
1.001 -5.000	439	13,52
5.001 -10.000	62	1,91
10.001 -50.000	41	1,26
50.001 -100.000	9	0,28
100.001 -500.000	18	0,55
500.001 -	12	0,37
<b>TOTAL</b>	<b>3 247</b>	<b>100,00</b>

Shares No./shareholders	Number of shares	Share of No. of shares %
1 -100	51 170	0,15
101 -500	269 902	0,81
501 -1.000	337 843	1,01
1.001 -5.000	997 249	2,98
5.001 -10.000	450 025	1,34
10.001 -50.000	800 569	2,39
50.001 -100.000	677 042	2,02
100.001 -500.000	4 275 977	12,78
500.001 -	25 593 865	76,49
Total	33 453 642	99,98
Shares that have not yet registered to securities depository	6 709	0,02
<b>TOTAL</b>	<b>33 460 351</b>	<b>100,00</b>

### Nominee-registered

336 027 of the company shares represent 1% of company votes and shares, were nominee-registered.

Shares and share capital	Number of shares	Share capital
1 Jan. 2011	22 767 746	11 383 873
31 Dec. 2011	33 460 351	11 383 873

eQ Plc's number of shares increased as a result of the decision by the Annual General Meeting, according to which eQ Plc acquired the shares of Advium Corporate Finance Ltd and eQ Asset Management Group Ltd as well as a convertible bond issued by eQ Asset Management Group Ltd by issuing 10 302 605 new shares. The Extraordinary General Meeting held on 22 September 2011 decided to consolidate the capital structure of the company through a directed share issue by offering 390 000 new shares to the members of the company's Board of Directors, deviating from the pre-emptive right of present shareholders.

Each share carries one vote.

## Own shares

eQ Plc owns total of 163 153 own shares.

On 30 June 2011, eQ Plc acquired 163 153 own shares at the price of EUR 1. The transaction is related to the corporate acquisition carried out on 16 March 2011, in which eQ Plc acquired the share capital of eQ Asset Management Group Ltd and Advium Corporate Finance Ltd. As a person who was party in the transaction terminated his employment, eQ Plc had the right, in accordance with the terms of the transaction, to repurchase shares given as payment. The right to repurchase own shares was granted by the Annual General Meeting held on 14 April 2010.

## Management ownership

Specification for the Management ownership is shown in the notes to the balance sheet.

## Option programme

eQ Plc's Board of Directors has on 18 August 2010 decided to issue a maximum of 2 000 000 option rights to key employees of the eQ Plc Group. Each option right entitles its holder to subscribe for one new share in eQ Plc. The option rights are intended as part of the incentive and commitment scheme of key persons.

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

Options	2010A	2010B	2010C	2010D	2010E
Number of options	400 000	400 000	400 000	400 000	400 000
Share subscription period begins	1 April 2012	1 April 2013	1 April 2014	1 April 2015	1 April 2016
Share subscription period ends	31 May 2020	31 May 2020	31 May 2020	31 May 2020	31 May 2020
Share subscription price	The share subscription price with an option right is EUR 2.50. It corresponds to the weighted average quotation of the company share at Nasdaq OMX Helsinki Oy during the period 1 January to 1 June 2010 with an addition of 47.7 per cent.				
	2011	2010			
Number of issued options at the beginning of the financial year	450 000				
Options granted	450 000	450 000			
Options returned	-200 000	0			
Number of issued options at the end of the financial year	700 000	450 000			
Information used in the Black-Scholes model					
Anticipated volatility	25%	25%			
Interest rate at the time of issue	3,34%	2,35%			

## Option programme 2009

The Board of Directors of eQ Plc has decided to cancel 3.11.2010 the eQ Plc option programme of 2009. All of the key employees to whom the options were granted in 2009, have either lost their options or have changed their 2009 options into the 2010 programme.

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

The distributable means of the parent company on 31 December 2011 totalled EUR 51.4 million. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.12 per share be paid out on the record date 16 March 2012 to shares held by others than the company. Corresponding dividend is total of EUR 3 995 663.76. The Board proposes that the dividend payment date is 26 March 2012.

After the end of the financial period, no essential changes have taken place in the financial position of the company. The Board of Directors feel that the proposed distribution of profit does not endanger the liquidity of the company.

### Signatures for the and Financial Statements and Board of Directors' report

Helsinki, February 21, 2012

Ole Johansson  
Chairman of the Board

Georg Ehrnrooth

Eero Heliövaara

Jussi Seppälä

Catharina Stackelberg-Hammarén

Janne Larma  
CEO

### The Auditor's Note

Our auditors' report has been issued today.

Helsinki, February 21, 2012

ERNST & YOUNG OY  
Authorized Public Accountant Firm

Ulla Nykky  
Authorized Public Accountant

# AUDITOR'S REPORT

## To the Annual General Meeting of eQ Plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of eQ Plc for the financial period 1.1. - 31.12.2011. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flow, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

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

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

## Auditor's responsibility

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

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

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

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

## Opinion on the consolidated financial statements

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

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

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

## Opinions based on assignment of the Board of Directors

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the result 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 Directors should be discharged from liability for the financial period audited by us.

Helsinki February 21, 2012

Ernst & Young Oy  
Authorized Public Accountant Firm

Ulla Nykky  
Authorized Public Accountant



# CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE STATEMENT 2011

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

### General

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

eQ Plc departs from the following recommendations of the Code: 50. Internal audit. In addition, eQ Plc has no board committees. These departures and their justifications are explained below.

### General Meeting of Shareholders

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

eQ Plc provides shareholders with sufficient information about the agenda of the General Meeting in advance. The advance information is provided in the notice of the General Meeting, other releases and on the company website. The General Meeting is organized 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/her election, unless there are well-founded reasons for his/her absence.

eQ Plc's Annual General Meeting was held 16 March 2011.

eQ Plc's Extraordinary General Meeting was held 22 September 2011.

### Board of Directors

The General Meeting elects the directors. The director candidates put forward to the Board shall be mentioned in the notice of the General Meeting, if the proposal has

been made by the Board or 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/her consent to the election. The candidates proposed after the delivery of the notice of the meeting will be disclosed separately. The company's Articles of Association do not contain any provisions on the manner of proposing prospective directors. In its Annual Report, the company states the number of Board meetings held during the financial period as well as the average attendance of the directors. The members are elected for one year at a time.

A person elected director must have the qualifications required by the work of a director and sufficient time for taking care of the duties. The company facilitates the work of the Board by providing the directors with sufficient information on the company's operations. eQ Plc's Board of Directors consists of 5 to 7 members. The members elect Chairman of the Board.

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

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

### The Annual General Meeting held on 16 March 2011 elected the following persons to the Board:

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

Outokumpu Oyj, Chairman of the Board; The Confederation of Finnish Industries, Chairman of the Board; Varma Mutual Pension Insurance Company, Deputy Chairman of the Board; Technology Industries of Finland, Member of the Board; Finnish Business and Policy Forum EVA and the Research Institute of Finnish Economy ETLA, Member of the Board.

Independent of the company and significant shareholders.

**Georg Ehrnrooth**, Born 1966, Member of the Board since 2011, Studies in agriculture and forestry



Pöyry Oyj, Member of the Board; Norvestia Oyj, Member of the Board; Forcit Oy, Member of the Board; Paa-vo Nurmi Foundation, Member of the Board; Anders Wall Foundation, Member of the Board; Louise and Göran Ehrnrooth Foundation, Deputy Member of the Board; Semerca Investments S.A, Chairman of the Board; Corbis S.A, Chairman of the Board; Fennogens Investments S.A, Chairman of the Board; OE Capital Ab, Chairman of the Board.

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

**Eero Heliövaara**, Born 1956, Member of the Board since 2011, Master of Science in Economics and Business Administration, Master of Science in Engineering

Finnish Foundation for Share Promotion, Chairman of the Board; Paulig Ltd, Deputy Chairman of the Board; Realia Group Oy, Member of the Board; The Helsinki Bourse Club, Member of the Board; Foundation of the Finnish Cancer Institute, Member of the Board; Economic Information Office, Member of the Board; Finnish Foundation of Economic Education, Member of the Board.

Independent of the company and significant shareholders

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

2008- Minerva Group, Managing Director of Minerva Partnership Oy, Oy Cardos Ab, Member of the Board; Hoivakoti Jokilaakso Koy, Member of the Board; Hoivakoti Villa Lauriina Koy, Member of the Board; Lintuvaaran hoivakoti Koy, Member of the Board; Minerva Hoivakiinteistö Oy, Chairman of the Board; Minerva Partnership Oy, Member of the Board, Deamia Oy, Deputy Member of the Board; Keskinäinen Koy Eiran Edelfelt, Substitute Member of the Board; Minerva Hoiva I GP Oy, Chairman of the Board.

Independent of the company and significant shareholders.

**Catharina Stackelberg-Hammarén**, Born 1970, Member of the Board since 2011, M.Sc (Econ)

2004- Marketing Clinic Ltd, Founder and Managing Director, Alma Media Ltd, Member of the Board; Mint of Finland Ltd., Member of the Board.

Independent of the company and significant shareholders.

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:

- the Board shall be responsible for the administration of the company and the appropriate organization

of the company's operations

- the Board shall steer and supervise the company's operative management as well as appoint and dismiss the CEO
- the Board shall approve the company's strategic goals
- the Board shall approve the company's risk management principles and make sure that the management system functions well
- the Board shall ensure that the company confirms the values that are to be applied in its operations
- the Board shall promote the interests of the company and all its shareholders
- the members of the Board do not represent the parties who proposed them as Board members when working on the Board
- the Board shall assess its performance and working methods annually, either by means of internal self-evaluation or by using an external evaluator.

During the financial period 2011, the Board of Directors of eQ Plc convened 11 times, average attendance being 96 per cent.

The majority of the members of eQ Plc's Board of Directors are independent of the company. 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 the company.

## Board Committees

eQ Plc does not have any committees due to the size of the company and its Board.

## CEO

The CEO is in charge of the day-to-day administration of the company in accordance with the 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 authorization of the Board. The CEO ensures that the accounting practices of the company comply with the law and that financial matters are organized in a reliable manner.

eQ Plc's Board of Directors appoints the CEO.

Janne Larma, M.Sc. (Econ) (born, 1965) was appointed as CEO 16 March 2011. Petter Hoffström, CFO, M.Sc (Econ) (born 1968), acted as CEO from June 22, 2010 to 16 March 2011.

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

### Substitute for the CEO

The substitute for the CEO is responsible for the CEO's duties in the event that the CEO is unable to attend to them. eQ Plc's Board of Directors appointed Lauri Lundström, M.Sc. (Econ) (Born 1962), substitute for the CEO on 23 November 2011. Jyrki Orpana LL.M. (born 1962), acted as a substitute for the CEO during 1 January 2011 and 23 November 2011.

The company discloses the same biographic details and information on the holdings of the substitute for the CEO as of the directors.

### Remuneration statement

The directors receive the following remuneration: Chairman of the Board 3 300 euros per month and the directors 1 800 euros per month. The remuneration is paid in cash. The members of eQ's Board of Directors have no share-related rights, nor are they covered by any other remuneration scheme.

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

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

In 2011, the CEO was paid an overall salary of 264 063 euros. The sum comprises indirect employee costs. CEO has been granted 450 000 options.

The Board of Directors decides on the remuneration of the management team based on the CEO's proposal.

The remuneration consists of a fixed monthly salary (monthly salary and fringe benefits) and performance-linked bonus as a short-term incentive. Management team members do not receive compensation when acting as board member in the subsidiaries of eQ Plc. eQ Plc does not use share-based incentive plan. The retirement age and pension of the Management team are determined in accordance with the Finnish Employees Pensions Act. The Management team does not have a supplementary pension scheme. eQ Plc's management team was appointed in May 2011.

### Management team

#### Management team starting from 18 May 2011

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

Petter Hoffström, Born 1968, M.Sc. (Econ), CFO of eQ Plc

Lauri Lundström, Born 1962, M.Sc. (Econ) CEO of eQ Asset Management Ltd

Annamajja Peltonen, Born 1964, Vocational Qualification in Business and Administration, Deputy CEO eQ Fund Management Company Ltd

#### Management team starting from 23 November 2011

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

Lauri Lundström, Born 1962, M.Sc. (Econ) CEO of eQ Asset Management Ltd

Annamajja Peltonen, Born 1964, Vocational Qualification in Business and Administration, Deputy CEO eQ Fund Management Company Ltd

Staffan Jåfs, Born 1974, M.Sc. (Econ), Director, Private Equity

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

Objective of the financial reporting process is to produce timely financial information and to ensure that the decision making is based on reliable information. The aim is to ensure that the Financial Statements and Interim Reports are prepared according to all laws, generally accepted accounting principles and other requirements concerning listed companies.

Financial reporting process produces eQ group's monthly and quarterly reports. eQ group's result and financial performance is reviewed monthly in the Management Team of the group. Group's management presents result and financial position of the group quarterly

to the Board of Directors. Board of Directors ensures that the financial reporting process produces high quality financial information.

Result of group's subsidiaries is reported monthly to the parent company of the group. Bookkeeping of the subsidiaries is primarily done in the financial administration of the group. At group level this ensures that financial reporting of the subsidiaries is reliable. The group's annual and interim Financial Statements are prepared in accordance with IFRS. Financial administration of the group monitors changes taking place in IFRS.

Based on risk assessments company has developed control measures related financial reporting. Various reconciliations, confirmation and analytical procedures are used in the group. Financial administration of the group prepares monthly analysis on profit and loss and balance sheet both on company and segment level. Tasks related to risk exposed work combinations are separated and there are appropriate approval procedures and internal guidelines in place. Reliability of the financial reporting is also supported by various system controls in the reporting systems. Other basic principles are clear line of accountability, precise roles and regular reporting routines.

Due to the small size of the company and the transparency of its operations, the Board of Directors has decided that there is no need for separate internal audit (Recommendation 50. Internal audit). The CEO is responsible for the tasks of the internal audit function. The



### Emerging markets offer entirely new kinds of opportunities to investors

"Despite the difficult operating environment, we managed to launch an entirely new kind of a mutual fund, eQ Emerging Dividend, in 2011. The fund makes investments in emerging markets and companies that pay out a high dividend. The fund has rapidly become a very popular investment object, and its size already exceeded EUR 25 million at the beginning of 2012.

Making investments in companies that pay out a high dividend in emerging markets is by its nature different that in developed markets. In the West, we have been used to the fact that companies distributing a high dividend operate in industries with a slow growth. In emerging markets, the situation is not necessarily the same, as the companies in the fund's port-

folio have grown clearly faster than companies in emerging markets on an average.

We believe that this is due to two factors. In the first place, companies that pay out a high dividend have stronger balance sheets than average companies. More than half of the companies in our portfolio have no net debt. A company with a strong balance sheet is able to invest in growth more easily than a company with high liabilities, as the availability of financing from the loan market at a reasonable price is not always so self-evident.

The other explanation is industry breakdown. In the fund, we have overweighted companies that take advantage of

the growth of private consumption. We believe that the rapid growth of private consumption is a megatrend in emerging markets. People living in emerging markets wish to own exactly the same kinds of things as we here in the West. The other important target industry of the fund is construction. Moving from the countryside to cities is a trend that will continue for many years to come. People need a well-functioning infrastructure, including communication and somewhere to live.

In 2012, we will continue to offer interesting and new investment strategies to our clients in an ever changing world."

*Jukka-Pekka Leppä*  
Senior Portfolio Manager  
eQ Asset Management Ltd



CEO may assign external evaluators to carry out audits on areas that the CEO deems necessary.

### Insider administration

eQ Plc complies with the Guidelines for Insiders issued by NASDAQ OMX Helsinki Ltd on 9 October 2009.

The company maintains an insider register on statutory insiders and company-specific insiders. The statutory insider register, which is public, includes the members of the company's Board of Directors, the CEO and the auditor with main responsibility. The company specific-insiders are CFO, group controller, chief accountant, chief counsel, directors of business operations and secretary of the CEO. The insider register is maintained by the Euroclear Finland Ltd.

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

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

The restriction on trading is applied to the company's permanent insiders, those under their guardianship and the organizations they control, as referred to in Chapter

1, section 5 of the Securities Markets Act. The restriction on trading does not apply to auditors, nor corporations in which insiders exercise significant influence.

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

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

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

### Audit

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

Ernst & Young Oy, Authorized Public Accountants acted as an Auditor of eQ Plc in 2011. The responsible auditor is Ulla Nykky, APA.

### Auditors' fees

The independent auditors have been paid the following amounts for the services related to the audit of the financial statements 2011 and for other services:

The fees for the audit and closely related fees in 2011 were 149 956 euros (2010: 79 232 euros).

The other services in 2011 amounted to 81 743 euros (2010: 861 euros).

### Disclosure of information

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



## BOARD OF DIRECTORS

### The Board of Directors since 16 March 2011



**Ole Johansson,**  
Member of the Board since 2011

Chairman of the Board

Born 1951

#### Education

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

#### Primary working experience

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

#### Positions of trust

Outokumpu Oyj, Chairman of the Board; The Confederation of Finnish Industries, Chairman of the Board; Varma Mutual Pension Insurance Company, Deputy Chairman of the Board; Technology Industries of Finland, Member of the Board; Finnish Business and Policy Forum EVA and the Research Institute of Finnish Economy ETLA, Member of the Board.

Independent of the company and significant shareholders.



**Georg Ehrnrooth**  
Member of the Board since 2011

Born 1966

#### Education

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

#### Primary working experience

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

#### Positions of trust

Pöyry Oyj, Member of the Board; Norvestia Oyj, Member of the Board; Forcit Oy, Member of the Board; Paavo Nurmi Foundation, Member of the Board; Anders Wall Foundation, Member of the Board; Louise and Göran Ehrnrooth Foundation, Deputy Member of the Board; Se-merca Investments S.A, Chairman of the Board; Corbis S.A, Chairman of the Board; Fennogens Investments S.A, Chairman of the Board; OE Capital Ab, Chairman of the Board.

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



**Eero Heliövaara**  
Member of the Board since 2011

Born 1956

#### Education

Master of Science in Economics and Business Administration, Helsinki School of Economics

Master of Science in Engineering, Helsinki University of Technology

#### Primary working experience

2006-2009 SRV Group Plc, President; 2001-2005 Pohjola Group Plc, President and CEO; 1998-2001 Ilmarinen Mutual Pension Insurance Company, Executive Vice President, CIO; 1996-1998 Merita Asset Management Ltd, Managing Director; 1994-1996 Merita Bank, Private Bank, First Vice President; 1991-1994 Union Bank of Finland International S.A., Luxembourg, Managing Director; 1987-1991 Arctos Capital Ltd, Managing Director, partner; 1985-1987 Spontel Ltd, Financial Director.

#### Positions of trust

Finnish Foundation for Share Promotion, Chairman of the Board; Paulig Ltd, Member of the Board; Realia Group Oy, Member of the Board; The Helsinki Bourse Club, Member of the Board; Foundation of the Finnish Cancer Institute, Member of the Board; Economic Information Office, Member of the Board; Finnish Foundation of Economic Education, Member of the Board.

Independent of the company and significant shareholders



**Jussi Seppälä,**  
Member of the Board since 2011

Born 1963

**Education**

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

**Primary working experience**

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

**Positions of trust**

Oy Cardos Ab, Member of the Board; Hoivakoti Jokilaakso Koy, Member of the Board; Hoivakoti Villa Lauriina Koy, Member of the Board; Lintuvaaran hoivakoti Koy, Member of the Board; Minerva Hoivakiinteistöt Oy, Chairman of the Board; Minerva Partnership Oy, Member of the Board, Deamia Ay, Partner; Keskinäinen Koy Eiran Edelfelt, Substitute Member of the Board; Minerva Hoiva I GP Oy, Chairman of the Board.

Independent of the company and significant shareholders.



**Catharina Stackelberg-Hammarén**  
Member of the Board since 2011

Born 1970

**Education**

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

**Primary working experience**

2004- Marketing Clinic Ltd, Founder and Managing Director; 2003-2004 Coca-Cola Finland, Managing Director; 2002-2003 Coca-Cola Sweden, Managing Director; 2000-2002 Coca-Cola Finland, Managing Director; 2000 Coca-Cola Nordic & Baltic Division, Copenhagen, Marketing Director; 1996–2000 Coca-Cola Finland, Consumer Marketing Manager; 1994-1996 Sentra Plc (Carrols, Pizza Hut & Snacky), Marketing Manager.

**Positions of trust**

Alma Media Ltd, Member of the Board; Mint of Finland Ltd., Member of the Board.

Independent of the company and significant shareholders.



## CEO

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

The substitute for the CEO is responsible for the CEO's duties in the event that the CEO is unable to attend to them. eQ Plc's Board of Directors appointed Lauri Lundström as substitute for the eQ Plc CEO starting from 23 November 2011.

## MANAGEMENT TEAM

The Management Team since 23 November.2011



**Lauri Lundström**

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

**Annamajja Peltonen**

Annamajja Peltonen, Vocational Qualification in Business and Administration, (born 1964) is Deputy CEO and Board Member of eQ Fund Management Company Ltd and Administrative Director of eQ Asset Management Ltd, responsible for asset management and business support. Annamajja has worked in the finance sector since 1988 and at eQ since 2004. In 2009, she was responsible for retail banking at eQ Bank, in addition to her present duties. From 1988 to 1999, she worked at Finnish Options Market Ltd, Investment Bank E. Selin and Carnegie Investment Bank (Finland Branch), derivative and equity trading. From 1999 to 2000, she was Administrative Manager at Aktia Fund Management Company and from 2000 to 2004 Administrative Director and partner at Privanet Capital.

**Staffan Jåfs**

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

**Janne Larma,  
Chairman of the Board**

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



# FINANCIAL REPORTS IN 2012

Interim reports of eQ will be published as follows in 2012:

Interim Report  
January – March:  
Wednesday, May 9

Interim Report  
January - June:  
Thursday, August 16

Interim Report  
January - September:  
Wednesday, November 7

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

# INVESTMENTS



## Amanda III Eastern Private Equity L.P.

Vintage Year	2006
Management company	Amanda III Eastern GP Ltd
Total size of the Fund	110.2 MEUR
eQ's commitment	10.0 MEUR
Financing stage	Buyout
Geographical focus	Russia, IVY, CIS countries, Central and Eastern Europe
Target funds	No sector preference
www pages	<a href="http://www.eQ.fi">www.eQ.fi</a>

## Amanda IV West L.P.

Vintage year	2007
Management company	Amanda IV West GP Ltd
Total size of the fund	90.0 MEUR
eQ's commitment	5.0 MEUR
Financing stage	Buyout
Geographical focus	Western Europe
Target funds	No sector preference
www pages	<a href="http://www.eQ.fi">www.eQ.fi</a>

**Amanda V East L.P.**

Vintage year	2008
Management company	Amanda V East GP Ltd
Total size of the Fund	33.0 MEUR
eQ's commitment	5.0 MEUR (fundraising ongoing)
Financing stage	Buyout
Geographical focus	Russia, East Europe
Industry focus	No sector preference
www pages	www.eQ.fi

**Balderton Capital I L.P.**

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

**The First European Fund Investments UK L.P. (EFI I)**

Vintage Year	1999
Management company	Nordic Venture Partners Ltd
Total size of the Fund	88.0 MEUR
eQ's commitment	0.64 MEUR
Financing stage	Buyout/venture capital
Geographical focus	Europe
Target funds	No sector preference
www pages	www.eQ.fi

**Charterhouse Capital Partners VII L.P.**

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

**European Fund Investments L.P. (EFI II)**

Vintage Year	2001
Management company	Nordic Venture Managers Ltd
Total size of the Fund	88.4 MEUR
eQ's commitment	0.86 MEUR
Financing stage	Buyout/venture capital
Geographical focus	Europe
Target funds	No sector preference
www pages	www.eQ.fi

**EQT IV (No. 1) L.P.**

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

**Atlas Venture VI L.P.**

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

**EQT V L.P.**

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

**Fenno Rahasto Ky**

Vintage Year	1997
Management company	Fenno Management Oy, CapMan Capital Management Oy
Total size of the Fund	42.5 MEUR
eQ's commitment	2.6 MEUR
Financing stage	Midmarket
Geographical focus	Finland
Industry focus	Middle-sized companies
www pages	<a href="http://www.fennomanagement.fi">www.fennomanagement.fi</a>

**Finnventure Rahasto V Ky**

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

**Gresham Fund III**

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

**Gresham IV Fund L.P.**

Vintage Year	2006
Management company	Gresham LLP
Total size of the Fund	347.0 MEUR
eQ's commitment	3.0 MEUR
Financing stage	Midmarket
Geographical focus	UK
Industry focus	Small and middle-sized com- panies
www pages	<a href="http://www.greshampe.com">www.greshampe.com</a>

**Industri Kapital 1997 L.P.**

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

**Industri Kapital 2000 Fund L.P.**

Vintage Year	1999
Management company	Industri Kapital Ltd
Total size of the Fund	2,100.0 MEUR
eQ's commitment	5.0 MEUR
Financing stage	Buyout
Geographical focus	Europe
Industry focus	Middle-sized and large companies
www pages	<a href="http://www.ikininvest.com">www.ikininvest.com</a>

**Innovacom 4 FCPR**

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

**MB Equity Fund II L.P.**

Vintage Year	1997
Management company	MB Equity Partners Oy
Total size of the Fund	42.1 MEUR
eQ's commitment	4.1 MEUR
Financing stage	Midmarket
Geographical focus	Finland
Industry focus	Middle-sized companies
www pages	<a href="http://www.mbfunds.fi">www.mbfunds.fi</a>

**Merlin Biosciences Fund L.P.**

Vintage Year	2000
Management company	Merlin Biosciences Limited
Total size of the Fund	247.0 MEUR
eQ's commitment	1.3 MEUR
Financing stage	Venture capital
Geographical focus	Europe
Industry focus	Biosciences, life science
www pages	<a href="http://www.merlin-biosciences.com">www.merlin-biosciences.com</a>

**Permira Europe II L.P.**

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

**Montagu III L.P.**

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

**Permira Europe III L.P.**

Vintage Year	2003
Management company	Permira Advisers Limited
Total size of the Fund	5,076.0 MEUR
eQ's commitment	3.0 MEUR
Financing stage	Buyout
Geographical focus	Europe
Industry focus	Middle-sized and large companies
www pages	<a href="http://www.permira.com">www.permira.com</a>

**Nexit Infocom 2000 Fund L.P.**

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

**Permira Europe IV L.P.**

Vintage Year	2006
Management company	Permira Advisers Limited
Total size of the Fund	9,636.0 MEUR
eQ's commitment	4.0 MEUR
Financing stage	Buyout
Geographical focus	Europe, USA and Asia
Industry focus	Large companies
www pages	<a href="http://www.permira.com">www.permira.com</a>

**PAI Europe IV**

Vintage Year	2005
Management company	PAI Partners
Total size of the Fund	2,700.0 MEUR
eQ's commitment	5.0 MEUR
Financing stage	Buyout
Geographical focus	Europe
Industry focus	Middle-sized and large companies
www pages	<a href="http://www.paipartners.com">www.paipartners.com</a>

**Triton Fund II L.P.**

Vintage Year	2006
Management company	Triton Advisers Limited
Total size of the Fund	1,115.0 MEUR
eQ's commitment	5.0 MEUR
Financing stage	Midmarket
Geographical focus	Europe
Industry focus	Middle-sized companies
www pages	<a href="http://www.triton-partners.com">www.triton-partners.com</a>

### Terrible year 2011 for euro. How should we proceed?

"It is good to know history, if you intend to predict the future. We should remember that the EU was originally a peace project initiated after the Second World War. The euro is closely related to the main targets of the Union's predecessors, EEC and even earlier, the European Coal and Steel Community, such as the free movement of capital and labour and the integration of the economies of member states. In 1992, the Maastricht Treaty outlined the monetary union, the euro and a common central bank. The Stability and Growth Pact concluded in 1997 complemented the terms and conditions of the monetary union. Only Finland, Luxemburg and Estonia have been able to abide with the goals. Finland has continuously kept its government debt below 60%



and government budget deficit below three per cent of the GNP.

Initially, it was thought that the euro would bring the economies of the member states closer to each other.

This has not been the case, and the differences between the North and the South have rather increased. Cultural differences also influence the member states' willingness to follow budget rules.

Many actors feel that the dissolution of the euro would be a solution to the debt problems of the euro zone, but it is not as simple as that. There are strict rules on how a country can join the euro, but no guidelines out of it. A brutal and rapid dissolution of the euro would lead to even more extensive panic in the finan-

cial market. Weak countries could fall, one by one, and banks would suffer extensive losses through, e.g. credit risk derivatives.

How should an investor then act, when headlines scream about the dissolution of the euro and share prices plummet? It is worthwhile to take a long-term approach, even though the news flow can be very negative. Normal investment principles still apply. The valuations of the equity market fell to an extremely attractive level last autumn. It is wise to diversify investments between several asset classes and currencies. The currencies of emerging markets offer a good diversification and return object alongside with euro investments.

*Mika Pesonen  
Strategist, Head of Portfolio Management  
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