Elite Asset Management Plc, Company Announcement, 28 February 2018, 9:00 a.m. (EET)

Elite Asset Management Plc's financial statements bulletin for 2017 – Group's comparable net sales increased 18%, Alfred Berg integration proceeding as planned

Elite group's ('Group') January–December 2017 in brief (comparison with the 1–12/2016 financial year, figures are audited)

- Comparable net sales* grew by 18% to exceed €16 million.
- Operating profit before depreciation decreased by 15% to approximately €1.1 million.
- Profit for the financial year grew by 120% to some €1.3 million.
- Profit per share for the period was €0.11.

The amount of client and insurance assets, including investment commitments to capital funds, grew by 74% to €2,811 million on 31 December 2017 (€1,616 million on 31 December 2016). Before the effects of Alfred Berg transaction, AuM growth amounted to 3%. Customer assets of the Alfred Berg companies remained unchanged from the transaction date.

Integration of Alfred Berg's Finnish units into the Group is proceeding as planned, both in terms of customer retention and cost savings. The Group's parent company, Elite Asset Management Plc ("Parent Company", "Company", "Elite"), estimates that full cost savings will be achieved from the second quarter of 2018 onwards. During the first half of 2018, the Company will continue to simplify its group structure by concentrating all investment firm activities into a single subsidiary (EAB Asset Management Ltd, former Alfred Berg Asset Management Finland Ltd). The Parent Company will continue as the administrative parent company of the Group without authorisation as an investment firm. The Company aims to get further cost savings by simplifying the group structure.

From now on, the Group's net sales will be tracked by disclosing comparable net sales, which provides the best view of the development of the Company's net sales. Comparable net sales exclude fund management fees paid to external asset managers, which do not constitute income for the Group.

At the end of the financial year the Group's payroll was 104 employees (75), of whom the Parent Company employed 32 (25) and subsidiaries 72 (50). All in all, the Group had a total of 132 employees or tied agents at the end of the period.

Outlook for 2018

- The Company estimates that the operating profit before depreciation will increase to €5–6 million in 2018.
- The estimate is based on current businesses and it does not take potential business acquisitions into account.

July–December 2017 in brief (comparison with the 7–12/2016 period)

- Comparable net sales grew by 31% to €8.0 million.
- Operating profit before depreciation decreased 27% to €0.4 million.
- Profit for the period increased by 369%, totalling €1.2 million.
- Profit per share for the period was €0.10.

The result of the second year-half was burdened by preparations for MiFID II regulation entering into force in January 2018, the integration and takeover of Alfred Berg as well as investments in new product development. All of these inputs are expected to improve the Company's profit performance already in 2018.

Key figures (Explained in detail in the enclosure to this bulletin)

Key figures (€1,000)	7–12/2017	7–12/2016	Change %	1–12/2017	1–12/2016	Change %
Net sales	8,310	7,910	5.06 %	17,059	17,114	-0.32 %
Comparable net sales	8,005	6,132	30.55 %	16,021	13,592	17.87 %
Operating profit before depreciation	433	594	-27.09 %	1,085	1,282	-15.38 %
Operating profit	-418	261	-260.27 %	-211	661	-131.88 %
Profit for the period	1,161	248	368.89 %	1,303	592	120.22 %
Profit per share	0.10 €	0.03 €	298.01 %	0.11 €	0.06 €	89.81 %

* Comparable net sales refer to the Group's net sales, based on the fund administration business (net sales less external asset managers' fees). It also includes the net sales of Elite Institutional Services Ltd as Group net sales, although it was an associated company in the Group during the period 1 January 2016 – 30 April 2017.

Operating environment

Year 2017 was a relatively favourable one for investors, as all main asset classes appreciated nicely. Once again, equities were the best asset class, with many markets reaching double-digit returns in local currencies. Although the strong depreciation of the US Dollar significantly eroded euro investors' returns, for example emerging markets reached returns in excess of 20% also in euro terms. Other strong-performing markets included Finland with a return of over 11% and Japan with a return of some 9% in euro terms. The year provided mainly positive returns also to fixed-income investors in euros. However, the returns on lower-risk fixed-income investments, such as government bonds, were rather modest. In contrast, higher-yield fixed-income products, such as corporate bonds with low credit ratings and emerging market bonds, were solid as in the previous year. The strong investors' returns were based on, in particular, the historically expansionary monetary policies of major central banks as well as synchronised and robust economic growth, which was reflected as strengthening economic growth in all markets. The growth prospects of the global economy strengthened during the year, and growth forecasts were revised upwards on a broad scale. For example, the IMF estimated in a recent report that the global economy would grow 3.5% in 2017 and 3.6% in 2018, driven by emerging economies.

In our opinion, the conditions for another positive year for equities are still in place, although it may be challenging to reach similar returns as last year. Our positive view is based on the following assumptions: We believe the positive impacts of central banks' expansionary monetary policies will persist, although weaker than a year ago. We also expect inflation to remain moderate and supportive to the markets, but an eye must be kept on higher-than-expected wage inflation, which would increase the risk of central banks raising interest rates faster than expected and might cause significant market turbulence. Our base assumption is that global economic growth remains strong and supports corporate earnings growth also this year. Furthermore, we expect equity market returns to be primarily based on earnings growth rather than rising valuations, and that market volatility will increase from its historically low current levels, but there will still be solid returns to be made by equity investors.

In our view, the main risks affecting the investment markets are related to efforts by the Chinese central bank to end the mounting of debt, and the impacts of indebtedness on the economic growth of the country. If the economy of the country peters out, there will be major negative repercussions on international trade and hence global economic growth. The Chinese central bank is in a precarious position trying to balance between growth and deleveraging. Too stringent monetary policies would endanger economic growth while too expansionary a stance would fail to contain leveraging and lead to even greater risks to the financial system in the longer term, even though the debt is mainly domestic. Other risks are related to central banks' sensitivity to react once inflation rears its head, political risks for instance stemming from the United States and a possible rise of protectionism.

Material events during the financial period

The Company made significant investments in product development and process digitalisation during the period. There was a particular focus on product development in non-listed asset classes. As a result, the

Company launched investment funds during the period investing in energy efficiency projects and SME corporate credit. In early 2018, it will also launch a fund of funds investing in non-listed equity in cooperation with Certior Capital, and a follow-up fund to Elite Kiinteistökehitys I Ky, which invests in property development and is already closed for new investors.

The previously made market-making agreement with Svenska Handelsbanken AB (publ), Finnish branch, for the Company share was terminated on 28 February 2017 at the initiative of Elite Asset Management Plc.

In spring 2017, the Company entered into an arrangement with Omameklari Oy, in which Elite finances Omameklari's growth by a convertible bond. The arrangement may provide Elite with a majority holding in Omameklari in the future. Omameklari is a Finnish insurance brokerage and management firm established in 2015 and owned by its management and key personnel, which offers high-quality insurance management service mainly to SMEs and farming customers.

At the end of April, Elite Institutional Services Ltd merged into the Group's Parent Company. In connection with the merger, two key persons of Elite, who were previously the main shareholders in Elite Institutional Services Ltd, were given 364,709 A shares in Elite Asset Management Plc in a directed issue.

In May, the Board of Directors of the Company decided on a renewal of the remuneration scheme for the personnel and management team. Regulation applicable to the Company requires that part of the variable bonuses, in circumstances specified in the principles of the remuneration scheme of the Company, must be paid in Company shares. As part of the remuneration scheme, the Company set up a personnel fund which will, under its rules, invest at least 10% and up to 50% of the performance-based bonuses it receives in the shares of Elite Asset Management Plc.

At the beginning of August, the Company acquired Alfred Berg's operations in Finland and became the sole provider of BNP Paribas Asset Management's investment products in Finland. The majority of the acquisition was paid for by issuing new A and B series shares of Elite to the seller, Alfred Berg Asset Management AB. As a result of the transaction, BNP Paribas Asset Management holds 19% of the shares of Elite. Elite and Alfred Berg Group, which is a Nordic subsidiary of BNP Paribas Asset Management, have agreed to cooperate in developing their local functions and business operations in Finland. The transaction is also expected to significantly cut administrative and IT costs in the next 6 to 12 months. The transaction is estimated to increase Elite's EBITDA in 2018 by approximately €2.5–3.0 million.

Based on the authorisation given by the Annual General Meeting held on 4 April 2017 and the permission given by the Finnish Financial Supervisory Authority on 29 June 2017, the Board of Directors of the Company decided to establish a buyback program to repurchase the Company's own B shares for the implementation of the share-based compensation and incentive programs of the Company's management and employees, to be conducted approximately in the spring of 2018. The conducted repurchases of own shares will be disclosed at the Company website.

At the turn of 2017/2018, Alfred Berg Funds Ltd merged into Elite Fund Administration Ltd. The Company continues the planning of simplification of its structure and will concentrate its investment firm business into a single company in 2018. There are also plans to simplify the group structure further by reducing the number of subsidiaries.

Elite Sijoitus Oy, a subsidiary of Elite Asset Management, acquired all shares in Auta Invest Oy and Smart Money Oy. The acquired companies are tied agent companies selling and marketing investment and asset management services. The private bankers working for the companies will become Group employees after a transition period.

In October, ownership of the Group in Elite Finance Ltd rose to 100%. Elite Finance has developed corporate bond crowdfunding services, acted as tied agent for Elite and marketed Elite's loan financing services for small and medium-sized companies. Elite's loan financing services (issue of corporate bonds and SME corporate bond fund) will not be affected by the transaction. Elite PK-yrityslaina I KY fund began operation in June 2017 and has made its first credit investments in Finnish SMEs.

In November 2017, the fund management agreements between the Group's subsidiary Elite Fund Administration Ltd and Aalto Bankers Ltd ended. The Company agreed with Aalto Bankers Ltd on terminating the fund management agreements of Aalto Balanced UCITS Fund and Aalto Cautious UCITS Fund as well as the distribution agreement of UCITS AJ Elite Value Hedge. Management of the portfolios of the Aalto funds was transferred to Elite, and the funds will continue to operate normally. Elite Fund Administration Ltd has administered the Aalto funds as a management company since 2011, while Aalto Bankers Ltd has acted as an external portfolio manager of the funds and sold them to its customers.

Outlook

The company continued significant investments in new businesses and the development of current businesses in 2017. The investments are reflected as higher staff costs and other costs. The Company estimates that the effect of the investments will be shown as improved profit potential during 2018 and in the medium term. At the same time, the Company has substantially diversified its income flow into various businesses and increased ongoing fees as a proportion of its fee income, which reduces business risk.

The Company reiterates the previously disclosed estimate that its operating profit before depreciation will increase to €5–6 million in 2018. The Company estimates that profitability will improve further after 2018 on account of business growth as well as improved efficiency. At the same time, the Company estimates that business risk will be reduced as the business expands and income flows are diversified, in addition to investment services, to financing services, for instance.

The Company’s business risk mostly consists of a potential unexpected deterioration in the general development of the capital market. Such an unexpected deterioration would reduce the current level of ongoing fees due to a decrease in the value of client assets and difficulties in new sales. The Company’s objective is to further increase the amount of assets under management, which enables a reduction of business risk as ongoing fees account for an increasing share of the Company’s fee income.

Share issues conducted during the review period and changes in the number of company shares and share capital

In April 2017, the Company executed the merger of its associated company Elite Institutional Services Ltd. In connection with the merger, two key persons of Elite were given 364,709 A shares in Elite Asset Management Plc in a directed issue. The subscription price per share was €3.29. After the issue, the number of A shares outstanding was 7,265,410. The subscription price, totalling €1,199,892.61, was recognised in the invested unrestricted equity reserve.

In August 2017, the Company conducted a paid directed share issue to pay the consideration for Alfred Berg Asset Management Finland Ltd and Alfred Berg Funds Ltd. The issue was directed at Alfred Berg Asset Management AB. Based on the share issue, a total of 2,033,518 subscribed A shares and 406,704 B shares were given. Subsequently, there were 9,298,928 A shares and 3,544,344 B shares outstanding. The subscription price, totalling €8,020,335.11, was recognised in the invested unrestricted equity reserve.

In April 2017, the Annual General Meeting authorised the Board of Directors of the company to launch a share repurchase programme. Based on the authorisation, the Board of Directors of the Company may decide on the purchase or acceptance as pledge of a maximum of 690,000 A shares and a maximum of 310,000 B shares of the Company. The company began the repurchase programme in August 2017 and acquired a total of 17,056 B shares by the financial statement date. The purchase price of the shares, €63,930.68 was reduced from the Company's invested unrestricted equity capital in accordance with the Finnish Accounting Act, and the shares will be kept off the balance sheet until they are used or annulled.

Changes in group structure during the period

On 30 April 2017, Elite Asset Management Ltd acquired 60% of the shares in Elite Institutional Services Ltd. In the same context, Elite Institutional Services Ltd merged into the Company.

Elite Asset Management acquired 100% of the shares in Alfred Berg Asset Management Finland Ltd and Alfred Berg Funds Ltd from Alfred Berg Asset Management AB on 1 August 2017.

Elite Sijoitus Oy, a subsidiary, acquired 100% of the shares in Auta Invest Oy and Smart Money Oy on 17 August 2017.

Elite Sijoitus Oy also acquired 100% of the shares in TL Trade Oy on 18 September 2017.

The Group restructured its intra-group holdings on 30 September 2017 by transferring the entire holdings of the parent company Elite Asset Management Ltd in SAV-Rahoitus Oyj, Elite Finance Ltd, Elite Kiinteistökehitys Oy and OX Finance Oy to its subsidiary Elite Sijoitus Oy.

Elite Sijoitus Oy acquired, on 3 October 2017, 70% of the shares in the associated company Elite Finance Ltd, after which its ownership reached 100%.

Elite Sijoitus Oy acquired, on 30 November 2017, 50% of the shares in the associated company Taurus Properties GP Oy, after which its ownership reached 100%.

Board of Directors' proposal for measures supporting the result and equity position of the Company

The parent company's loss for the period 1 January–31 December 2017 was €1,005,937 and distributable funds on 31 December 2017 totalled €17,644,775. The Board of Directors proposes that the Company pays refunds of capital €0.058 per share. The payment of refunds of share requires the permission of the Finnish Financial Supervisory Authority.

Events after the review period

The Company's subsidiary Elite Sijoitus Oy raised its ownership in Thermo Power Finland Oy to 80% in transactions concluded on 4 January 2018.

The Company repaid its share purchase debt from the acquisition of Alfred Berg Finland (app. €1.8 million) at 31 January 2018.

The Company increased its financing by obtaining a new €1.0 million loan from Nordea bank.

During the period 1 January – 28 February 2018, there were no other events with a material effect on the Company's position.

Publication of the financial statements and the Annual General Meeting

Elite Group's financial statements and annual report for 2017 will be published in Finnish during week 13 (26–30 March 2018) at the Group website www.elitevarainhoito.fi/taloustiedot-ja-toimintakertomukset.

The Company's Annual General Meeting will be held on Wednesday 4 April 2018 in Helsinki, Finland. The Board of Directors will announce the invitation to the Annual General Meeting later.

The Company has 9,298,928 class A shares and 3,544,344 class B shares, including 17,056 treasury shares at year-end. The Company has not issued warrants, convertible loans or other financial instruments that increase the number of shares.

Elite Asset Management Plc's half-yearly report for 1 January – 30 June 2018 will be published around 24 August 2018.

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Enclosure to the financial statements bulletin: tables and key figures
Bulletin in PDF format

Elite Asset Management Plc is a profitable and growing investment service company offering versatile and high-quality asset management services for both consumer clients and professional investors. Elite Asset Management Plc is listed on the First North Finland market maintained by NASDAQ Helsinki Oy (Helsinki Stock Exchange). Elite Asset Management Plc is the parent company of Elite Group. The Group's customer base consists of individuals and corporations that are served nationwide in 17 different offices. Elite employs more than 100 investment professionals, and over 25 tied agents provide the Group's services. On behalf of its clients, the Group manages assets of approximately EUR 3 billion in total. Check out Elite's services at www.elitevarainhoito.fi

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