

MANDATUM

8/15/2025 11:30 am EEST

This is a translated version of " Kaikki muu kunnossa paitsi hintalappu" report, published on 8/14/2025



Kasper Mella
+358 45 6717 150
kasper.mella@inderes.fi



Sauli Vilén
358440258908
sauli.vilen@inderes.fi

INDERES CORPORATE CUSTOMER
COMPANY REPORT



Everything in shape apart from price tag

Mandatum's Q2 result fell short of our expectations due to accounting factors, but the figures for Wealth management, the most important growth engine, developed well again. Our long-term growth estimates were slightly raised due to the positive outlook for international growth, but lower interest rate expectations weighed on our near-term earnings estimates. Despite the strong outlook, we still consider the stock expensive, so we reiterate the Reduce recommendation. However, we revise our target price to EUR 5.6 per share (was EUR 5.3) in line with our dividend model.

Value-bearing Wealth Management continued on expected trajectory

Mandatum's most important figures, i.e., Wealth management new sales and cost efficiency, continued their good development in Q2. Net subscriptions for the quarter were 164 MEUR (1.2% of AUM), which can be considered a good performance in a challenging market. However, reported result clearly fell short of expectations as interest rate changes weighed on net finance report contrary to our expectations. However, its significance for the company's value remains minor, as it is a purely accounting item.

The main focus of Wealth management sales was again on interest rate products. In addition, Mandatum announced that it would invest in its international sales by establishing a unit in Luxembourg to support its Continental European growth. The company also reported that it had gained its first customer from France, which serves as a good indication of the appeal of the company's interest rate products.

Outlook for international growth is better than before

Our near-term earnings forecasts declined, as we made downward revisions to our net finance result forecasts following market interest rate expectations. However, our longer-term earnings forecast increased, as we estimate international

investments to support the sales outlook for Wealth management. In addition, the weaker-than-expected Q2 earnings clearly weighed on our current year earnings forecast.

Overall, we expect Mandatum's Group-level pre-tax profit to bottom out in 2025. This is a key update in the company's investor story, although primarily driven by downward revisions to net finance result forecasts. Nevertheless, in our view, the growth in Wealth management already offsets the earnings impact of the shrinking with-profit portfolio but contracting investment returns curb the Group's earnings development and keep earnings growth moderate. The earnings mix is constantly improving as the share of Wealth management increases.

Dividend distribution remains generous, as we expect the company to distribute all capital released from the sale of Saxo Bank shares to its owners next spring. Even after this, the dividend stream will remain strong as Mandatum returns funds released from the shrinking investment portfolio to its shareholders, which will result in the dividend per share exceeding the earnings per share by a clear margin. In the coming years, the focus of dividend distribution will be strongly on returning excess capital, with accumulated earnings playing a smaller role.

Expectations on the stock are too ambitious

We have gauged the value of Mandatum first and foremost by using the dividend discount model as it best reflects the company's high payout ratio and the unwinding of its overcapitalized balance sheet. Our DDM model indicates a value of some EUR 5.6 for Mandatum (was EUR 5.3). The change from our previous update is due to an upward revision to our long-term earnings estimates. Although the business outlook is excellent, the current share price already fully prices this in. We see the stock as fully priced and consider the expected return to be inadequate, even though the high dividend yield limits the downside of the stock.

Recommendation

Reduce
(was Reduce)

Target price:
EUR 5.60
(was EUR 5.30)

Share price:
EUR 5.88

Business risk



Valuation risk



Key figures

	2024	2025e	2026e	2027e
Profit before tax	202.9	172.3	174.7	175.4
Net profit	139.7	141.7	142.3	146.9
EPS (adj.)	0.33	0.28	0.28	0.28
DPS	0.66	1.00	0.70	0.57
Payout ratio	201%	360%	249%	202%
ROE-%	10.3%	9.3%	11.5%	15.1%

P/E (adj.)	16.5	21.2	20.9	20.8
P/B	1.7	2.1	2.8	3.5
Dividend yield-%	12.2%	17.0%	11.9%	9.7%

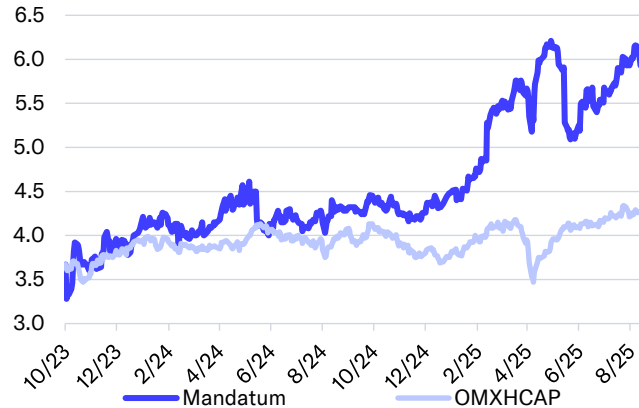
Source: Inderes

Guidance

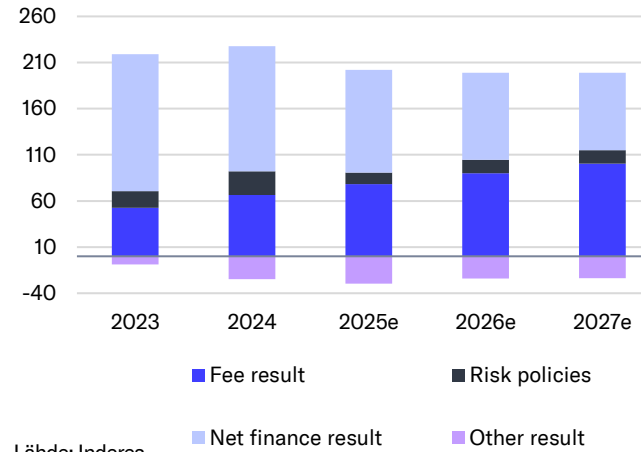
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The fee result is expected to increase from 2024, assuming stable market conditions. The with-profit portfolio is expected to decline further.

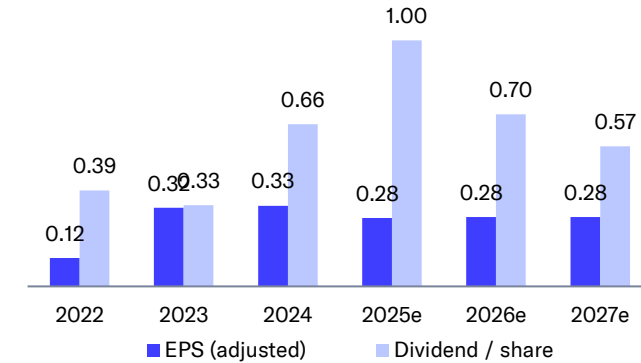
Share price



Mandatum's PTP breakdown (MEUR)



EPS and dividend



Value drivers

- Growth in capital-light Wealth management
- Relative profitability has improvement potential with revenue growth
- With the rise in interest rates, the with-profit business has become clearly more attractive than before
- Release of capital from the with-profit portfolio and from PE investments
- Value creating acquisitions in the domestic asset management sector

Risk factors

- The company's earnings are highly dependent on investment returns
- Life insurance risks (especially biometric risks)
- Maintaining good return levels for funds
- Adverse changes in the tax legislation on investment insurance

Valuation	2025e	2026e	2027e
Share price	5.88	5.88	5.88
Number of shares, millions	502.7	503.2	503.7
Market cap	2956	2959	2962
P/E (adj.)	21.2	20.9	20.8
P/E	21.2	20.9	20.8
P/B	2.1	2.8	3.5
Payout ratio (%)	359.8%	248.6%	201.8%
Dividend yield-%	17.0 %	11.9 %	9.7 %

Source: Inderes

Significance of earnings miss remained very modest

Wealth management sales remained strong in a challenging market

For capital-light businesses, the year continued as expected, with fee result growing 26% year-on-year to 18.5 MEUR. However, the capital market movements seen during the quarter hit management fees, so the result decreased slightly compared to the start of the year, as anticipated.

New sales in the Group's most important source of growth, Wealth management, were again good with net cash flows of 164 MEUR. Thus, Mandatum is on track to meet its 5% new sales target after two quarters, even though a slight slowdown in sales volumes compared to previous quarters was observed. The company explained this with the difficult market situation in April. This was also evident among other Finnish asset management peers, compared to whom Mandatum's development can still be considered strong. Assets under management grew to 14.4 BNEUR (Q1'25: 14.0 BNEUR).

Based on the comments, interest rate products sold best as usual, while among customer groups, private wealth management clients were highlighted in addition to international clients. Mandatum also reported gaining new customers in France and Norway, and establishing a sales unit in Luxembourg to grow its Continental European business. Thus, the company appears to be accelerating its international expansion, which we view positively.

Net finance result was weighed by accounting changes

The result of risk life insurance was somewhat weaker than our expectations (2.0 MEUR vs. 3.6 MEUR estimate). However, this item fluctuates quarterly, especially with insurance claims, so investors should not be concerned about a single quarter.

Net finance result, however, clearly fell short of expectations. This was impacted by changes in discount rates, which had a clearly negative impact on earnings. Contrary to the norm, Mandatum's applied discount rates

decreased, even though long-term market rates moved in the opposite direction, which we could not foresee. According to the company, the interest rate movement was also quite unusual.

Investment portfolio returns, on the other hand, met expectations and included a 12 MEUR capital gain from the sale of Enento shares. Due to higher accrued interest expenses, net finance result fell to 21.6 MEUR, while our estimate was 40.1 MEUR.

The Group's Q2 result was significantly weaker than our expectations due to the delta in net finance income, with Mandatum's pre-tax profit being 34.2 MEUR (Inderes 55.2 MEUR, consensus 45.8 MEUR).

Earnings per share were EUR 0.06, and organic capital generation significantly exceeded this at EUR 0.17. Organic capital generation, which is key for dividend distribution, was boosted not only by the sale of Enento shares but also by the contraction of the Group's other investment portfolio.

Estimates MEUR / EUR	Q2'24 Comparison	Q2'25 Actualized	Q2'25e Inderes	Q2'25e Consensus	Consensus High Low	Diff-% Act. vs. Inderes	2025e Inderes
Fee result	14.7	18.5	18.5	18.6	16.2 - 19.7	0%	78.0
Result from term life insurance	11.9	2.0	3.6	4.3	3.6 - 5.0	-44%	14.1
Net finance result	55.1	21.6	40.1	29.2	14.7 - 42.0	-46%	139.6
Other result	-5.8	-8.0	-7.1	-5.9	-7.1 - -5.0	-13%	-29.3
Profit before tax	75.8	34.2	55.2	45.8	29.9 - 59.0	-38%	202.3
Earnings per share (EPS)	0.12	0.06	0.09	0.07	0.05 - 0.09	-33%	0.32
Dividend per share					-		1.00

Source: Inderes, Vara Research (consensus)

No surprises in the outlook

Slightly less excess capital on the balance sheet than estimated

Solvency decreased moderately, which was somewhat surprising considering Enento's share sale. This was due, according to the report, to a transitional provision applied to the technical interest rate basis, and adjusted for this, the Solvency 2 ratio developed as expected. According to Mandatum, however, the solvency under the transitional provision is the one against which the company's own solvency target should be measured. As a result, our estimated excess capital on the balance sheet decreased slightly with the Q2 report. The company still has some excess capital on its balance sheet relative to the target level calculated in connection with the strategy update (160-180%), and in addition, the overcapitalization will clearly increase by the end of the year when the sale of Saxo shares is completed. After this, excess capital will be released mainly from the contraction of the with-profit

portfolio.

Meanwhile, the outlook for the current year is fully in line with expectations, as Mandatum estimates that its fee result will increase from the previous year and that its with-profit portfolio will continue to decrease further.

Estimates	Q2'24	Q2'25	Q2'25e	Q2'25e	Consensus	Diff-%	2025e
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	High Low	Act. vs. Inderes	Inderes
Fee result	14.7	18.5	18.5	18.6	16.2 - 19.7	0%	78.0
Result from term life insurance	11.9	2.0	3.6	4.3	3.6 - 5.0	-44%	14.1
Net finance result	55.1	21.6	40.1	29.2	14.7 - 42.0	-46%	139.6
Other result	-5.8	-8.0	-7.1	-5.9	-7.1 - -5.0	-13%	-29.3
Profit before tax	75.8	34.2	55.2	45.8	29.9 - 59.0	-38%	202.3
Earnings per share (EPS)	0.12	0.06	0.09	0.07	0.05 - 0.09	-33%	0.32
Dividend per share					-		1.00

Source: Inderes, Vara Research (consensus)

Mandatum Oyj, Audiocast, Q2'25



Outlook for international growth is better than before

Estimate revisions

- We have revised downwards our estimate for the normal earnings level of risk life insurance based on the development in the early part of the year and the company's comments. We also made minor downward revisions to our interest portfolio return estimates along with falling market interest rates, which weighed on our net finance result estimate.
- Our forecasts for international sales in Wealth management, however, increased as the company invests in its own sales personnel in Continental Europe. In addition, new customers from Norway and France serve as a good indication of the appeal of the company's products. This led to a marginal upside revision to our fee result estimate.
- Overall, our forecasts for earnings before taxes for the coming years decreased by 3-6% due to changes in net finance result forecasts. Our current year forecast, in turn, decreased by around 11% due to a weaker-than-expected Q2 result. However, our long-term earnings estimates (2028 onwards) rose in line with our Wealth management growth estimates.
- We have also revised our dividend forecasts. Our estimate for the total dividend amount remains unchanged, but due to the transitional provision for liabilities, part of the dividend we forecast for the coming years was shifted forward (the provision is valid until the end of 2031).

Operational earnings drivers

- Investment income still plays the key role in Mandatum's earnings development, but ramping down the with-profit portfolio will gradually reduce the weight of balance sheet investments. However, this will also contribute to the group's earnings.
- Wealth management, on the other hand, will continue to grow strongly, thanks to both asset growth and new sales. We expect growth to mainly come from institutional asset management in Finland and in other Nordic countries. We also expect growth in investment solutions for corporate customers (unit-linked pension and insurance products). In the case of private customers, our expectations are modest. In addition, the fee result will still, for a while, receive clear support from the scaling of the cost level.
- The development of term life insurance is expected to continue as stable, as market growth is modest and the market shares of key players are quite stable. Risk life insurance also plays a limited role in the group's current structure, with premium income and investment activities accounting for the majority of revenue.
- In our forecasts, Mandatum's Group-level profit before taxes will bottom out in 2025, after which we expect the profit to grow moderately in the coming years. Under our forecasts, growth in Wealth management already offsets the earnings impact of the shrinking guaranteed-rate portfolio, but declining investment returns hinder the Group's earnings performance. Payout remains generous as Mandatum distributes dividends significantly exceeding annual earnings, supported by capital released from investment asset sales.

Estimate revisions	2025e	2025e	Change	2026e	2026e	Change	2027e	2027e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Fee result	78.6	78.1	-1%	89.3	90.1	1%	100	101	0%
Result from term life insurance	14.6	12.5	-14%	15.5	14.5	-7%	15.5	14.5	-7%
Net finance result	127.0	111.3	-12%	103.8	94.20	-9%	87.8	84.0	-4%
Other result	-29.3	-29.6	-1%	-22.6	-24.2	-7%	-23.0	-23.7	-3%
Profit before tax	190.8	172.3	-10%	186.0	174.7	-6%	180.4	175.4	-3%
Earnings per share (EPS)	0.30	0.28	-9%	0.30	0.28	-5%	0.29	0.28	-1%
Dividend per share	1.00	1.00	0%	0.75	0.70	-7%	0.58	0.57	-2%

Source: Inderes

Expectations on the stock are too ambitious

We have gauged Mandatum using the dividend model as it best reflects the company's high payout ratio and the ongoing unwinding of its overcapitalized balance sheet. Mandatum's expected return relies heavily on a high dividend yield, as the company is unwinding its overly strong balance sheet and the contraction of the investment portfolio keeps the earnings growth outlook very modest. However, the earnings distribution should improve clearly as the focus shifts from the structurally declining with-profit business to the growing capital-light business.

Our dividend model indicates that the stock is already fully priced, so the investor's expected return at current levels remains insufficient. A higher value would require earnings growth stronger than our current forecasts in asset management or alternatively an even more generous dividend outlook

Cash flows do not justify current valuation

We believe that the discounted dividend model (DDM) works very well for Mandatum due to the company's modest investment needs (and thus high payout ratio) and the overly strong balance sheet that the company unwinds as the with-profit portfolio gradually decreases and when it exits from PE investments. Our dividend model takes into account not only the result generated by the operating business, but also the excess capital resulting from the liquidation of the balance sheet, so we believe that the method gives a fairly good picture of Mandatum's fair value. We therefore consider the DDM to be preferred method in Mandatum valuation.

In our dividend model, we have also outlined the development of Mandatum's earnings in the longer term. As a result of our assumptions, the Group's net profit level will decrease this year to some 140 MEUR, after which the

growth in Wealth management should already compensate for the contraction of the declining with-profit portfolio. The company's balance sheet is strong and solvency is above the target level, so we expect Mandatum to distribute a clearly higher dividend than reported profit in the coming years. In addition, we have incorporated the additional funds that the exit from PE investments will generate in addition to the current overcapitalization.

For the terminal period, we have used a growth assumption of 1.5%, as the with-profit portfolio is still present in our forecasts at this point, whereby the reduction of the portfolio will still for some time soften the impact of Wealth management growth on the Group's earnings growth figures. However, in our calculations, we have accounted for the assets from the calculation basis that are released only during the terminal period (after 2033) as additional capital, which support the dividend distribution potential.

Our DDM model indicates a value of some EUR 5.6 per share for Mandatum (was EUR 5.3). The change from our previous update is primarily due to an increase in our long-term earnings estimates and secondarily due to a slight decrease in our required return, as the increasing weight of Wealth management has reduced the business risk level. Our applied cost of equity is now 8.5% (previously 8.7%), which is the lowest among the peer group of asset managers.

Our estimates do not include possible acquisitions, which we consider quite possible in the coming years. While we believe the conditions for value-creating corporate transactions are better than average, we have assumed their impact to be neutral in our valuation. The biggest forecast risks, on the other hand, relate to the return on the investment portfolio and the growth of asset management.

Valuation	2025e	2026e	2027e
Share price	5.88	5.88	5.88
Number of shares, millions	502.7	503.2	503.7
Market cap	2956	2959	2962
P/E (adj.)	21.2	20.9	20.8
P/E	21.2	20.9	20.8
P/B	2.1	2.8	3.5
Payout ratio (%)	359.8%	248.6%	201.8%
Dividend yield-%	17.0 %	11.9 %	9.7 %

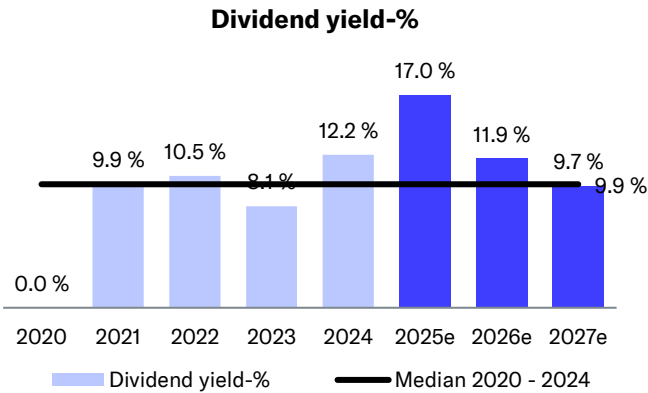
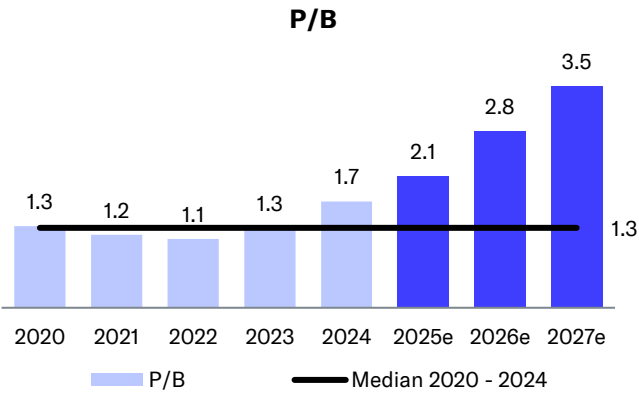
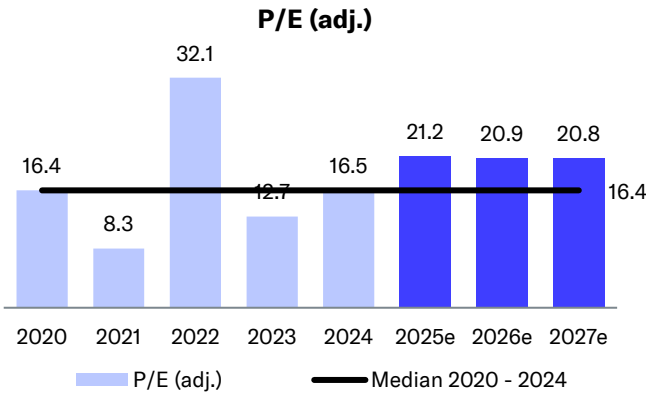
Source: Inderes

Valuation table

Valuation	2020	2021	2022	2023	2024	2025e	2026e	2027e	2028e
Share price	3.70	3.70	3.70	4.07	5.40	5.88	5.88	5.88	5.88
Number of shares, millions	556.6	548.0	501.8	501.8	502.7	502.7	503.2	503.7	504.2
Market cap	2059	2028	1857	2042	2715	2956	2959	2962	2965
P/E (adj.)	16.4	8.3	32.1	12.7	16.5	21.2	20.9	20.8	20.2
P/E	16.4	8.3	32.1	12.7	16.5	21.2	20.9	20.8	20.2
P/B	1.3	1.2	1.1	1.3	1.7	2.1	2.8	3.5	4.2
Payout ratio (%)	0.0 %	81.7 %	338.6 %	103.4 %	201.2 %	359.8 %	248.6 %	201.8 %	154.4 %
Dividend yield-%	0.0 %	9.9 %	10.5 %	8.1 %	12.2 %	17.0 %	11.9 %	9.7 %	7.7 %

Source: Inderes

Note! The closing price of the first trading day is used as the historical share price



Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
			2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e	2026e	2025e
Alexandria	110	106	8.6	7.7	7.3	6.6	2.1	1.9	11.8	10.8	8.1	8.5	3.2
Aktia	754								9.0	9.5	8.1	8.6	1.1
CapMan	333	327	10.7	7.8	10.2	7.5	5.1	4.3	16.4	12.0	8.0	8.5	1.7
Evli	515	515	11.5	10.2	10.6	9.5	4.7	4.4	16.3	14.4	6.2	6.4	3.4
eQ	546	534	18.5	13.9	17.7	13.4	8.8	7.2	23.8	18.8	4.2	5.3	7.3
Taaleri	206	208	10.8	5.0	10.3	5.0	3.9	2.8	17.8	8.0	3.4	7.5	0.9
Titanium	61	50	8.7	8.6	7.8	7.9	2.5	2.4	13.3	12.9	7.3	7.6	3.9
United Bankers	197	182	12.2	9.9	10.5	8.8	3.4	3.0	17.7	14.5	6.4	6.7	3.2
Mandatum (Inderes)	2956	2554	14.8	16.7	14.8	16.7	15.6	16.2	21.2	20.9	17.0	11.9	2.1
Average			11.6	9.0	10.6	8.4	4.4	3.7	15.8	12.6	6.4	7.4	3.1
Median			10.8	8.6	10.3	7.9	3.9	3.0	16.4	12.5	6.9	7.6	3.2
Diff-% to median			37%	94%	44%	112%	301%	432%	29%	68%	148%	57%	-35%

Source: Refinitiv / Inderes

Income statement

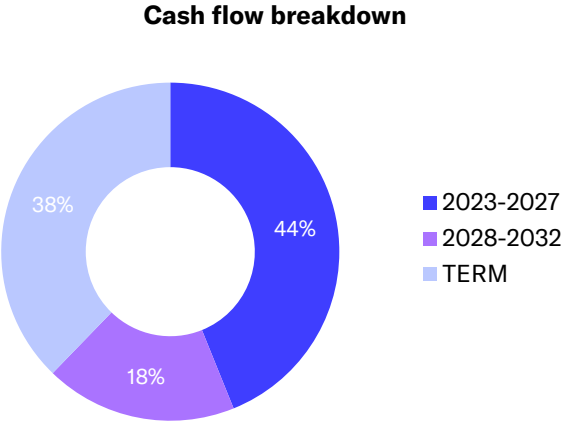
Income statement	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Fee result	52.5	15.2	14.7	18.1	18.6	66.6	18.8	18.5	20.1	20.7	78.1	90.1	100.6	111.2
Risk life insurance result	18.0	2.2	11.9	9.1	2.2	25.4	2.3	2.0	4.1	4.1	12.5	14.5	14.5	14.5
Net finance income	148.6	29.9	55.1	27.0	23.7	135.7	51.8	21.7	20.5	17.4	111.3	94.2	84.0	74.4
Other result	-8.8	-0.6	-5.8	-9.0	-9.4	-24.8	-10.9	-8.0	-5.1	-5.6	-29.6	-24.2	-23.7	-20.9
Profit before taxes	210.4	46.7	75.8	45.2	35.1	202.9	61.9	34.2	39.6	36.5	172.3	174.7	175.4	179.2
Taxes	-50.0	-9.1	-18.1	-8.7	-2.2	-38.0	-12.4	-6.8	-7.9	-7.3	-32.5	-33.0	-33.1	-32.3
Net profit	160.4	37.9	57.8	36.4	32.9	164.9	49.6	27.3	31.7	29.2	139.7	141.7	142.3	146.9
Earnings per share (EPS)	0.32	0.08	0.12	0.07	0.07	0.33	0.10	0.05	0.06	0.06	0.28	0.28	0.28	0.29
Organic capital generation per share	0.54	0.14	0.09	0.11	0.10	0.44	0.17	0.17	0.11	0.09	0.54	0.45	0.50	0.44
Dividend per share	0.33	-	-	-	-	0.66	-	-	-	-	1.00	0.70	0.57	0.45
Equity (IFRS)	1599	-	-	-	-	1601	-	-	-	-	1409	1048	838	698
Return on equity	10.0 %	-	-	-	-	10.3 %	-	-	-	-	9.9 %	13.5 %	17.0 %	21.1 %
Assets under management (AUM)	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Group customer assets (BNEUR)	11.9	12.5	13.0	13.3	14.0	14.0	14.0	14.4	14.7	15.0	15.0	16.6	18.2	19.8
Institutional and wealth management clients	6.4	6.7	7.0	7.2	7.8	7.8	8.0	8.1	8.3	8.6	8.6	9.7	10.8	12.0
Corporate clients	2.3	2.4	2.5	2.5	2.6	2.6	2.7	2.8	2.8	2.9	2.9	3.1	3.4	3.7
Personal customers	3.2	3.4	3.5	3.5	3.5	3.5	3.4	3.5	3.5	3.6	3.6	3.7	3.9	4.1
Group fee result (MEUR)	135	36.6	39.2	37.9	39.3	153.0	40.4	38.4	42.2	43.1	164.0	180.2	194.5	210.9
Solvency	2023	Q1'24	Q2'24	Q3'24	Q4'24	2024	Q1'25	Q2'25	Q3'25e	Q4'25e	2025e	2026e	2027e	2028e
Solvency II ratio	221%	216%	224%	224%	210%	210%	207%	209%	207%	209%	209%	191%	182%	179%
Solvency II own funds (MEUR)	2140	2158	2173	2198	2048	2048	2041	2012	1981	1695	1695	1485	1340	1260
Solvency Capital Requirement (SCR)	966	997	970	980	973	973	984	965	958	812	812	776	735	703
Excess capital at target level*	353	314	379	383	249	249	222	372	352	314	314	165	91	64
Excess capital per share at target level*	0.70	0.62	0.75	0.76	0.49	0.49	0.44	0.74	0.70	0.63	0.63	0.33	0.18	0.13

*The target level used is the midpoint of the company's solvency target (160–180%)

Dividend model (DDM)

DDM valuation (MEUR)	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Mandatum's net profit	140	142	142	147	150	152	153	155	160	
Dividend paid by Mandatum	503	352	287	227	197	187	157	152	142	2062
Payout ratio	360%	249%	202%	154%	131%	123%	102%	98%	89%	
Dividend growth-%	51.5%	-29.9%	-18.5%	-21.0%	-13.2%	-5.0%	-16.1%	-3.1%	-6.6%	1.5%
Discounted dividend	473	305	229	167	134	117	90	81	70	1011
Discounted cumulative dividend	2677	2204	1899	1669	1502	1368	1251	1161	1080	1011
Excess capital	130									
Equity value, DDM	2807									
Per share EUR	5.6									

Cost of capital	
Risk-free interest	2.5%
Market risk premium	4.8%
Beta	1.3
Liquidity premium	0.0%
Cost of equity	8.5%



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Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
10/12/2023	Buy	4.20 €	3.70 €
11/8/2023	Buy	4.20 €	3.62 €
2/14/2024	Buy	4.40 €	3.84 €
5/10/2024	Accumulate	4.50 €	4.36 €
8/14/2024	Reduce	4.50 €	4.38 €
11/13/2024	Accumulate	4.50 €	4.16 €
2/14/2025	Reduce	4.80 €	5.28 €
4/11/2025	Reduce	5.40 €	5.61 €
5/9/2025	Reduce	5.60 €	6.09 €
5/19/2025	Reduce	4.90 €	5.28 €
6/10/2025	Reduce	5.30 €	5.51 €
8/15/2025	Reduce	5.60 €	5.88 €



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Inderes Ab

Vattugatan 17, 5tr
Stockholm
+46 8 411 43 80

inderes.se

Inderes Oyj

Porkkalankatu 5
00180 Helsinki
+358 10 219 4690

inderes.fi

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