

## TAALERITEHDAS FINANCIAL STATEMENTS 2014: TAALERITEHDAS PROFIT GROWTH +67 %

### TAALERITEHDAS GROUP 1 JANUARY – 31 DECEMBER 2014

- The Group's turnover for the financial period amounted to EUR 41.5 million, growth of 50.9% (1–12/2013: EUR 27.5 million).
- The Group's operating profit amounted to EUR 7.6 million, growth of 67.4% (1–12/2013: EUR 4.5 million).
- At the end of December, the assets under management were EUR 3.4 billion, showing an increase of 21% (31 December 2013: EUR 2.8 billion).
- The Group's equity ratio was 34.9% (31 December 2013: 80.5%).

### TAALERITEHDAS GROUP 1 JULY – 31 DECEMBER 2014

- The Group's turnover for 1 July–31 December 2014 amounted to EUR 23.9 million, growth of 62.8% (7–12/2013: EUR 14.7 million).
- The Group's operating profit amounted to EUR 5.0 million, growth of 77.5% (7–12/2013: EUR 2.8 million).

**Wealth Management** has continued its stable development. The number of clients increased by 500 to a total of 3,000 clients during 2014. The managed assets of mutual funds exceeded EUR 770 million (31 December 2013: EUR 610 million).

The development of **Private Equity Funds** continued to be strong. The Africa real estate fund was established during the financial period, and Wind Factory II (wind energy) and Forest II and III funds were implemented. The company also successfully exited the first private equity fund projects (Housing funds I, III and V), and most importantly, the return to investors exceeded the targets set. At the end of the financial period, Taaleritehdas Private Equity Funds had 12 active private equity funds.

**Taaleritehdas Investment Factory** made a significant acquisition at the end of June 2014 by investing equity through Taaleritehdas Forest Fund II, which acquired 39.% of all the shares of Finsilva Plc.

**Operations of Financing Company Lainaamo** continued according to plan and reached a positive result during the second half of the year. Its loan portfolio was EUR 15.6 million by the end of 2014 (31 December 2013: EUR 4.8 million).

**Taaleritehdas Plc** announced in December that it will purchase 100% of the shares of Garantia Insurance Company Ltd, making Taaleritehdas a financing and insurance conglomerate. The acquisition is estimated to be completed at the end of March 2015.

KEY FIGURES	7–12/2014	7–12/2013	1–12/2014	1–12/2013
Turnover, EUR million	23.9	14.7	41.5	27.5
Operating profit, EUR million	5.0	2.8	7.6	4.5
Profit for the period, EUR million	3.0	2.1	4.8	3.2
Operating profit/turnover, %	20.8	19.1	18.2	16.4
Profit for the period/turnover, %	12.3	14.1	11.7	11.7
Return on equity, %	31.8	18.2	23.9	21.9
Personnel at the end of the period, full-time	147	130	147	130
Managed assets, EUR billion	3.4	2.8	3.4	2.8

## TAALERITEHDAS IN BRIEF

Taaleritehdas Plc is a financial group listed on the First North Finland marketplace on the Helsinki Stock Exchange maintained by NASDAQ OMX Helsinki. Taaleritehdas focuses on comprehensive private banker services for private individuals and wealth management for institutional clients. Operations of Taaleritehdas include also private equity funds, financing and own investments. Taaleritehdas Group consists of the parent company Taaleritehdas Plc and four operational subsidiaries: Taaleritehdas Wealth Management Ltd, Taaleritehdas Private Equity Funds, Taaleritehdas Financing Company Lainaamo Ltd and Taaleritehdas

investment company Taaleritehtaan Investment Factory Ltd.. In addition, Taaleritehdas subsidiaries include Kultataaleri Oy, a company which offers physical gold, and Taaleritehtaan Holvi Oy, a company which provides tax and legal counsel. Taaleritehdas also offers wealth management services in Turkey. The Group employs more than 150 people.

Our offices are located in Helsinki, Tampere, Turku, Pori, Oulu, Istanbul and Nairobi. Taaleritehdas is an entrepreneur-driven growth company. Taaleritehdas had assets under management of EUR 3.4 billion and 3,000 customers at the end of December 2014.

The operations of Taaleritehdas are supervised by the Finnish Financial Supervisory Authority.

Further information on Taaleritehdas Group is available on our website at [www.taaleritehdas.fi](http://www.taaleritehdas.fi).

## REVIEW BY CEO JUHANI ELOMAA

### Our journey together continues

In accordance with its mission, Taaleritehdas has continued to advance Finnish capital markets and Finnish ownership in particular. Our aim is, through our own actions and services, to change capital into hard-working cash. Hard-working money and facial ownership achieves economic growth in our national economy and thereby supports the employment situation. As a financial group, we believe particularly in strong growth in direct funding and digitisation. We offer securities-based investment services, engage in investment operations and invest together with our customers, and we will also create new kinds of products for our customers in the form of guarantee insurance products.

In 2014, we took major steps in the development of our company when our subsidiary Taaleritehdas Investment Factory acquired 39.5% of the shares of Finsilva Plc (one of the largest Finnish companies focusing on forest ownership) through the forest fund in June. We exited several housing funds during the year, and it was particularly important to us that our clients' IRR goals were reached and also exceeded. Taaleritehdas' most significant transaction was announced towards the end of the year in December, when it announced the acquisition of all the shares in Garantia Insurance Company Ltd; the aim is to complete the transaction during Q1 2015. We issued a bond loan scheme worth EUR 30 million, obtaining more than 300 new debt investors for Tehdas. Our bond loan was the first bond loan ever listed on the Helsinki First North Bond Market. Acting as an example is the best way to develop the domestic capital market – we made direct debt investments possible for everyone.

As a new equity fund, we offered our customers the possibility of investing in the emerging real estate market in Eastern Africa, which met very high interest. Taaleritehdas opened an office in Nairobi for the African real estate operations. The operations of our Group's Financing Company Lainaamo Plc reached a positive operating profit during the second half of the year, after its first year of operation. Operations have developed favourably in accordance with the business plan and the loan portfolio increased to over EUR 15 million by the end of December 2014.

Taaleritehdas is well positioned to develop its operations in 2015. The Insurance company Garantia provides us significant new business opportunities and the financial group with a strong balance sheet and in-depth expertise of business research and risk management. Our Customers are our key asset, and various market opportunities open up for us with our Customers – and we want to uphold this trust.

## REVIEW BY THE BOARD OF DIRECTORS 1 JANUARY 2014 - 31 DECEMBER 2014

### Operating environment

Most investors remember 2014 as a good year. Prices increased in almost all investment categories. Return performance in the fixed interest and equity markets was very favourable on average, and the total value of people's securities portfolios clearly increased. However, the investment year was also very exceptional at the same time. Contrary to all expectations, long-term interest rates decreased rapidly and steadily throughout the year, especially in the Eurozone. The interest rate shock supported the flow of money to the stock market, but investors also remained very cautious and uncertainty increased.

A new surprise emerged in the second half of 2014 when global crude oil market prices dropped by half in the course of a few months. Similarly to the interest rate shock, the oil shock was reflected in other investment categories. Assisted by the previously mentioned factors, differences between returns from different asset categories ended up to be exceptionally high, and volatility began to increase gradually in the fixed income, foreign exchange and equity markets.

### Taaleritehdas' business during the review period

The Group's turnover, i.e. the income from investment services, increased by 50.9% to EUR 41.5 million (EUR 27.5 million during the corresponding period in 2013). The development of turnover was positively impacted of the exit of certain equity fund projects at the end of 2014 in particular. The Group's commission income increased by 31.3% from 2013 (30.2%). The operating profit for 2014 stood at EUR 7.6 million (EUR 4.5 million), and the profit for the period after taxes and minority interests was EUR 4.8 million (EUR 3.2 million).

Taaleritehdas Forest Fund II Ky, whose fund capital Taaleritehdas Investment Factory has invested, purchased some 39.5% of all shares of Finsilva Plc from Suomi Mutual Life Assurance Company on 26 June 2014. Finsilva Plc operates in wood production and sales. After the transaction, Taaleritehdas became the fifth largest forest owner in Finland.

Taaleritehdas agreed on 11 December 2014 to purchase 100% of the shares of Garantia Insurance Company Ltd. The transaction is conditional, and it is expected to be completed during the first quarter of 2015. Following the transaction, Garantia will become a wholly-owned subsidiary of Taaleritehdas Plc.

Taaleritehdas' business operations consist of Wealth Management, Private Equity Funds, Financing Company Lainaamo and Investment Factory.

### Wealth Management

Taaleritehdas offers comprehensive wealth management services for affluent private individuals and institutional clients. The comprehensive wealth management service includes, for example, allocation investment, investment based on information benefits, individual wealth management, private equity investment funds, ETF wealth management, structured products and brokerage services.

The income from the Wealth Management business increased by 9.8% during the review period to EUR 27.0 million, compared with EUR 24.6 million during the corresponding period in 2013. The net subscriptions to our own investment funds totalled EUR 154 million during the financial period, and assets under management amounted to EUR 774 million (610). The income from investment funds increased by 15.8% from the corresponding period in 2013, and totalled EUR 9.3 million (8.0).

During the financial period, Taaleritehtaan Private Equity Funds outsourced the management of the company's alternative funds to Taaleritehdas Wealth Management Ltd. A Middle Office was established in Taaleritehdas Wealth Management Ltd during the second half of the financial period, and wealth management business support services were centralised in it.

Taaleritehdas Wealth Management Ltd invested in growth during the period by recruiting new employees, especially for the customer interface. Vakuutusvahti (Insurance Guard), an insurance broker specialising in organising competitive bidding for non-life insurance, offers its clients professional management of non-life insurance and competitive bidding independent of insurance companies. The business concept of Vakuutusvahti (Insurance Guard) was developed further, and the company also invested in growing the customer interface. Taaleritehtaan Holvi Oy offers Taaleritehdas' clients tax and legal consultancy as part of comprehensive wealth management. Taaleritehtaan Holvi Oy (Vault) also signed several insurance broker agreements, and Holvi (Vault) worked as an insurance broker for four different insurance companies at the end of the financial period. Taaleritehdas offers its clients an opportunity to invest also in physical gold through Kultataaleri Oy as part of comprehensive wealth management.

## Private Equity Funds

Taalritehdas' goal is to combine private capital, ideas and Finnish entrepreneurship. Taalritehdas' private equity funds enable investment in objects and business operations that would otherwise be inaccessible to individual investors. The Finnish Act on Alternative Investment Fund Managers entered into force in 2014, requiring asset managers to have an operating licence of their own to act as an alternative investment fund manager. The Finnish Financial Supervisory Authority granted Taalritehdas Private Equity Funds Plc an operating licence on 20 October 2014.

Taalritehdas has implemented the following private equity investments: Taalritehdas' Housing Funds I-VI, Taalritehtaan Wind Factory I-II, Taalritehtaan Linnainmaankulma Real Estate Fund, Taalritehtaan Oaktree syöttörahasto, Taalritehtaan Biotehdas, Taalritehtaan Forest I-III, Taalritehtaan Door Factory and Taalritehtaan Africa. The assets managed by the private equity funds totalled EUR 401 million at the end of 2014 (307). The management fees of the private equity funds increased by 45.0% compared with 2013 and the total by EUR 8.6 million to EUR 11.4 million (2.8). The income for 2014 was significantly impacted by exit from certain private equity fund projects during the financial period.

## Financing Company Lainaamo

The objective of the Financing Company Lainaamo Plc during its second year of operation was managed growth. Lainaamo started granting loans to SMEs and developed the consumer loan and rental deposit operations. Lainaamo's product portfolio includes consumer loans to households, corporate loans to SMEs, investment loans and Takaamo's rental deposits. Its loan portfolio increased from EUR 4.8 million at the beginning of the year to EUR 15.6 million. An assessment of the overall situation of customers, risk management and automated processes are at the core of all operations.

Takaamo's service offers a new alternative to rental deposits in rental housing. Lessees need not tie up money to rental deposits, while lessors are secured better against problems than with conventional rental deposits. Takaamo's business developed as expected during 2014. The focus was on acquiring partners, and the company succeeded well in this respect. The number of granted rental deposits increased strongly during the second half of the year. Takaamo's background company Suomen Vuokravastuu Oy merged with Financing Company Lainaamo Plc at the turn of the year as planned.

Lainaamo's business became profitable during the second half of the year as expected, i.e. after its first year of operation. The company's turnover for 2014 amounted to EUR 2.7 million (EUR 0.5 million).

## Investment Factory

The Group's investment company Taalritehdas Investment Factory (Finnish: Taalritehtaan Sijoitustehdas Oy) invests in unlisted companies according to the principles of co-investment. Investment Factory aims to make longer-term minority investments creating value through ownership and combining entrepreneurship, ideas and private capital.

Taalritehdas Forest Fund II GP, whose fund capital Taalritehdas Investment Factory Plc has invested, purchased some 39.5% of all shares of Finsilva Plc from Suomi Mutual Life Assurance Company on 26 June 2014. The acquired forests are located in the Äänekoski region in Central Finland, and the holding acquired corresponds to 53,000 hectares of forest. After the transaction, Taalritehdas became the fifth largest forest owner in Finland. Finsilva Plc operates in wood production and sales.

Investment Factory acquired a 38.7% holding in the Finnish unlisted company Havuz Holding Oy, worth a total of 0.3 million, during the second half of the year. Investment Factory also invested in funds managed by Taalritehdas during 2014: Taalritehtaan Africa fund, Taalritehtaan Arvo Kruunu mutual fund and limited partner investments in Taalritehtaan Africa Feeder Funds, Kooninkallio Wind Park and Taalritehdas Wind Factory II feeder fund. Investments in holdings managed by the Group totalled EUR 0.1 million at the end of 2014.

The operations of Mattiövi Oy, a company acquired by Investment Factory at the end of 2013, developed according to the business plan during the review period. At the end of the period, Investment Factory held 19.9% of Mattiövi. Investment Factory's investments totalled EUR 6.0 million at the end of 2014.

## Internationalisation

Taalritehdas Wealth Management Ltd's subsidiary Taaleri Portföy Yönetimi A.S., established in 2012, provides investment services in Turkey. The Turkish subsidiary is the first internationalisation step taken by Taalritehdas; the intention is to increase its operations and become a medium-sized investment service firm independent of local banks. From our offices in Istanbul, we offer Turkish clients comprehensive and high-quality wealth management services, taking local requirements into account while utilising

operating models that have proven themselves in Finland. In the field of internationalisation, the Turkish subsidiary succeeded in setting up important customer relationships with organisational and institutional customers in Turkey during 2014. The Turkish company's goal is to strengthen its existing customer accounts and increase its managed wealth. The Turkish capital market was challenging in 2014, and growth in assets under management is taking longer than expected. Following the new Turkish securities market legislation, the Turkish subsidiary will be capitalised by a maximum of EUR 1 million in 2015.

Taaleritehdas Private Equity Funds Plc expanded the company's operations into a new line of business during the financial period by establishing Taaleritehtaan Africa Management Company Oy, the general partner in Taaleritehdas Africa GP. Taaleritehdas Africa GP collected USD 50 million of assets to invest, aiming to invest them in commercial properties to be completed in Eastern Africa. The fund made its first investment in Kigali, the capital of Rwanda, during the financial period and is currently surveying real estate projects and monitoring on-going projects.

## Decisions of shareholders and General Meetings

The Annual General Meeting was held on 4 April 2014. It decided to adopt the financial statements for 2013 and grant the Board of Directors and the CEO discharge from liability for 2013. The AGM decided to distribute EUR 0.20 per share as dividends, for a total of EUR 1,258,601.00. Peter Fagernäs, Juha Laaksonen, Pertti Laine and Vesa Puttonen were re-elected as members of the Board and Esa Kiiskinen was elected as a new Board member. Peter Fagernäs was re-elected as the Chairman of the Board, and Juha Laaksonen was elected as Vice Chairman. Ernst & Young Oy, Authorised Public Accountants, was re-elected as the company's auditor, with Tomi Englund, Authorised Public Accountant as appointed auditor.

The Annual General Meeting also authorised the Board of Directors to decide on the acquisition of the company's own shares with funds included in the company's unrestricted equity on the following terms and conditions:

- ✓ Shares may be acquired to develop the company's capital structure, to be used for funding or implementing corporate acquisitions or other arrangements, to enable commitment arrangements for the company's key persons or otherwise to be assigned further or invalidated.
- ✓ Shares may be acquired in one or several instalments at most to a total number of five hundred thousand (500,000) Series A shares and two hundred and fifty thousand (250,000) Series B shares.
- ✓ The minimum consideration to be paid for the shares is EUR 2 and the maximum consideration EUR 30 per share.
- ✓ The Board of Directors has the right to acquire shares otherwise than in proportion to the shareholders' shareholdings and decide on the order of acquisition of the shares.
- ✓ The Board of Directors shall decide on the other terms and conditions of the acquisition of the company's own shares.
- ✓ The authorisation is valid for 18 months from the date of the decision at the General Meeting, and it revokes the authorisation to acquire the company's own shares granted by the Annual General Meeting of 7 March 2013.

The Extraordinary General Meeting held on 13 May 2014 decided to add the possibility of converting Series A shares into Series B shares and guidelines on registration for General Meeting and notice of meeting to the Articles of Association.

## Shares and share capital

At the beginning of the financial period, the company had 4,838,005 Series A shares and 1,455,000 Series B shares. Based on the authorisations granted by the General Meetings, the company's Board of Directors decided on the acquisition of a total of 5,250 of the company's shares. During the financial period, 741,301 Series B shares were converted into Series B shares, and the company had 4,096,704 Series A shares and 2,196,301 Series B shares at the end of the financial period. The company's share capital is EUR 125,000.00. Each Series A share confers twenty votes and each Series B share confers one vote. All shares confer the same right to dividends and company assets.

## Taaleritehdas' shareholders and treasury shares

Taaleritehdas had 495 shareholders at the beginning of the financial period and 836 shareholders at the end of the financial period. The Group's personnel, management and Board members owned 68% of the company's total shares. The company held 5,250 of its Series A shares at the end of the financial period.

## Personnel

The Group's personnel averaged 153 (114) during the financial period and numbered 147 (130) full-time regular employees at period-end. Of the personnel, 95 per cent were employed in Finland and 5 per cent abroad.

## Balance sheet, capital adequacy and own funds

Taaleritehdas Group's objective for Common Equity Tier 1 is a minimum of 12%. Starting from 1 January 2014, capital adequacy figures have been presented according to the new EU Capital Requirements Regulation (CRR, EU 575/2013), and reference figures have not been adjusted. The result for the financial period has been included in Common Equity Tier 1 as permitted by the Finnish Financial Supervisory Authority on 12 December 2014. Minority interests have not been taken into account in Common Equity Tier 1 starting from 1 January 2014.

The capital adequacy requirements set for investment service companies were tightened through the Basel III regulation. The new EU Capital Requirements Directive and Regulation (CRD4/CRR) was issued on 27 June 2013, and the new regulation entered into force on 1 January 2014 to implement the Basel III regulation in stages in 2014–2019. In its capital adequacy calculation, Taaleritehdas applies the standard approach (credit risk capital requirement) and the basic approach (operational risk capital requirement). The Group's balance sheet total was EUR 78.1 million at the end of the period (EUR 28.1 million). The Group's equity totalled EUR 27.2 million on 31 December 2014 (EUR 22.6 million).

The Group's Common Equity Tier 1 before deductions at 31 December 2014 amounted to EUR 27.3 million (EUR 22.7 million), and Common Equity Tier 1 after deductions stood at EUR 21.0 million (EUR 16.4 million). Risk-weighted items totalled EUR 84.2 million on 31 December 2014 (EUR 45.4 million), with Common Equity Tier 1 (CET1) in relation to risk-weighted items capital ratio being 24.9% (35.8%). The Group has no AT1 capital or Tier II capital, and hereby the Tier I capital and the Total Capital in relation to risk-weighted items were also 24.9% (35.8%).

On 14 March 2014, Taaleritehdas Plc published a bond scheme of EUR 30 million to diversify its funding sources, from which the first bond of EUR 10 million was issued on 3 April 2014 and the second bond of EUR 20 million was issued on 19 September 2014. The objective was to have as diversified investor base as possible, focusing on minority investors in particular. The first bond of EUR 10 million was subscribed by more than 140 investors and the second by more than 200. The subscription periods of both bonds were shortened due to high demand. The bonds were quoted as the first ever bonds on the First North Bond Market Finland marketplace of the Helsinki Stock Exchange on 7 April 2014 and 23 September 2014.

Taaleritehdas Group's equity ratio was 34.9% at the end of the period (80.5 %), and the modified equity ratio was 40.2% (81.6%).

ASSETS, EUR 1,000	CRR		CRD3
	31 December 2014	1 January 2014	31 December 2013
Common Equity Tier before deductions	27,262	22,687	22,687
Deductions from Common Equity Tier			
Intangible assets	2,196	1,313	1,313
Minority interests	1,536	408	-
Dividend proposal	2,264	1,259	1,259
Other deductions*	51	3,307	102
Total deductions from Common Equity Tier	6,047	6,287	2,674
<b>Common Equity Tier (CET1)</b>	<b>21,215</b>	<b>16,400</b>	<b>20,013</b>
Tier I capital before deductions	-	-	-
Deductions from additional Tier I capital	-	-	-
<b>Tier I capital (T1 = CET1 + AT1)</b>	<b>21,215</b>	<b>16,400</b>	<b>20,013</b>
Tier II capital before deductions	-	-	-
Deductions from Tier II capital	-	-	-
Tier II capital (T2)	-	-	-
<b>Total capital (TC = T1 + T2)</b>	<b>21,215</b>	<b>16,400</b>	<b>20,013</b>
<b>Right-weighted items, total</b>	<b>84,175</b>	<b>45,397</b>	<b>45,838</b>
from which the share of credit risk	49,863	16,785	17,226
from which the share of operational risk	34,312	28,612	28,612

Common Equity Tier (CET1) in relation to risk-weighted items (%)	25.2%	36.1%	43.7%
Tier I capital (T1) in relation to risk-weighted items (%)	25.2%	36.1%	43.7%
Total capital (TC) in relation to risk-weighted items (%)	25.2%	36.1%	43.7%

\* Profit for financial period 2013 deducted

## Company administration and management during the review period

Composition of the Board of Directors during the term 1 January – 31 December 2014:

- Peter Fagernäs, Chairman
- Juha Laaksonen, Vice Chairman
- Esa Karppinen (1 January – 4 April 2014)
- Esa Kiiskinen (4 April – 31 December 2014)
- Pertti Laine
- Vesa Puttonen

Juhani Elomaa was the CEO of the parent company throughout the period, and Karri Haaparinne was the deputy CEO. Petri Lampinen was the CEO of Taaleritehdas Wealth Management Ltd throughout the period. Two management teams operate within the Group: the Group Executive Management Team and the Management Team for Wealth Management. The main task of the Group Executive Management Team is to assist the CEO by preparing area-specific strategies and policies, operating plans, internal guidelines and various monthly reports to be processed in common by the Management Team and potentially by the Board of Directors. The task of the Management Team for Wealth Management is to support the CEO of Wealth Management in the operations of Wealth Management.

The company's auditor is Ernst & Young Oy, Authorised Public Accountants, with Tomi Englund, Authorised Public Accountant, as the appointed auditor.

## The company's share capital and changes in it during the review period

The company share capital on 31 December 2014 was EUR 125,000.00.

On 4 December 2013, the Board of Directors of Taaleritehdas Plc decided on a share-based incentive scheme for the Group's key persons. Under the incentive scheme, key persons are issued synthetic option rights, and a potential bonus will be paid in 2017–2018 partly in the company's Series B shares and partly in cash. The aim is to cover the taxes and tax-like charges incurred by the key persons from the bonus through the cash element. If the employment or service relationship of a key person terminates before 2017, the bonus will not be paid, as a rule. Shares paid as a bonus may not be transferred during a waiting period of one year set for the shares. The bonuses to be paid on the basis of the incentive scheme correspond to the total value of at most approximately 200,000 Series B shares in Taaleritehdas Oyj, also including the element paid in cash. The dilution caused by the incentive scheme for the number of the company's shares is at most 3.08%.

## Statement on the scope of research and development operations

A large amount of development work related to new IT systems and administrative processes in particular was directed at the operations of Taaleritehdas Wealth Management Ltd in 2014. The product ranges of the Group's businesses were systematically expanded during the financial period.

## Major risks and uncertainty factors faced by the company

The most significant risks from the point of view of the company are risks related to the growth of business operations and growth management, as well as credit risks. The company has four different business operations, each of which involves different types of risks, described in more detail below. A number of factors influence the company's operating profit, which may weaken the company's opportunities to achieve the set targets and the expected positive growth in operating profit. Key factors include:

- With regard to the Wealth Management business, the amount of management fees and trading commissions is exposed to the overall market situation. We do not expect the wealth management market to increase, as such; potential growth will come solely through any overall positive development of the equity and fixed income markets or by taking over

- market share from competitors. If the company fails to acquire new clients and/or the overall equity and fixed income markets decline, this will have a negative impact on the company's turnover and profitability.
- Taaleritehdas' private equity funds and investment operations are associated with risks concerning the materialisation of return expectations. It is typical of capital investment operations that some of the object companies do not achieve the targets set for them. The market risk related to investment operations depends on the market situation in the industry in question and on how this affects the opportunities to exit from the investment. Taaleritehdas cannot guarantee that potential exits through listing or corporate transactions will succeed.
  - With regard to the Funding business, the availability of funding and changes in interest rates may significantly affect the profitability of business operations. Weakening of the overall economic situation may increase credit losses in funding operations and make it more difficult for the company to acquire new clients. Increasing competition may also result in the narrowing of the marginal return acquired from funding operations.

Typical factors that may have a negative impact on the company's performance trend and profitability are presented above. However, it should be noted that the list is not exhaustive and there are also other factors that may have a negative impact on the company's earning power and profitability.

## Risk management and capital adequacy of the company

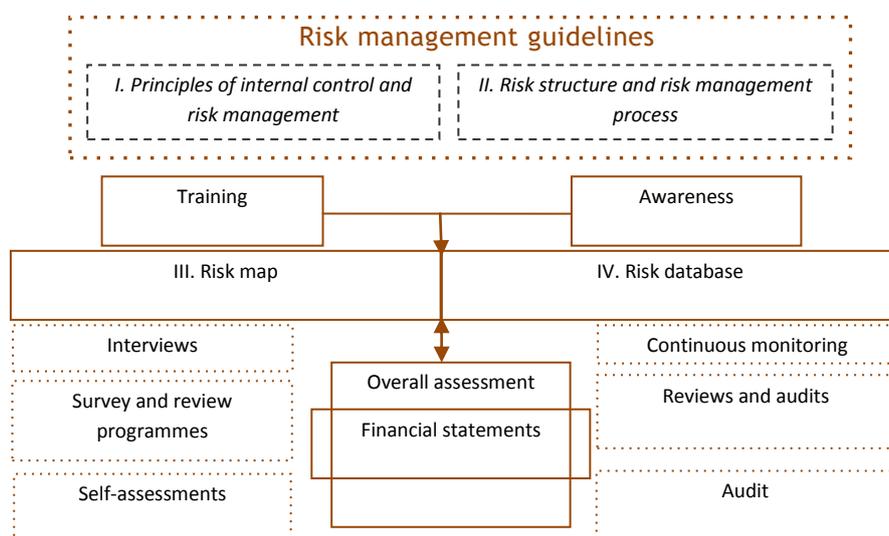
### Risk management objectives and responsibilities

The objective of risk management is to support the disruption-fee implementation of Taaleritehdas Group's strategy and income generation and to ensure that any risks related to the operations of Taaleritehdas Group are identified, assessed and reacted to. Risk management comprises all measures needed for managing the risks arising from the business operations of Taaleritehdas Group. Risk management is a continuous process that is regularly assessed. Each leader of business operations, supervisor and employee bears the responsibility for functional risk management. The business operations are responsible for ensuring that risk management is at a sufficient level, and the compliance function regularly supervises the business operations of Taaleritehdas Group. Risk management regularly reports to the Boards of Directors and Management Teams of the companies in Taaleritehdas Group.

The Board of Directors of Taaleritehdas Oyj is responsible for the appropriate organisation of risk management and internal control. The responsibility for the implementation of risk management rests with the CEO of Taaleritehdas Group.

### Structure and organisation of risk management

Taaleritehdas Plc, the parent company of Taaleritehdas Group, is also responsible for implementing risk management with regard to the companies included in the group of companies. Taaleritehdas Plc ensures that the other companies in the group of companies have procedures in place related to risk management that are sufficient with regard to their operations. With regard to risk management, a uniform and systematic approach is applied in all companies within the group regarding operations, guidelines and the risk management process.



In Taaleritehdas Group, the risk manager is responsible for risk management and the organisation of risk management. The compliance officer of Taaleritehdas Group acts as the risk manager alongside his own work, with the compliance controller and the head of legal and compliance of Taaleritehdas Group as his deputies.

## Risk and capital adequacy management practices

The company protects itself against risks by means of internal guidelines, process descriptions, internal control and insurance policies, the purpose of which is to enable the company to engage in its operations safely and efficiently. Self-assessment of risks and measures taken on the basis of it play a key role in the identification of and response to risks. As part of risk management, detailed operating guidelines have been prepared for key business operations. These guidelines describe the organisation of the operations, the job descriptions of personnel, the objectives and indicators of operations, reporting and monitoring, and the key processes and controls.

The compliance function of Taaleritehdas Group performs internal control and supervises that operations have the necessary internal guidelines and process descriptions in use. In addition, the compliance function performs various inspections of operations.

The risk manager annually organises discussion, interview and self-assessment events in the business units, where the basic details and processes of the operations are reviewed with selected persons from the operations. It is also possible to identify risks by reviewing accidents occurred. Matters to be reviewed include materialised and potential operation-specific risks, measures to prevent risks, the up-to-date nature of the guidelines and process descriptions, factors anticipating increased risks, etc. Operating plans are prepared for risks detected at the risk assessment events (risk database).

The risk manager annually produces a report for the Board of Directors of Taaleritehdas Oyj, as far as possible for the last Board meeting of the year. The risk manager reports to the Boards of Directors and Management Teams of Taaleritehdas Group on risks detected and measures to prevent the impact of risks.

Independent internal control also operates at Taaleritehdas Group. It is responsible for the continuous inspection of the functions of Taaleritehdas Group. Internal audit is outsourced to Oy Tuokko Ltd.

## Risk-carrying capacity in relation to the risks of the supervised entity and ensuring the sufficiency of capital

The risk-carrying capacity of Taaleritehdas Group in relation to risks is good, due to the relationship of equity capital to the regulatory capital requirement. The Common Equity Tier of Taaleritehdas Group was EUR 21.0 million at the end of 2014, while the capital adequacy ratio was 43.7%. The minimum level of capital adequacy set by Taaleritehdas is currently 10%, and the target level is 150% of the minimum level for the capital adequacy requirement under the law, i.e. 12%.

The starting point for the management of capital adequacy are the Group's short- and long-term strategies approved by the Boards of Directors at least annually, the business plan and the principles for internal control and risk management. These create the basis for the strategy, process and capital plan for acceptable capital adequacy management and the principles for publishing capital adequacy information. These documents are approved at all companies supervised by the Financial Supervisory Authority and Taaleritehdas Plc once a year.

On the basis of the Group-level strategy and business plan, targets are set for Taaleritehdas Group that take into account the future outlook for, and the risks involved in, its business operations and the industry. The strategy, business plans and the budgeting process take into account the willingness of Taaleritehdas Group to take risks and its risk-carrying capacity. In addition to the strategy, business plan and annual budget, Taaleritehdas Plc's Board of Directors approves the Group structure and the organisation of business operations through which the targets should be achieved. The Boards of Directors of the separate companies take the strategic policies defined by the Board of Directors of Taaleritehdas Plc into account when preparing their own strategies, business plans and organisation.

## Risks and their management

The most significant future risks from the point of view of Taaleritehdas Group are risks related to the growth of business operations and growth management, credit risks and investments made. Taaleritehdas Group has four different business operations, each of which involves different types of risks, described in more detail below.

Taaleritehdas Group divides risks into five main categories:

- Strategic risks

- Credit risks
- Liquidity and cash flow risks
- Market risks
- Operational risks

## Strategic risks

The key strategic and external operating environment risks include wrong emphases in the business plan, operational liquidity deficits and internationalisation risks. With regard to these risks, the need for capital is assessed in the same manner as the need for capital with regard to operational risks. In addition, business risks have been assessed by analysing the development of financial results, the balance sheet and capital adequacy in different scenarios (the scenario of expected growth according to the strategy and operating plan, the worst case scenario and the scenario of extremely strong growth).

## Credit risks

Credit risk describes the loss that Taaleritehdas Group would incur if the counterparty did not meet its obligations under the agreement. Credit risks may be divided into creditworthiness and collateral risks. Creditworthiness risk means that the counterparty is not able or willing to meet its obligations under the agreement. Collateral risk means that potentially lodged collateral is not sufficient to cover the receivable. Loans granted to clients are the largest source of credit risks, but credit risk is also involved in other receivables, such as commission receivables from clients, deposits and investments of liquid funds, and off-balance-sheet receivables, such as guarantees granted. The contractual counterparties of Taaleritehdas Group are the debtors of Financing Company Lainaamo and the Group, clients who have taken out a rental deposit from Takaamo, clients who have purchased services from Group companies, partners and deposit banks where the funds of Taaleritehdas Group companies are deposited.

The Wealth Management business of Taaleritehdas does not engage in lending, and it operates in the market with known operators and checks their background carefully before starting cooperation or entering into legal transactions. The more detailed operating methods are defined by function. Taaleritehdas Wealth Management Group does not take significant risks with counterparties as part of its operations, but attempts to keep the risks as low as possible. Operational decisions involving credit risks that are more significant than slight from the point of view of operations are made in the Management Team, and those involving significant risks by the Board of Directors of Taaleritehdas Plc.

The Taaleritehdas Wealth Management business may only invest its own funds in a financial institution with a high credit rating. The operations and situation of parties with regard to which the Taaleritehdas Wealth Management business is exposed to credit or counterparty risks are continuously monitored, and any changes are reported to the Management Team and Board of Directors. The aim is always to distribute both the credit risk and the counterparty risk to more than a single counterparty, depending on the market and the situation in question.

Financing Company Lainaamo grants collateral-free consumer loans to private individuals resident in Finland. The risk level aimed for attempts to optimise the ratio of risk to return. The company's Board of Directors sets long-term targets for the company's business operations in relation to credit risk and its management in the company's daily operations. In addition, the company's Board of Directors is responsible for the company's credit policy, which describes the principles and procedures related to lending. It is assessed at least once a year whether the credit policy is up-to-date. All loan decisions are made by loan processors in a specialised unit. The main principle for lending is to distribute the risk by granting a large number of loans where the amount of each individual receivable is relatively small. It follows from the lack of collateral for the loans that strict creditworthiness requirements are set for the applicants, which they must meet to be granted a loan. In addition, applicants are required to deliver documents to establish their income and indebtedness information. Suomen Asiakastieto's consumer credit enquiry system supports the assessment of the overall situation of customers.

Taaleritehdas Group has also temporarily funded key private equity fund projects and granted a capital loan of EUR 0.6 million to Mattiövi Oy. The loan portfolio of Taaleritehdas Group on 31 December 2014 was EUR 21.7 million (EUR 11.0 million).

With regard to credit risks, Taaleritehdas Group calculates its minimum capital adequacy requirement using the standard approach. In the capital adequacy calculation, the risk-weighted items of the credit risk involved in loan receivables, other receivables, shares and holdings calculated using the standard approach totalled EUR 49.9 million. The risk-based need for capital for the credit risk involved in these receivables is assumed to be same as that of the capital adequacy requirement, or EUR 4.0 million.

## Liquidity and cash flow risks

Liquidity risk refers to the risk that the company's liquid funds and additional funding opportunities are not sufficient to cover the needs of business operations. Liquidity risk arises from the imbalance of cash flows. On 31 December 2014, Taaleritehdas Group's equity totalled EUR 25.7 million and interest-bearing liabilities amounted to EUR 40 million. Of the interest-bearing liabilities, EUR 10 million will mature in December 2015, another EUR 10 million in April 2017 and EUR 20 million in September 2019. Of the interest-bearing loan receivables, on the other hand, EUR 5.5 million will mature by the end of 2015, and in 2016–2019: EUR 8 million, 2020–2024: EUR 7 million and in or after 2025 EUR 1.0 million. Liquidity is monitored daily, and the Group has overdraft facilities in place. Good liquidity is maintained by investing the additional liquidity buffer of Taaleritehdas Group in low-risk objects (better credit rating than A+) that can quickly and at a clear market price be converted into cash.

The key source of funding for Taaleritehdas Group is the Group's equity, issued bonds totalling EUR 30 million and external debt in the amount of EUR 10 million. To secure the availability and flexibility of funding, Taaleritehdas Group has an overdraft facility of EUR 10.0 million at its disposal, which was wholly unused on 31 December 2014. The importance of net income from financial operations has increased as of 2013 when Financing Company Lainaamo launched its operations. The liquidity situation of Taaleritehdas Group must be reported regularly to the Boards of Directors of the companies within Taaleritehdas Group and the Management Team of Taaleritehdas Plc. In Taaleritehdas Group, the CFO of Taaleritehdas Plc is responsible for liquidity management and reporting.

The cash flow of Taaleritehdas Group is made up of clearly foreseeable management fee income from funds and private equity funds, interest income from loans withdrawn by clients, relatively foreseeable trading commissions, sales campaigns that are more difficult to predict, growth in the loan portfolio of Lainaamo, return-based commissions and share investments made by Sijoitustehdas. Changes in investment and exit activities may have a significant impact on the cash flows of Taaleritehdas Group. Management fees paid by private equity funds are based on long-term agreements, and management fee income from existing private equity funds are relatively reliably predictable over the next 12 months. The management fees for the investment funds of Taaleritehdas Fund Management Ltd and the amount of funds in the investment funds are exposed to changes in both market value and clients' subscriptions and redemptions.

The concentration of operations is monitored regularly, and currently the client base is fairly well distributed. In addition, the long-term and stable flow of income from the Private Equity Fund business evens out the company's flow of income. Attempts are made to reduce the concentration of operations by expanding the client base, and the company strives to strengthen existing client relationships and offer clients new and different products. Through these measures, the company attempts to prepare for any loss of potential important client relationships in advance. If the concentration risk materialises and important clients are lost, the Board of Directors of Taaleritehdas Plc will, as necessary, decide on any measures to adjust its operations. It is not considered necessary to define a risk-based need for capital with regard to the concentration of operations.

The CFO of Taaleritehdas Plc, together with the accounting team, is responsible for the continuous monitoring of the financial situation and balance sheet of Taaleritehdas Group. The CFO monitors the items on the balance sheet of companies within Taaleritehdas Group and their financial situation on a monthly basis and reports on the situation monthly to the Management Team of Taaleritehdas Plc and the CEOs of the separate companies. The CEO reports the financial situation of, and development of sales in, the Taaleritehdas Wealth Management business to the Board of Directors of Taaleritehdas Plc and the Board of Directors of Taaleritehdas Wealth Management Ltd. Financial information is collected, saved, analysed and distributed among the persons concerned in accordance with the processes and practices in use. The reported figures are inspected by both the subsidiaries and the financial administration of Taaleritehdas Group. In addition, the financial administration of Taaleritehdas Group monitors the income statement and balance sheet items through an analytic examination. The interim reports and financial statements of Taaleritehdas Group are prepared in accordance with the regulations of the Financial Supervisory Authority. The correctness of financial information, the up-to-date nature of the information and correct valuation methods are important for providing a true and fair view of the financial results and balance sheet of the entire Taaleritehdas Group. The largest valuation items are involved in the credit loss risks of Financing Company Lainaamo and the subsidiary and other investments made by the Group, which include valuation items with regard to the financial success and the growth outlook of the object companies and the valuation of the reference companies.

Taaleritehdas Group is prepared for property, interruption and liability risks through insurance policies. The comprehensiveness of the insurance cover is reviewed annually. In addition, attempts are made to protect the property of Taaleritehdas Group through security services and access rights, for example.

## Market risks

Market risk refers to a loss that may be caused by fluctuations in market prices. Market risks include interest rate, foreign exchange and price risks. Taaleritehdas Wealth Management does not take positions in financial instruments or commodities for trading purposes on its own behalf, and it has no trading stock or external liabilities, except for an account with overdraft facility for

clearing purposes. Taaleritehdas' market risks mainly consist of foreign exchange and price risks from the operations of its Turkish subsidiary and the unquoted share investments made by Investment Factory. Fair value changes from the Turkish business operations are recognised in the consolidated financial statements on a monthly basis. In the ordinary operations of Wealth Management, market risks mainly arise as the settlement risk of client trading.

Wealth Management trades on its own behalf mainly for technical reasons to facilitate the brokerage of financial instruments to its clients. Wealth Management, unlike Investment Factory, does not possess financial instruments or commodities and does not acquire financial instruments on its own behalf for investment purposes on its own initiative. Investment Factory makes selected, mainly minority investments in unquoted Finnish companies where Investment Factory strives to increase the companies' value by means of long-term ownership.

The liquidity buffer of Taaleritehdas Group is invested in short-term fixed income instruments or bank accounts. With regard to client trading, the company is exposed to settlement risks, which may be further divided into liquidity risks and counterparty risks. The risk and capital adequacy management shall identify quantitative liquidity and counterparty risks included in client trading.

The situation of securities transactions settlement risks is continuously monitored. To manage the settlement risk, Taaleritehdas Wealth Management Ltd has in use both the cash funds of Taaleritehdas Group and the settlement limits granted by credit institutions for settlement situations.

## Operational risks

Operational risks refer to direct or indirect financial loss resulting from insufficient or failed internal processes, information systems, personnel or external factors. Reputation, legal, compliance and data security risks are also included in operational risks. Operational risks are managed by developing internal processes and providing good instructions and sufficient training to personnel.

Taaleritehdas Group is dependent on its management, the professional skill of its key personnel and their commitment to Taaleritehdas. Reputation is important to Taaleritehdas to ensure clients' confidence and confidence in its personnel. Legal risks may be related to agreements with various partners and contracting parties. Attempts are made to survey these risks with a detailed review of agreements, in which an external expert may be used, as necessary. The units are responsible for the management of operational risks in their own areas.

Taaleritehdas Group calculates its operational risk capital adequacy requirement according to the basic approach. The operational risk capital adequacy requirement calculated using the basic approach was EUR 34.3 million for 2014, of which own funds requirement amounted to EUR 2.7 million. In practice, this amount is considerably larger than the materialised operational risk losses.

In the annual self-assessment of operational risks, the personnel of Taaleritehdas Group identify and assess the key operational risks of operations.

## Changes in Group structure and acquisition of Garantia Insurance Company Ltd

Taaleritehdas Plc is the parent company in a Group where the subsidiaries are Taaleritehdas Wealth Management Ltd and its subsidiaries, Taaleritehdas Private Equity Funds Plc and the sub-Group made up by it, Financing Company Lainaamo Plc and Taaleritehdas Investment Factory Plc.

Kultataaleri Oy became a wholly-owned subsidiary of Taaleritehdas Wealth Management Ltd on 1 April 2014 when Taaleritehdas Wealth Management Ltd acquired the rest of the shares in the company during the financial period. The holding of Taaleritehdas Wealth Management Ltd of Taaleri Portföy Yönetimi A.S. decreased from 92% at the beginning of the year to 77% when Taaleritehdas Wealth Management Ltd sold shares in the Turkish subsidiary Taaleri Portföy Yönetimi A.S. to the management and Board of Directors of the Turkish company. Takaamo's background company Suomen Vuokravastuu Oy merged with its parent company, Financing Company Lainaamo Plc, at the turn of the year as planned.

The following subsidiaries of Taaleritehdas Private Equity Funds were established during the financial period: Taaleritehdas Forest Fund III Management Company Ltd, Taaleritehdas Wind Factory II Management Company Ltd, TT Feeder Fund II GP Oy and TT Feeder Fund III GP Oy, as well as Taaleritehdas Africa Fund Management Company Ltd.

Taaleritehdas engaged on 11 December 2014 to an agreement to purchase 100 % of stocks of Garantia Insurance Company Ltd. The sellers were Garantia's current owners: Varma Mutual Pension Insurance Company, Ilmarinen Mutual Pension Insurance Company,

Elo Mutual Pension Insurance, Etera Mutual Pension Insurance Company, Veritas Pension Insurance, Veho Group Ltd and Alandia Insurance. The transaction is conditional, and it is expected to be completed during the first quarter of 2015.

Taaleritehdas Plc will finance the acquisition through different sources of funding: The proceeds from a share issue to be made by the end of March 2015 will be fully used for financing the transaction, in addition to which liquid assets and external funding will be used. Taaleritehdas Plc and the seller side have agreed that before the acquisition will be finalised, Garantia will return EUR 10 million of capital to the sellers. In addition to that, Taaleritehdas and the sellers have agreed that if Taaleritehdas resells (or otherwise liquidates) Garantia to any third party outside Taaleritehdas Group in the period of three years following the acquisition, Taaleritehdas will pay an additional price of half of the potential economic gain to the sellers.

Following the transaction, Garantia will become a wholly-owned subsidiary of Taaleritehdas Plc. The aim of the Taaleritehdas is that Garantia continues as an independent company and for its current business to continue as before, while it will also be developed. The cooperation between Taaleritehdas and Garantia will strengthen the services of both companies to their respective customer bases.

## The Board's proposal regarding the actions to be taken with respect to the financial results and equity

The parent company's result for the financial period 1 January – 31 December 2014 amounted to ER 3,191,287.71, and the parent company's distributable funds on 31 December 2014 were EUR 19.0 million. The Board proposes to the Annual General Meeting that EUR 0.09 of dividend be distributed at per share based on the balance sheet adopted for the financial period ended 31 December 2014, for total dividends of EUR 2,263,555.80. The dividend record date is 24 March 2015, and the dividend payment date will be 31 March 2015. No material changes have taken place in the company's financial position after the end of the financial period. The proposed distribution of dividends does not jeopardise the company's solvency.

## Material events after the financial period

Taaleritehdas Wealth Management will reorganise the institutional and private wealth management functions to serve its different customer groups even better. Following the completion of the acquisition of Garantia Insurance Company at the end of March 2015, the company's operations will be managed through three business areas: Investments, Financing and Insurance. The Investments business area will include the current business areas Wealth Management, Private Equity Funds and Sijoitustehdas. Financing Company Lainaaamo's operations will comprise the Financing area, and Garantia's operations with Vakuutusvahti (Insurance Guard) will comprise the Group's Insurance area.

The number of the company's shares was increased by resolution of the Extraordinary General Meeting on 12 February 2015 by issuing new shares to shareholders in proportion to their current holdings without consideration so that three (3) Series A shares were issued for each Series A share and three (3) Series B shares for each Series B share. A total of 12,290,112 new Series A shares and 6,588,903 new Series B shares were issued. Following the free share issue, the company had a total of 16,386,816 Series A shares and a total of 8,785,204 Series B shares. The new shares were incorporated into the book-entry securities system on 16 February 2015 and admitted to public trading on 17 February 2015.

The Extraordinary General Meeting of 12 February 2015 authorised the Board of Directors to decide on issuing new shares. Under the authorisation, a maximum total of 3,200,000 new Series B shares may be issued. The share issue is associated with financing the acquisition of the share capital of Garantia Insurance Company announced on 12 December 2014. The Board of Directors is authorised to decide on the terms and conditions of the share issue, including the bases of determining the subscription price of the share issues and their final subscription price, and on approving share subscriptions, allocating the issued new shares and the final number of shares to be issued. The Board's authorisation includes the right to deviate from shareholders' pre-emptive rights, provided that there is a weighty financial reason from the part of the company for it. The Board's authorisation also includes the right to decide on whether the subscription price will be recorded in full or part in the invested unrestricted equity fund or as an increase in share capital. The authorisation is valid for five years from the resolution of the General Meeting, and it revokes the share issue authorisation granted on 7 March 2013.

Taaleritehdas is arranging a share issue during the first quarter of the year to finance the Garantia acquisition. If the acquisition of Garantia materialises, Taaleritehdas Group will adopt the international IFRS accounting principles as of 1 January 2015 and simultaneously prepare for inclusion on the main list. There will be several changes in the IFRS-based financial statements compared to the information disclosed in these financial statements as required by the Finnish Accounting Act. These changes will be described in more detail in a separate IFRS conversion bulletin to be released. The most essential change compared to Taaleritehdas' FAS financial statements will be brought by IFRS 10, according to which Taaleritehdas Plc has control as defined by IFRS 10 over Taaleritehdas Forest Fund II GP. Therefore, Taaleritehdas Forest Fund II is a subsidiary of Taaleritehdas Plc according to IFRS 10, and will be consolidated to the IFRS financial statements of the Taaleritehdas Group. With regard to Taaleritehdas Forest

Fund II GP, the exemption from the application of the equity method pursuant to IAS 28.17 has been applied. Finsilva Plc is treated as a financial investment and classified as a financial asset measured at fair value through profit or loss. The consolidation of Taaleritehdas Forest Fund II GP will have a material impact on the balance sheet structure and result of the Taaleritehdas Group. Taaleritehdas Group's balance sheet will grow due to the consolidation of Forest Fund II GP by EUR 74,2 million and the profit for the financial period by EUR 10,5 million. Taaleritehdas estimates that the acquisition of Garantia will have a significant non-recurring positive result on the Taaleritehdas Groups' result when it is realised in 2015.

## Estimate of likely future development

Rapid fluctuations always cause nervousness in the market, but exceptionally low interest rates and strong decrease in oil prices will support the development of the real economy in 2015. The strong US dollar and fears of deflation in the Eurozone will simultaneously ensure that the pressure to increase prices will keep at bay and central banks will continue their exceptionally light monetary policy.

Our review towards the general development of the share market during 2015 continues to be positive, and we will continue to overweight share investments in our allocation. On the other hand, return differences will remain high and there will be higher price fluctuations than in previous years. A well-diversified investment portfolio can save considerably more money than before.

With regard to individual markets, we will continue to favour large US companies, German and Japanese export companies and the Chinese share market. We have increased the weight of the Eurozone in our allocation portfolios since the turn of the year. The crazy years of the fixed income market are over, and yields will clearly decrease. Supported by the ECB's monetary policy, High Yield corporate loans in the Eurozone seem to continue being attractive.

The economic environment in Finland will continue to be challenging. The Wealth Management business is expected to continue to grow moderately in 2015 and the business operations of Private Equity Funds are expected to continue the favourable development seen during 2014 in 2015. Financing Company Lainaamo's loan portfolio is expected to develop favourably, while credit losses will remain at the same level as in 2014. Investment Factory will continue to operate according to the principles of co-investment and aims to make a few investments during the year. Investment Factory is expected to generate moderate dividend income, when possible exits are not taken into consideration. Taaleritehdas expects that the turnover of the Group's continuing operations will increase.

Taaleritehdas long-term financial objectives are: equity ratio over 30 %, operating profit over 15 %. Taaleritehdas group aims to pay a competitive dividend taken into account the financial and economical state of the company.

**FINANCIAL INDICATORS**

Taaleritehdas Group	7–12/2014	7–12/2013	1–12/2014	1–12/2013
Turnover, EUR 1,000	23,945	14,705	41,470	27,488
Operating profit (loss), EUR 1,000	4,990	2,812	7,568	4,521
- as percentage of turnover	20.8%	19.1%	18.2%	16.4%
Profit for the period, EUR 1,000	2,952	2,080	4,835	3,205
- as percentage of turnover	12.3%	14.1%	11.7%	11.7%
Undiluted result/share, EUR	0.47	0.33	0.77	0.56
Earnings per share, diluted, EUR	0.45	0.32	0.75	0.54
Return on equity, % (ROE) *)	31.8%	18.2%	23.9%	21.9%
Return on assets, % (ROA) *)	13.5%	14.8%	11.2%	16.8%
Equity ratio, %	57.4%	82.4%	34.9%	80.5%
Modified equity ratio, %	58.4%	82.5%	40.2%	81.6%
Cost/income ratio	83.9%	79.7%	80.4%	83.0%
Loan receivables, EUR 1,000	21,671	11,040	21,671	11,040
Total capital in relation to risk-weighted items	25.2%	55.8%	25.2%	43.7%
Common Equity Tier in relation to risk-weighted items	25.2%	55.8%	25.2%	43.7%
Average number of personnel during the period	163	121	153	114
Number of Series A shares at the end of period			4,096,704	4,838,005
Number of Series B shares at the end of period			2,196,301	1,455,000
Average number of Series A shares (act/act)			4,467,355	4,838,005
Average number of Series B shares (act/act)			1,825,651	984,616
Closing price of Series B share, EUR			25.45	18.30

\*) annualised

**CALCULATION PRINCIPLES OF INDICATORS**

Turnover, EUR 1,000	Income statement/income from investment services
Operating profit, EUR 1,000	From income statement
Profit for the period, EUR 1,000	From income statement
Return on equity (ROE), %	$\frac{(\text{operating profit/loss} - \text{income tax}) \times 100}{\text{equity} + \text{minority interest (average of beginning and end of year)}}$
Return on assets (ROA), %	$\frac{(\text{operating profit/loss} - \text{income tax}) \times 100}{\text{average balance sheet total (average of beginning and end of year)}}$
Equity ratio, %	$\frac{(\text{equity} + \text{minority interest} + \text{voluntary provisions less deferred tax liabilities}) \times 100}{\text{balance sheet total}}$
Modified equity ratio, %	$\frac{(\text{equity} + \text{minority interest} + \text{voluntary provisions less deferred tax liabilities without consolidation of Financing Company Lainaamo}) \times 100}{\text{balance sheet total without consolidation of Financing Company Lainaamo}}$
Cost/income ratio, %	$\frac{\text{commission income} + \text{interest costs} + \text{administrative costs} + \text{other operating costs}}{\text{income from investment services} + \text{participation in results of affiliates}}$
Total capital in relation to risk-weighted items	$\frac{\text{Total capital (TC)}}{\text{Right-weighted items, total (overall risk exposure)}}$
Common Equity Tier in relation to risk-weighted items	$\frac{\text{Common Equity Tier (CET1)}}{\text{Right-weighted items, total (overall risk exposure)}}$
Undiluted result/share, EUR	$\frac{\text{Profit for the period (attributable to the equity holders of the parent)}}{\text{Average number of shares (excluding treasury shares) before dilution effect}}$
Diluted diluted, EUR	$\frac{\text{Profit for the period (attributable to the equity holders of the parent)}}{\text{Average number of shares (excluding treasury shares) after dilution effect}}$

<b>CONSOLIDATED INCOME STATEMENT</b>	<b>1.1.-31.12.2014</b>	<b>1.1.-31.12.2013</b>
Fee and commission income	33 440 725,03	25 459 611,79
Net gains or net losses on trading in securities and foreign currencies	1 796 818,14	1 233 434,45
Income from equity investments	11 206,29	91 897,50
Interest income	3 306 445,47	580 843,52
Other operating income	2 914 847,19	122 013,84
<b>INCOME FROM INVESTMENT SERVICES</b>	<b>41 470 042,12</b>	<b>27 487 801,10</b>
Fee and commission expense	-6 293 400,49	-4 425 355,88
Interest expense	-790 181,48	-22 458,63
Administrative expenses	-22 041 046,06	-15 301 279,85
Staff costs	-16 483 651,11	-11 922 150,17
Other administrative expenses	-5 557 394,95	-3 379 129,68
Amortisation and impairment of goodwill on consolidation	-212 287,93	-287 137,65
Depreciation, amortisation and impairment of tangible and intangible assets	-572 989,80	-184 607,63
Other operating expenses	-3 442 790,28	-2 596 317,65
Impairment losses on loans and other receivables	-547 346,63	-144 497,00
Share of associates' profit or loss	-2 335,91	-5 165,10
<b>OPERATING PROFIT OR LOSS</b>	<b>7 567 663,54</b>	<b>4 520 981,71</b>
Income taxes	-1 616 116,57	-1 337 901,18
<b>POST-TAX PROFIT OR LOSS FROM ORDINARY ACTIVITIES</b>	<b>5 951 546,97</b>	<b>3 183 080,53</b>
Minority interests in profit or loss for the period	-1 116 187,55	21 865,00
<b>PROFIT OR LOSS FOR THE PERIOD</b>	<b>4 835 359,42</b>	<b>3 204 945,53</b>

**CONSOLIDATED BALANCE SHEET**

<b>Assets</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
Loans and advances to credit institutions	31 524 930,58	11 519 086,48
Loans and advances to the public and general government	21 671 152,29	11 040 302,41
Shares and units	9 027 479,14	375 152,42
Participating interests	320 000,00	1 053 584,42
Intangible assets	2 196 296,87	1 312 974,35
Goodwill on consolidation	546 151,89	726 702,00
Other long-term expenditure	1 650 144,98	586 272,35
Tangible assets	555 522,76	343 191,16
Other assets	6 945 174,41	1 569 795,85
Accrued income and prepayments	5 707 446,34	848 629,17
Deferred tax assets	111 769,34	
	<b>78 059 771,73</b>	<b>28 062 716,26</b>

<b>Liabilities</b>	<b>31.12.2014</b>	<b>31.12.2013</b>
LIABILITIES	50 798 196,97	5 474 657,74
Liabilities to the public	10 000 000,00	0,00
Debt securities issued to the public	30 000 000,00	0,00
Other liabilities	2 771 229,02	2 270 762,13
Accrued expenses and deferred income	8 026 967,95	3 203 895,61
EQUITY	25 726 205,46	22 180 118,73
Share capital	125 000,00	125 000,00
Non-restricted reserves	14 638 002,40	14 638 002,40
Retained earnings or loss	6 127 843,64	4 212 170,80
Profit or loss for the period	4 835 359,42	3 204 945,53
MINORITY INTERESTS IN EQUITY	1 535 369,30	407 939,79
	<b>78 059 771,73</b>	<b>28 062 716,26</b>

<b>CONSOLIDATED CASH FLOW</b>	<b>1.1.-31.12.2014</b>	<b>1.1.-31.12.2013</b>
Cash flow from business operations:		
Operating profit or loss	7 567 663,54	4 520 981,71
Depreciation according to plan	572 989,80	184 607,63
Amortisation and impairment of goodwill		
on consolidation	212 287,93	287 137,65
Impairment losses on loans	547 346,63	144 497,00
Other adjustments	0,00	572 989,80
Cash flow before changes in working capital	8 788 209,57	5 008 141,11
Change in working capital		
Increase (-) decrease (+) in loan receivables	-10 630 849,88	-11 165 672,53
Increase (-) decrease (+) in short-term non-interest		
bearing receivables	-10 384 889,17	-923 364,26
Increase (+) decrease (-) in short-term non-interest		
bearing liabilities	4 180 461,57	1 652 743,30
Cash flow from business operations before financial		
items and taxes	-8 047 067,91	-5 428 152,38
Direct taxes paid (-)	-557 309,48	-920 035,28
<b>Cash flow from business operations ( A )</b>	<b>-8 604 377,39</b>	<b>-6 348 187,66</b>
Cash flow from investments:		
Investments in tangible and intangible assets	-1 849 194,04	-611 389,60
Investments in subsidiaries and participating interests		
	-488 424,47	-836 504,87
Other investments	-7 634 880,75	342 837,82
<b>Cash flow from investments ( B )</b>	<b>-9 972 499,26</b>	<b>-1 105 056,65</b>
Cash flow from financing:		
Changes in equity	0,00	14 986 500,00
Payments from own shares	-50 678,25	0,00
Repayments from the reserve for invested		
non-restricted equity	0,00	-2 070 321,20
Debt securities issued to the public	30 000 000,00	0,00
Loan withdrawals	10 000 000,00	0,00
Dividends paid and other distribution of profits	-1 366 601,00	-150 000,00
<b>Cash flow from financing ( C )</b>	<b>38 582 720,75</b>	<b>12 766 178,80</b>
Increase / decrease in liquid assets (A+B+C)	20 005 844,10	5 312 934,49
Liquid assets at the beginning of the period	11 519 086,48	6 206 151,99
Liquid assets at the end of the period	31 524 930,58	11 519 086,48
Change in liquid assets during the review period	20 005 844,10	5 312 934,49

**INCREASE AND DECREASE IN EQUITY DURING THE FINANCIAL PERIOD**

<b>Group</b>	<b>1 January 2014</b>	<b>Increase</b>	<b>Decrease</b>	<b>31 December 2014</b>
Share capital	125,000.00	0.00	0.00	125,000.00
Invested unrestricted equity fund	14,638,002.40	0.00	0.00	14,638,002.40
Retained earnings	7,417,116.33	20,006.55	1,258,601.00	6,178,521.88
Treasury shares	0.00	0.00	50,678.25	-50,678.25
Profit for the period	0.00	4,835,359.42	0.00	4,835,359.42
<b>Total</b>	<b>22,180,118.73</b>	<b>4,855,365.97</b>	<b>1,309,279.25</b>	<b>25,726,205.45</b>

Minority interest from capital	407,939.79	1,365,475.64	238,046.13	1,535,369.30
--------------------------------	------------	--------------	------------	--------------

<b>Group</b>	<b>1 July 2014</b>	<b>Increase</b>	<b>Decrease</b>	<b>31 December 2014</b>
Share capital	125,000.00	0.00	0.00	125,000.00
Invested unrestricted equity fund	14,638,002.40	0.00	0.00	14,638,002.40
Retained earnings	6,173,800.88	4,721.00	0.00	6,178,521.88
Treasury shares	-50,678.25	0.00	0.00	-50,678.25
Profit for the period	1,883,593.07	2,951,766.35	0.00	4,835,359.42
<b>Total</b>	<b>22,769,718.10</b>	<b>1,898,878.62</b>	<b>1,309,279.25</b>	<b>25,726,205.45</b>

Minority interest from capital	407,939.79	87,845.63	108,000.00	387,785.42
--------------------------------	------------	-----------	------------	------------

<b>Group</b>	<b>1 January 2013</b>	<b>Increase</b>	<b>Decrease</b>	<b>31 December 2013</b>
Share capital	125,000.00	0.00	0.00	125,000.00
Invested unrestricted equity fund	1,721,823.60	14,986,500.00	2,070,321.20	14,638,002.40
Retained earnings	4,304,228.41	0.00	92,057.61	4,212,170.80
Profit for the period	0.00	3,204,945.53	0.00	3,204,945.53
<b>Total</b>	<b>6,151,052.01</b>	<b>18,191,445.53</b>	<b>2,162,378.81</b>	<b>22,180,118.73</b>

Minority interest from capital	339,211.24	282,686.69	213,958.14	407,939.79
--------------------------------	------------	------------	------------	------------

<b>Group</b>	<b>1 July 2013</b>	<b>Increase</b>	<b>Decrease</b>	<b>31 December 2013</b>
Share capital	125,000.00	0.00	0.00	125,000.00
Invested unrestricted equity fund	16,148,323.60	0.00	1,510,321.20	14,638,002.40
Retained earnings	4,278,407.26	0.00	66,236.46	4,212,170.80
Profit for the period	1,124,681.55	2,080,263.98	0.00	3,204,945.53
<b>Total</b>	<b>21,676,412.41</b>	<b>2,080,263.98</b>	<b>1,576,557.66</b>	<b>22,180,118.73</b>

Minority interest from capital	463,811.03	-20,744.23	35,127.01	407,939.79
--------------------------------	------------	------------	-----------	------------

The financial statements bulletin is audited.

Annual General Meeting of Taaleritehdas Group will be held at 20<sup>th</sup> March, 2015 at Helsinki. The Board of Taaleritehdas will invite all the shareholders to the AGM latest 3 weeks before the meeting.

The semi-annual report for 1 January–30 June 2015 is estimated to be announced be on 20 August, 2015.

## **Auditor's Report**

Translation

### **To the Annual General Meeting of Taaleritehdas Plc**

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Taaleritehdas Plc for the financial period 1.1. - 31.12.2014. The financial statements comprise the consolidated balance sheet, income statement and cash flow statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income 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 financial statements and report of the Board of Directors that give a true and fair view 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 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 the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about 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 or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have 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 report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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**

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.

Helsinki, February 19, 2015

Ernst & Young Oy  
Authorized Public Accountant Firm

Tomi Englund  
Authorized Public Accountant