

TAALERI PLC

**FINANCIAL
STATEMENTS BULLETIN**

2016



TAALERI
ELÄMÄ ON RIKKAUS.

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TAALERI GROUP 1 JANUARY – 31 DECEMBER 2016

- The Group's income grew by 3.7 percent to EUR 60.6 million (1–12/2015: EUR 58.4 million)
- The Group's assets under management grew by 22.7 percent to EUR 4.8 billion (EUR 3.9 billion).
- The Group's operating profit was EUR 16.3 million (47.4). The result for the reference year 2015 included the entry of EUR 27.3 million of negative goodwill from the acquisition of Garantia.
- The Group's adjusted operating profit was EUR 16.3 million (20.1). EUR 2.5 million costs related to re-branding, stock exchange listing and sale of Finsilva affect the financial comparability.
- The result per share was EUR 0.45 (1.53) and the adjusted result per share EUR 0.45 (0.55).
- The Board of Directors proposes a dividend of EUR 0.22 per share to be distributed.
- The company carried out a major brand change, and changed its name from Taaleritehdas Plc to Taaleri Plc in January 2016.

TAALERI GROUP 1 JULY – 31 DECEMBER 2016

- The Group's income declined by 5.4 percent to EUR 26.9 million (1-7/2015: EUR 28.4 million)
- The Group's assets under management grew by 14 percent to EUR 4.8 billion (30 June 2016: 4.2)
- The Group's operating profit was EUR 4.6 million (8.3).
- The result per share was EUR 0.12 (0.21)

The Group's realised financial objectives	Year 2016	Year 2015	H2 2016	H2 2015	2016 objective
Adjusted operating profit, EUR million	16.3	20.1	4.6	8.3	-
Adjusted operating profit, %	27.0	34.4	17.1	29.0	> 15.0
Adjusted profit after taxes, EUR million	12.8	16.8	3.6	6.9	-
Adjusted return on equity, %	13.4	24.9	7.9	14.8	> 15.0*
Equity ratio	44.0	44.8	44.0	44.8	> 30.0
Conglomerate's capital adequacy ratio, %	268.9	259.2	268.9	259.2	> 150.0

* long term objective

BUSINESS DURING THE FINANCIAL YEAR

The income of the **Wealth Management** segment was EUR 37.1 million. The operating profit of Wealth Management was EUR 6.2 million, representing 17 percent of income. Wealth Management continued to invest in growing its business, and the result included non-recurring costs from, among other things, the rebranding and IT systems development. The increase in personnel and administrative expenses of the Wealth Management segment halted during the second half of the year. The number of customers increased during 2016 to a total of 3,900 and assets under management by 23 percent to EUR 4.7 billion.

The insurance premium income of the **Financing** segment grew by 22 percent to EUR 12.2 million. The income was EUR 12.3 million consisting of net income from guaranty insurance operations of EUR 8.7 million and realised net income from investment operations of EUR 3.6 million. The return on investments at fair value was 5.8 percent. Garantia's guaranty insurance exposure grew by 13 percent and was EUR 1.3 billion at the end of 2016. Claims incurred were on a low level.

The **Energy** segment, where Taaleri is significantly expanding its operations, was formally established in summer 2016. The Energy segment's result was a loss of EUR 0.9 million due to recruitments and the start-up costs.

Other operations consist of Taaleri Plc, Taaleri Investments Ltd and associated companies Fellow Finance and Inderes. During the early part of 2016, Taaleri Investments Ltd sold its shares in Finsilva and Havuz Holding.



REVIEW BY CEO JUHANI ELOMAA

2016 certainly brought plenty of changes and anticipation of other changes to come, both within the company and in our operating environment. Tensions in the operating environment, driven by the Brexit referendum and the US presidential election, in particular, caused much uncertainty, but interestingly the direct impact on the market was lower and shorter than expected. The long-term effects remain to be seen, however.

Taaleri Group achieved good financial results with an operating profit of 27 percent. While the market situation was characterised by nervousness, which affected customers' investment activity, thus weakening continuing earnings, sales profits and the positive development of investment assets drove improved profits for the period. Streamlining of cost structures also continued to gain momentum.

Assets under management increased during the year from EUR 3.9 billion to EUR 4.8 billion. Assets are still growing by a good rate of 20 percent. We see the fastest growth in private equity funds, where assets under management increased by more than 40 percent. In June, we established the world's first private equity fund investing in the circular economy and, at the end of the year, a solar energy and wind power fund and a fund for social housing, financing the production of reasonably-priced rental units.

Taaleri's equity and money market funds also continue to play a significant role, and last year they were a great success. The continuing earnings from wealth management have remained at the level of the previous year. Fewer sales of private equity projects were recorded last year than the year before. On the other hand, in spring 2016 Taaleri's investment company sold its share of forestry business Finsilva to Etera, a mutual employment pension insurance company, from which we recorded a significant sales profit.

Last year was the first whole financial period that Garantia, which sells guaranty insurance, was part of Taaleri Group. In August, credit rating company Standard & Poors confirmed Garantia's credit rating as an independent company at A- (stable outlook). Garantia's income from insurance premiums grew by 22 percent, a significant change of direction for the company. Garantia's investment activity was also very successful last year, showing a return of +5.8 percent. Significant events for Taaleri also included the company's move from the First North marketplace to the Helsinki main market as a medium-sized company with a market value of about EUR 230 million, and the establishment of its Energy segment. At the end of 2016, a EUR 35 million bond issue targeted at institutions was significantly oversubscribed.

Juhani Elomaa
CEO
Taaleri Plc

REVIEW BY THE BOARD OF DIRECTORS'

OPERATING ENVIRONMENT

For the stock exchange, 2016 was very much a year of two halves. During the first part of the year, fears of slowing Chinese growth, a strong fall in raw material prices and a slowdown in industrial activity made investors nervous. In the second half of the year, however, strengthening economic data, a recovery in raw material prices, a rise in profit forecasts and expectations of a more supportive financial policy in the United States fed the desire of investors to take risks. Measured in terms of local currency, the British stock market (FTSE 100) rose the most (+19 percent), USA (S&P 500) took silver with a return of just over 11 percent and developing markets took bronze with a return of 10 percent. During 2016, currency movements had significant effects on the returns received overseas by euro-denominated investors. The US dollar strengthened against the euro by about 5 percent and the Japanese yen by about 8 percent. The British pound, on the other hand, fell by 16 percent, almost completely wiping out all the positive gains made in the local markets.

Of the individual market events, the British referendum on whether or not to remain in the EU and the American presidential election overwhelmingly gained the most visibility in the media. For both, the results of the votes and the market reactions that followed came as a surprise to most financial players. After a few days of quiet following the Brexit vote, the stock market began to rise sharply and long-term interest rates turned upwards. After the election of Donald Trump, the quiet period in the market lasted only a few hours. The world's stock markets began to rise strongly, led by the USA. The MSCI World Index reached an all-time high as early as the beginning of December. The investment year ended very well with most high-risk investments, both on the fixed interest and equity sides, ending close to their peaks for the year.

From a perspective of market development, Brexit and the American presidential election were, in our opinion, secondary events. More important were the recovery of raw material prices, the end of the 'mini-recession' in global industry, the wide-scale strengthening of economic data and a rise in inflation expectations. As a result of the former and particularly the latter factor, long-term interest rates made a clear upturn, both in the USA and in the Eurozone.

In the second half of the year, it became possible after a very long time to test the durability of the price movements of high-risk investments in an environment of rising interest rates. On the whole stock markets coped well, but a strong rotation was evident within them: blue-chip companies succeeded better than growth companies, defensive market segments lagged behind more cyclical ones, and the under-performance of the banking sector compared to the broader market indices finally reached a conclusion.

The Finnish economy returned to a path of growth in 2016, driven particularly by private consumption and construction investments. Production investments also started to grow, but at a modest level. A turn for the better was also evident in industrial production, and the contraction of exports witnessed in recent years stopped. Unemployment fell and consumer confidence in the future strengthened.

TAALERI'S BUSINESS DURING THE FINANCIAL YEAR

At the beginning of 2016, Taaleri carried out a significant rebranding exercise, at the same time changing its name from Taaleritehdas to Taaleri. In February, the company decided to apply to have its shares listed on the main market of the Helsinki stock exchange after three years on the Nasdaq Helsinki First North marketplace, and at the beginning of April it became one of the medium-sized companies on the stock exchange. During the year, the company gained almost 1,000 new shareholders.

In 2016, Taaleri reorganised the operations of the Wealth Management segment, with the business being managed through Customer Operations and Market Operations. Jorma Alanne was appointed Head of Wealth Management, also being responsible for Market Operations. Petri Lampinen heads Customer Operations. In the first half of the year, Taaleri bought a 40 percent minority holding in analytics house Inderes, sold its holdings in Finsilva and Havuz Holding and sold the Biofactory fund that it had built to state-owned energy company Gasum. The increase in personnel and administrative expenses of the Wealth Management segment stopped during the second half of the year.

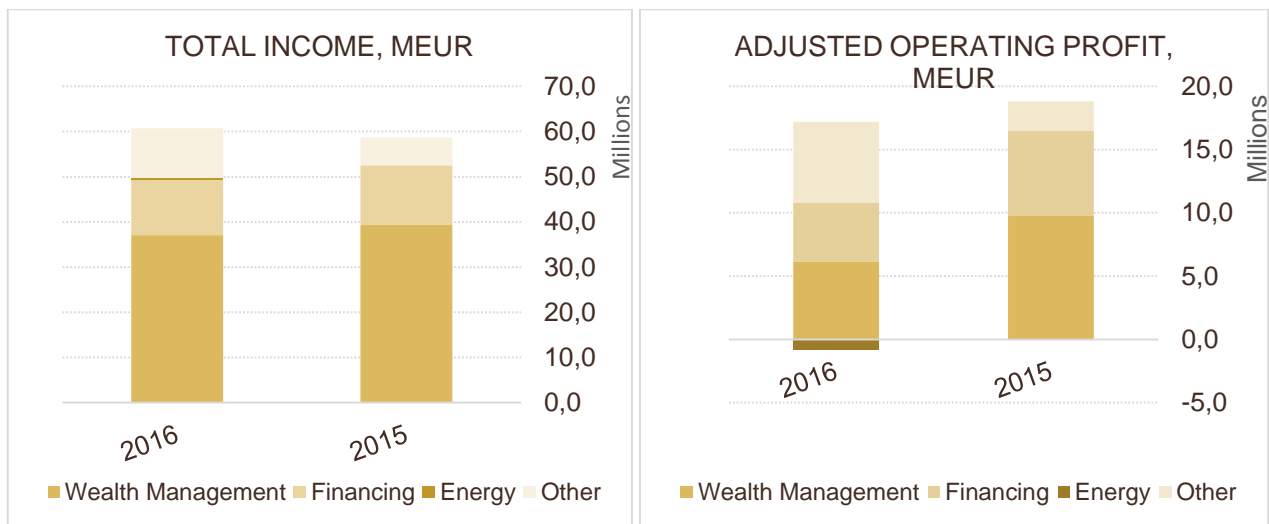
In the second half of 2016, we invested in the launch of Taaleri's Energy segment, and concluded significant cooperative agreements with global leaders ABB and Wärtsilä. The future growth of the Energy segment is mainly based on international energy projects, while in Finland it is focused on the operation of the company's portfolio of wind farms.

In the latter part of 2016 some wind power projects were sold. The international Solar Wind fund was established, focusing on renewable energy, and a social housing fund producing reasonably priced rental units was established. At the end of 2016, a EUR 35 million bond issue targeted at institutions was significantly oversubscribed.

Taaleri Group

The Group's income grew by 3.7 percent to EUR 60.6 million (58.4). Of the Group's continuing earnings, fee and commission income increased by 4.5 percent to EUR 33.2 million (31.8), and the net income from insurance operations by 36.1 percent to EUR 8.7 million (6.4). Garantia is included in the reference period from 31 March 2015, which has to be taken into account when comparing financial performance. The sale of Finsilva brought the Group a sales profit of EUR 8.5 million, while reducing the company's dividend yield to EUR 1.3 million (4.9). EUR 3.1 million in sales profits was recorded from private equity projects, whilst the corresponding figure for 2015 was EUR 6.0 million. Realised net income from investment operations of insurance operations was EUR 3.6 million (6.8). Income from investment operations of insurance operations at fair value was 5.8 percent, whilst the corresponding comparable figure for the whole of 2015 was 4.6 percent.

The Group's operating profit was EUR 16.3 million (47.4), a decline of 65.5 percent. Operating profit for the comparison year 2015 was significantly affected by negative goodwill of EUR 28.6 million recognised from the acquisition of Garantia, as well as costs of EUR 1.3 million pertaining to the acquisition. Adjusted operating profit for the financial period was EUR 16.3 million, a decline of 18.7 percent (EUR 20.1 million in 2015, not including the non-recurring items from the acquisition of Garantia). The result for the early part of the year includes costs totalling EUR 2.5 million from, among other things, rebranding, the stock exchange listing and the sale of Finsilva.



The result for the 2016 financial period was EUR 12.8 million (44.1), which corresponds to an adjusted result after taxes of EUR 12.8 million (16.8). Comprehensive income for the financial period 2016 was EUR 15.8 million (39.5).

Taaleri manages the group through three segments: Wealth Management, Financing, and Energy. Operations that do not belong to the segments are presented in "Other operations", which includes the Group management of parent company Taaleri Plc and the Group's own investments, as well as the Group's share of Fellow Finance Plc and Inderes Oy.

Taaleri's business during the review period 1 July – 31 December 2016

The group's income was EUR 26.9 million (28.4), a decline of 5.4 percent. The Group's continuing earnings grew by 2.5 percent to EUR 22.0 (21.5) million. Fee and commission income grew by 0.6 percent to EUR 16.1 (16.0) million and the net income from insurance operations by 19.1 percent to EUR 4.6 million (3.8). EUR 2.0 million (3.5) of performance fees were recognized, a decline of 44 percent. EUR 3.0 million in sales profits was recognised from private equity projects, whilst the corresponding figure for the second half of 2015 was EUR 3.7 million, a decline of 20 percent. Realized net profit from investment operations of insurance operations was EUR 2.0 (1.6) million. Income from investment operations of insurance operations at fair value was 4.2 (1.1) percent.

The Group's operating profit was EUR 4.6 (8.3) million and declined by 44.4 percent. The profit for the period 1 July – 31 December 2016 was EUR 3.6 (6.9) million and the total comprehensive income for the period was EUR 6.5 (6.7) million.

RESULT AND RISK POSITION OF THE WEALTH MANAGEMENT SEGMENT

Taaleri's Wealth Management segment consists of Wealth Management for private individuals and corporate customers as well as a large selection of investment products. Taaleri's key investment products cover in addition to equity and money market funds also private equity funds, which invest in, among other things, forest, property, renewable energy and business operations.

With Taaleri, it is possible to invest directly into funds and businesses operations, which would otherwise be difficult to access for many private investors and smaller institutions. Taaleri challenges established operating models by combining capital, ideas and entrepreneurship. The company offers not only investment opportunities, but also market views and insight.

The Wealth Management segment consists of the investment service company Taaleri Wealth Management Ltd and its subsidiaries¹ and Taaleri Private Equity Funds Group and Taaleri Kapitaali Oy. Taaleri Private Equity Funds Ltd. has the Finnish Financial Supervisory Authority's authorisation to act as an alternative investment fund manager. Taaleri also provides wealth management services in Turkey.

The income of Wealth Management in the period under review was EUR 37.1 (39.4) million, down by 6.0 percent. The continuing fees of Wealth Management were EUR 28.3 (28.8) million, down by 2.0 percent. One reason for the decline was a reduction in fees received from structured investments in comparison to the previous year. On the other hand, the continuing fee and commission income received from private equity funds increased by 28 percent. The performance fees grew by 29 percent to EUR 5.8 million (4.5). Other income, which mainly comprises the sale of projects developed by Private Equity Funds, declined by 51 percent to EUR 3.0 million (6.1). The operating profit of Wealth Management fell overall by 37 percent to EUR 6.2 million (9.8), which was influenced by a decline in income received from the sale of private equity projects, as well as additional costs from, among other things, rebranding and the development of IT systems. In addition to this, the amount of performance fees from private equity funds was reduced by EUR 1.1 million in the latter part of the year.

The most significant events of the financial period included the opening of Taaleri Kauppa in the spring and the establishment of three new Owner funds in connection with this. On the private equity fund side, the most significant events in the period included the sale to Gasum of the Biofactory chain owned by a private equity fund managed by Taaleri, and the opening to investors of the new private equity funds Wind Power III, Circular Economy, Solar Wind, Rental Home and Property Fund II. During the financial period, the Wind Power III and Circular Economy funds were closed and the others will remain open to new investors into 2017.

Wealth Management continued to invest in business growth and the development of improved IT systems and, in the second half of the year, was able to halt the increase in personnel and administrative expenses in the segment. During the financial period, the average number of full-time personnel was 123 (119). During the

¹ Taaleri Wealth Management Ltd's subsidiaries are Taaleri Fund Management Ltd, Taaleri Portföy Yönetimi A.S., Kultataaleri Oy and Taaleri Tax Services Ltd.

financial period, Taaleri Kapitaali Oy was also established to, undertake assignments concerning capital acquisitions and corporate reorganisations for Taaleri's customers.

The assets under management in the Wealth Management segment grew by 23 percent to EUR 4.7 billion (3.8). The assets under management in our own private equity funds grew by 41.1 per cent to EUR 880 million (623). Assets under management in discretionary wealth management grew by 12.2 percent to EUR 1.4 (1.3) billion, while assets in non-discretionary wealth management grew by 43.7 percent to EUR 1.5 (1.1) billion. Assets under management in our own mutual funds remained at the level of the end of 2015 at EUR 857 million (850), in spite of their good performance.

Wealth Management	1- 12/2016	1- 12/2015	Change, %	7- 12/2016	7- 12/2015	Change, %
EUR million						
Wealth Management fees	28.3	28.8	-1.6	14.6	13.1	11.0
Performance fees	5.8	4.5	28.6	2.0	3.5	-43.6
Other income	3.0	6.1	-51.2	3.0	3.7	-19.8
Total income	37.1	39.4	-5.8	19.5	20.3	-4.1
Operating profit	6.2	9.8	-36.8	4.1	4.9	-16.0
Average full time personnel	123	119	3.4	127	121	4.6

Assets under management	31/12/2016	31/12/2015	Change, %
EUR million			
Assets under management	4,678	3,800	23.1
Mutual funds	857	850	0.8
Private equity funds	880	623	41.1
Discretionary wealth management	1,431	1,275	12.2
Non-discretionary wealth management	1,511	1,052	43.7

The most significant future risks from the segment's point of view are risks related to the growth of business income, which is partially dependent on changes in the external operating environment.

RESULT OF THE WEALTH MANAGEMENT SEGMENT 1 JULY – 31 DECEMBER 2016

The income of the Wealth Management segment declined by 4 percent during the review period to EUR 19.5 (20.3) million. Wealth Management's continuing fee income grew by 11 percent to EUR 14.6 (13.1) million. Performance fees declined by 44 percent to EUR 2.0 (3.5) million. Other income, mainly consisting of divestments of projects developed by the private equity funds, declined by 20 percent to EUR 3.0 (3.7) million. In the second half of 2016 an impairment of EUR 1.1 million was recognized on the performance fees from private equity funds. Wealth Management's operating profit margin was 21 (24) percent during the second half of the year and the operating profit declined by 16 percent to EUR 4.1 (4.9) million.

RESULT AND RISK POSITION OF THE FINANCING SEGMENT

The Financing segment includes Garantia Insurance Company Ltd as of 31 March 2015. Associated company Fellow Finance is presented in the 'Other operations' segment and comparative information for the segments has been correspondingly adjusted. The different time periods need to be taken into account when comparing the period under review to the corresponding period last year. The development of the operations compared to last year is described in the section "Garantia's result (FAS)".

Garantia is an insurance company specialising in guaranty insurance, which promotes the availability of financing and the more effective use of capital by offering guaranty services to companies operating in Finland and to households through cooperation partners. The company's main products are loan guaranties, residential mortgage guaranties and commercial bonds. The company's business is divided into insurance operations and investment operations.

The income of the Financing segment was EUR 12.3 million (31 March–31 December 2015: 13.2), and the adjusted operating profit was EUR 4.6 million (8.0) as a result of net income from investments recorded in the income statement, which was lower than in the comparison period.

The net income from guaranty insurance grew by 36 percent to EUR 8.7 (6.4) million due to the strong growth of premiums written and the fact that claims incurred have remained low. The comparable gross premiums written for the whole year increased by 22 percent to EUR 12.2 million (10.0), but premiums earned fell to EUR 10.4 million (11.0) as a result of a change in provision for unearned premiums. The change in provision for unearned premiums was a result of strong growth of premium income. Realised net income recorded in the income statement of the investment operations fell to EUR 3.6 million (6.1).

The profit before tax at fair value of the Financing segment was EUR 7.7 million (29.6). The change in fair value of investment operations was EUR 3.1 million (-5.7), meaning that Garantia's investment operations yielded a total of EUR 6.7 million (0.4) to Taaleri Group. The return on investment at fair value was 5.8 percent. The result of the comparison period of the Financing segment included EUR 27.3 million of recognised income from the corporate acquisition of Garantia Insurance Company Ltd, which is not reported in adjusted operating profit.

Strong growth in the construction sector and the recovering housing market increased guaranty fees especially in commercial bonds and residential mortgage guaranties. New exposure in corporate loan guaranties clearly turned to growth, but despite low interest rates, demand for corporate loan guaranties remained at a low level. The gross exposure of the insurance portfolio increased by 13.3 percent and was EUR 1,320 million at the end of the year (1,164). Residential mortgage guaranties accounted for 35 percent of the gross exposure (33), loan guaranties 31 percent (37), commercial bonds 27 percent (22) and other guaranties 7 percent (8).

Claims paid remained at an exceptionally low level. Claims incurred in relation to the gross exposure were 0.09 percent (0.13). The growth in operating expenses was a result of investments in personnel and IT as well as, the development of improved risk models and of the corporate brand. Operating expenses for 2015 included EUR 1.0 million in capital transfer tax from the acquisition of Garantia.

Financing, EUR million	1- 12/2016	4- 12/2015	Change, %	7- 12/2016	7- 12/2015	Change, %
Net income from guaranty insurance operations	8.7	6.4	36.1	4.6	3.8	19.1
Net income from investment operations	3.6	6.1	-40.4	2.0	1.6	24.4
Other income	-	0.7		-	-	-
Total income	12.3	13.2	-6.3	6.5	5.4	20.7
Adjusted operating profit before valuations	4.6	8.0	-42.2	2.3	2.0	11.2
Adjusted operating profit at fair value before tax	7.7	2.4	227.2	5.3	1.6	233.7
Average full time personnel	21	24	-12.5	22	23	-4.3

	31/12/2016	31/12/2015	Change, %
Investment assets, fair value	123.5	114.1	8.2
Guaranty insurance, gross exposure	1 320	1 164	13.3

THE RESULT OF THE FINANCING SEGMENT 1 JULY – 31 DECEMBER 2016

The income of the Financing segment was EUR 6.5 (5.4) million and the adjusted operating profit was EUR 2.3 (2.0) million.

Net income from guaranty insurance operations grew by 19 percent to EUR 4.6 (3.8) million, due to the strong growth of premiums written and the fact that claims incurred have remained low. The gross premiums written for the period increased by 22 percent to EUR 6.7 million (5.6), but premiums earned fell to EUR 5.5 million (5.6) as a result of a change in provision for unearned premiums. The change in provision for unearned premiums was a result of strong growth of premium income. Realised net income recognised in the income statement of investment operations increased to EUR 2.0 million (1.6).

The profit for the period at fair value before taxes was EUR 5.3 (1.6) million. The change in fair value of investments was EUR 3.0 million (-0.4), meaning that Garantia's investment operations yielded a total of EUR 5.0 (1.1) million to the Group. The return on investments at fair value was 4.2 (1.1) percent.

Risk Position

The key risks associated with Garantia's business operations are credit risks arising from guaranty operations, and the market risk associated with investments covering insurance liabilities.

Garantia's risk position remained stable in 2016. Investment portfolio growth took place in dispersed mortgage guaranties and in short-term commercial guaranties covered by comprehensive reinsurance. As a result of the shortening of loan guaranties, the share of the insurance exposure made up by investment grade guaranties, i.e. with a rating of AAA–BBB-, excluding residential mortgage guaranties, residual value guaranties and assumed reinsurance, declined to 21% (30), however. The share of those with lower credit ratings of C+ or lower remained low and was 2.8% (2.5). The biggest sectors in the insurance exposure were construction at 37% (33) and manufacturing 26% (33). The proportion of construction guaranties that is reinsured is 52% (58).

As part of the Taaleri Group, Garantia is subject to the regulations on large exposures as defined in the EU Capital Requirements Regulation. At the end of the year Garantia's largest individual exposure was 38.9% (51.3) of the Group's own funds and the exposures of a total of 1 (7) client exceeded the 25% exposure limit prescribed by law. The Financial Supervisory Authority approved an updated action plan drawn up by Garantia to reduce the exposure of guaranties to the level required by law by 30 October 2017.

The risk level of investment activities was raised moderately when the share of finance sector fixed income investments was reduced and the share of corporate sector fixed income investments and US equities was increased to secure the return level. Fixed income investments made up 79% (82) and equity investments 18% (17) of the investment portfolio (incl. cash and bank balances). Fixed income investments mainly consist of investments in the bonds of Finnish and Nordic companies and credit institutions with strong creditworthiness. The share of investment grade fixed income investments (excluding fixed income funds) was 70% (78). The modified duration of the fixed income investments was 3.0 (2.5).

Credit Rating

On 1 December 2016, Standard & Poor's Credit Market Services Ltd (S&P) confirmed the credit rating describing Garantia's financial strength as A- and changed the rating's outlook from negative to stable.

Guaranty insurance business

This section briefly describes Garantia Insurance Company's key financial information in accordance with Finnish accounting standards (FAS) to illustrate the company's operative development compared with 2015. Garantia belongs to the Financing segment of the Taaleri Group as of 31 March 2015, and Garantia's financial information according to IFRS as of 31 March 2015 has been presented above, in the section about the Financing segment.

Garantia Insurance Company (FAS)* EUR million	1-12/2016	1-12/2015	Muutos, %
Premiums written	12.2	10.0	21.9
Other items**	-2.8	-0.2	
Earned premiums	9.5	9.8	-3.9
Claims incurred	-1.2	-1.5	-21.3
Operating expenses	-5.0	-4.8	3.9
Balance on technical account before changes in equalisation provision	3.3	3.6	-7.1
Change to equalisation provision	1.2	-3.5	
Balance on technical account	4.5	0.0	
Investment income and expenses, net	3.2	8.5	-62.0
Earnings before tax	7.7	8.5	-9.5
Combined ratio, %	64.9	63.7	
Claims ratio, %	12.4	15.1	
Expense ratio, %	52.5	48.5	
Return on investments at fair value, %	5.8	4.6	
Solvency ratio (S2), %***	435.4	505.8	

* Figures presented in the table are based on Garantia's FAS financial statements

** Reinsurers' share of premiums written, change to provision for unearned premiums and reinsurers' share of change to provision for unearned premiums.

*** The Solvency II regulations were not in force during the 2015 financial year and they do not fall within the sphere of statutory auditing under the insurance Companies Act that entered into force on 1 January 2016. The Solvency II capital adequacy figures have not been audited.

Garantia's result (FAS)

Gross premiums written (excluding the reinsurers' share) increased 22% to EUR 12.2 (10.0) million. Earned premiums declined, however, to EUR 9.5 (9.8) million on account of the change in the provision for unearned premiums. The change in the provision for unearned premiums was a result of strong growth in premiums written.

Claims paid remained at an exceptionally low level. The claims ratio was 12.4% (15.1). In 2016 a total of EUR 1.2 (1.9) million in claims were paid and about 72% of these were for residential mortgage guaranties, 15% for loan guaranties and 13% for commercial bonds. Operating expenses grew by 3.9% to EUR 5.0 (4.8) million. The operating expenses were increased by investments in personnel, in IT, in the development of risk models and in corporate branding. The company's expense ratio was 52.5% (48.5) and the combined ratio was 64.9% (63.7).

The balance on the technical account before the change to the equalization provision was EUR 3.3 (3.6) million. The change to the equalization provision was EUR 1.2 (-3.5) million, so the balance on the technical account increased to EUR 4.5 (0.06) million. Regulations on the equalization provision changed as a result of the Insurance Companies Act that came into force on 1 January 2016, and the Financial Supervisory Authority confirmed Garantia's calculation bases for the equalization provision on 21 October 2016.

Net return on investments recognised in profit and loss were EUR 3.2 (8.5) million. The valuation difference of investment assets grew from EUR 6.7 million to EUR 9.9 million during the financial year. The return on investments at fair value (excl. the cash and bank balances, and unallocated income, expenses and operating expenses) was 5.8% (4.6). Net return on investments from capital employed at fair value was EUR 6.5 (5.2) million, or 5.4% (4.4). The investment portfolio (incl. cash and bank balances) was EUR 127 (120) million at the end of the year.

RESULT AND RISK POSITION OF THE ENERGY SEGMENT

The Energy segment is a new business area for Taaleri, and it began its operations in the second half of 2016. The Group has existing expertise in renewable energy, which is being utilised in the new business. The aim of the energy segment is to channel capital under management into renewable energy, such as wind and solar power, as well as into existing energy sources and networks. The energy segment comprises Taaleri Energia Oy and Taaleri Energia Operations Oy.

The objective is for the energy business to internationalise and expand into new forms of energy production, such as solar power. The aim of the Energy segment is to develop, build, finance and operate Finnish and international energy projects. The Energy segment makes investments in different stages into energy projects in Finland and internationally, chiefly in industrial scale projects, in order to build a diversified investment portfolio. The energy business also includes the operational activities of energy projects, which it is intended will bring to the company a steady and long-term cash flow. The Energy segment operates in close cooperation with the Wealth Management segment. The capital is primarily committed to new investments made through funds.

The first cooperative agreements were concluded late in 2016 with well-reputed international operators.

Energy segment, EUR million	1-12/2016	1-12/2015	Change, %
Income	0.3	-	-
Operating profit	-0.9	-	-
Average full time personnel	4	-	-

OTHER OPERATIONS

Other operations include the Group administration services of Taaleri Plc that support the segments, the investments on the Group's own balance sheet, which are implemented through Taaleri Investments Ltd, and Taaleri's share in Fellow Finance Plc and Inderes Oy.

The Group's investment company Taaleri Investments Ltd invests from its own balance sheet in unlisted and listed companies on the principles of common investment. Taaleri Investments Ltd aims to make longer-term investments where value is created for Taaleri through ownership and combining entrepreneurship, ideas and private capital. The largest investment that Taaleri Investments Ltd has acquired, through Metsärahassto II Ky (Forest Fund II GP), was a 19.8 percent holding in Finsilva Oyj at the beginning of the financial period. Finsilva Oyj's business includes the production and sale of wood. Taaleri Investments Ltd sold Forest Fund II and the shares it owned in Finsilva Oyj to Etera in March, and the transaction was confirmed in April. Taaleri Investments Ltd recorded income of EUR 8.5 million from sales in the operating profit for the period under review and incurred costs of EUR 0.7 million. Taaleri Investments Ltd also sold its holding in Havuz Holding, which had no material impact on the result. In May, Taaleri Investments Ltd purchased a 40.0 percent holding in the analytics house Inderes Oy.

The returns of Taaleri Investments Ltd vary based on the changes in value of the investments it makes and any divestments from the investments. The returns and income of Taaleri Investments Ltd may thus vary significantly between periods under review. Income from other operations was EUR 11.0 (6.1) million. Investments in other operations totalled 10.3 (49.3) million at the end of the period under review, and loan receivables were EUR 6.8 (9.2) million.

Fellow Finance offers an online peer-to-peer lending service, and its returns consist of fee and commission income from loans transmitted between a lender and a financier. Fellow Finance Plc became an associated company of Taaleri on 26 May 2015. At the same time, Fellow Finance acquired the entire shareholding of Lainaaamo Oy from Taaleri and the other shareholders of Lainaaamo Oy. Lainaaamo Oy, which is included in the Fellow Finance Group, is a Finnish special purpose entity, whose products are mainly loans directed at consumers.

Other business, EUR million	1-12/2016	1-12/2015	Change, %
Income	11.0	6.1	79.0
Operating profit	6.4	2.3	176.0
Investments, fair value	10.3	49.3	-79.2
Average full time personnel	18	23	-21.7

DISCONTINUED OPERATIONS

Taaleri Plc sold its shares in the subsidiary Lainaamo Oy in May 2015. The product range of the financing company Lainaamo Oy comprises consumer credit for households, corporate loans to SMEs, investment loans and Takaamo's rental deposits. The loan portfolio had grown to approximately EUR 20 million when the company divested its holding. The income of Lainaamo in the Taaleri Group in 2015 was EUR 2.0 million, which is presented in the income statement in discontinued business operations.

TAALERI'S BALANCE SHEET AND FINANCING

The balance sheet total of Taaleri Group at the end of 2016 was EUR 213.3 (216.8) million. The Group's investments totalled EUR 135.1 (163.7) million, corresponding to 63.4 (75.5) percent of the Group's balance sheet total.

The Group's interest-bearing liabilities amounted to EUR 73.7 (75.1) million, which consisted of the bond programmes of Taaleri Plc of EUR 64.7 million, liabilities to credit institutions of EUR 9.0 (14.9) million, and in 2015 liabilities to the public of EUR 30.3 million. Liabilities totalled EUR 119.4 million (119.7). At the end of the financial period, equity was EUR 93.9 million (97.1 million).

The equity ratio of Taaleri Group remained strong in 2016 and was 44.0 percent (44.8) at the end of the financial period.

TAALERI'S RISK MANAGEMENT AND RISK POSITION

The task of risk management is to identify, assess, measure, mitigate and supervise risks caused by business operations that influence the implementation of the Group's strategy. Risk management aims to mitigate the likelihood of unforeseeable risks being realised, their influence on and the threat they present to the business operations of the Taaleri Group, as well as to support the achievement of the objectives set in the strategy by ensuring that the principles set by the Taaleri Plc Board of Directors are complied with in the company's operations. Taaleri Group's risks are divided into five main categories: strategic and business operations risk, credit risk, liquidity risk, market risk and operative risk (including compliance risk). The principles of Taaleri's risk and capital adequacy management are described in note 39 to the financial statements.

The risk-bearing capacity of the Taaleri Group comprises a properly optimised capital structure, profitability of business operations and qualitative factors, which include reliable management, internal control and proactive risk and capital adequacy management. Taaleri Group's attitude towards risk-taking is based on calculated risk/return thinking. The Group may not in its activities take a risk that jeopardises the target level set for the capital adequacy ratio of the company's own funds (1.5 times the calculated minimum level of equity or 1.1 times for the internal equity requirement).

A key change in Taaleri's risk position was the 2015 acquisition of Garantia Insurance Company Ltd, not merely because of actual new business in the insurance sector, but also because of the company's relatively large balance sheet compared to Taaleri's earlier business, which tied a small amount of assets. Garantia's capital adequacy is strong and its risk position has remained stable. In 2016, Garantia's claims ratio was 12.4 percent and the claims incurred in relation to gross exposure remained low at 0.09 percent. The share of interest investments in Garantia's investments was 70 percent. On 1 December 2016, Standard & Poor's Credit Market Services Ltd (S&P) confirmed for Garantia an A- credit rating indicating financial strength, and changed the rating prospects from negative to stable.

The greatest risks of Taaleri's Wealth Management segment mainly consist of operative risks and, to a slight extent, credit risks. In future, Taaleri will also be subject to international risks through the Energia segment, once the operations of Taaleri Energia Oy get fully underway. The most significant risks of other business operations consist of private equity investments made by Taaleri Investments Ltd and loans granted from the credit risks of Taaleri Plc and credit institution receivables.

Taaleri falls within the sphere of regulation of large customer risks determined in the EU Capital Requirements Regulation. At the end of 2016, Taaleri's largest single customer risk was 38.9 (57.9) percent of the Group's own funds and, combined, liabilities of one (eight) customer entity exceeded the 25 percent limit required by the law. The maximum customer risk regulation is only applied to Garantia as part of the Taaleri Group. The guaranty insurance liabilities in question were granted in their entirety before the change in ownership, at which time the regulation in question did not concern the insurance company. The Financial Supervisory Authority approved the action plan prepared by Garantia to lower its liabilities to the level required by the law by 30 October 2017.

CAPITAL ADEQUACY OF TAALERI

Capital adequacy under the Act on the Supervision of Financial and Insurance Conglomerates

Taaleri Group forms a financing and insurance conglomerate according to the Act on the Supervision of Financial and Insurance Conglomerates (RaVa) (2004/699) as a result of the acquisition of Garantia Insurance Company Ltd. The Financial Supervisory Authority (FSA) confirmed the formation of the RaVa Conglomerate in its decision on 23 October 2015.

As a RaVa conglomerate, Taaleri Group publishes its own funds and capital adequacy in accordance with the capital adequacy regulations for financial and insurance conglomerates. On 31 December 2016, Taaleri RaVa conglomerate's own funds amounted to EUR 84.7 (86.9) million, with the minimum requirement being EUR 31.5 (33.5) million. The conglomerate's capital adequacy is EUR 53.2 (53.4) million and the capital adequacy ratio is 268.9 (259.2) percent, with the minimum requirement being 100 percent. The table below also presents the capital adequacy requirements of the RaVa conglomerate calculated according to the Solvency I rules, which were in force on 31 December 2015. The capital adequacy regulations of Solvency II were not in force in the 2015 financial period, so the capital requirements are not comparable.

The Solvency II rules tightened the capital requirements, which is also reflected in the capital adequacy according to the Act on the Supervision of Financial and Insurance Conglomerates (2004/699). Changes in regulations reduced the conglomerate's capital adequacy from EUR 53.6 million to EUR 53.4 million and the capital adequacy ratio from 469 percent to 259 percent.

Capital adequacy of RaVa conglomerate, EUR thousand	Solvency II	Solvency II	Solvency I (valid on 31 December 2015)
	31 December 2016	31 December 2015	31 December 2015
Shareholders' equity of the Taaleri Group	93,850	97,060	97,060
Goodwill and other intangible assets	-2,513	-2,368	-2,368
Equalisation provision	-		-18,716
Minority interests	-354	-2,119	-2,119
Planned distribution of profit	-6,237	-5,670	-5,670
Total of conglomerate's own funds	84,746	86,903	68,187
Financing business' requirement for own funds	7,163	10,844	10,844
Insurance business' requirement for own funds	24,357	22,678	3,700
Minimum amount of own funds of the Conglomerate	31,520	33,522	14,544
Conglomerate's capital adequacy	53,226	53,381	53,643
Conglomerate's capital adequacy ratio	268.9 %	259.2 %	468.8 %

Within the Taaleri Group, the regulatory capital according to Solvency II is determined and reported not only to Garantia Insurance Company Ltd, but also to Taaleri Plc and Garantia together as part of the RaVa conglomerate. Taaleri applies the standard approach in its regulatory capital calculation. The solvency capital requirement (SCR) of the parent company Taaleri Plc and the subsidiary Garantia Insurance Company Ltd was EUR 24.4 (22.7) million. Taaleri's own funds fully comprise its own unrestricted Tier 1 basic funds. The final amount of the requirements of the insurance business' own funds is still being assessed by the Financial Supervisory Authority. The executive management expects the conglomerate's capital adequacy to remain strong, in spite of a possible increase in the capital requirement for insurance risk.

Capital adequacy according to the Act on Credit Institutions and the EU Capital Requirements Regulation

Within the Taaleri Group, the regulatory capital according to the Act on Credit Institutions (610/2014) and the EU Capital Requirements Regulation (CRR) (Regulation (EU) No 575/2013 of the European Parliament and of the Council) is determined and reported to the supervised parties operating in the Financing sector. Taaleri applies the standard approach in the regulatory capital calculation of the credit risk capital requirement and the basic approach in the calculation of the operative risk capital requirement. The Taaleri Group's objective for the capital adequacy of the Financing sector is 12 percent.

On 23 October 2015, the Financial Supervisory Authority granted Taaleri Plc special permission valid until 31 December 2016, based on which a new consolidation group for capital adequacy calculations has been formed for Taaleri, which does not include Taaleri Plc. Due to this, the Group does not report the regulatory capital according to CRR, only the capital adequacy requirement according to RaVa.

On 29 November 2016, the Financial Supervisory Authority granted Taaleri Plc permission not to deduct its holding in Garantia from the Common Equity Tier consolidated in the investment service company as of 1 January 2017. Instead of deducting them, investments in insurance companies must be risk-weighted in accordance with CRR Article 49 Paragraph 4. Special permission is valid from 1 January 2017 until 31 December 2018, assuming that the Company continuously meets the conditions for special permission. Garantia's acquisition cost of EUR 60 million can be left undeducted. Neither is the impact of the result accumulated by the insurance company included in the consolidated Common Equity Tier of the investment service company. When using a method allowed by special permission in the processing of an insurance company investment, the insurance company investment is processed as a risk-weighted item in the consolidated capital adequacy

calculation of the investment service company. The consolidated Common Equity Tier of the investment service company would be negative on 1 January 2017 if the special permission was not applied but the insurance company investment was deducted from the Common Equity Tier. The company meets the requirements for special permission in the situation of 1 January 2017, and considers that it does not need new special permission after this special permission.

Solvency according to the Insurance Companies Act (Solvency II)

The Solvency II regulatory capital requirements for insurance companies entered into force on 1 January 2016. The objective of Solvency II is a harmonised, comprehensive and risk-based regulatory capital framework that promotes internal competition within the EU, the effective utilisation of capital and companies' own risk management and, through this, enhances the security of the benefits of the insured.

On 31 December 2016, Garantia Insurance Company Ltd's own funds amounted to EUR 100.9 (96.1) million, which clearly exceeded the solvency capital requirement of EUR 23.2 (19.0) million. Garantia's solvency ratio, or the ratio of basic own funds to the solvency capital requirement, was 435 (506) percent. The growth in the solvency capital requirement was the result of growth in the market risk related to investments. Garantia's own funds fully comprise its own unrestricted Tier 1 basic funds. Garantia uses neither correlation correction nor volatility correction in the calculation of technical reserves. In the calculation of the solvency capital requirement, Garantia applies a standard formula. Garantia does not apply technical reserve or market risk calculation transitional provisions. The final amount of Garantia's solvency capital requirements is still being assessed by the Financial Supervisory Authority. The executive management expects Garantia's capital adequacy to remain strong, in spite of a possible increase in the capital requirement of insurance risk.

The Solvency II capital adequacy regulations were not valid in the 2015 financial period, neither do they come within the sphere of statutory auditing based on the Insurance Companies Act that came into force on 1 January 2016. The Solvency II capital adequacy figures have not been audited.

DECISIONS MADE AT GENERAL MEETINGS

The extraordinary general meeting of Taaleri Plc decided on 8 January 2016 to amend the Articles of Association and combine the share series. The company's A-series shares were converted to shares corresponding to B-series shares with a 1:1 relationship. Since the combining, the company has only one share series, and each share carries one vote and otherwise equal rights. After the combining, all the company's 28,350,620 shares became subject to trading on the First North Finland market maintained by Nasdaq Helsinki with the trading code TAALA. In the same connection, the company's trade name was changed to Taaleri Plc. The change is related to the more extensive change in the corporate image of the Taaleri Group and its gradual internationalisation.

The extraordinary general meeting of the company also authorised the Board of Directors to decide on the acquisition of no more than 2,000,000 of the company's treasury shares with non-restricted equity in one or several instalments. The authorisation will remain valid for 18 months after the decision of the extraordinary general meeting, and it revokes the authorisation to acquire the company's treasury shares granted at the AGM of 20 March 2015. The shares may be acquired to develop the company's capital structure, to finance or implement corporate acquisitions, investments or other arrangements related to the company's business operations, to be used as part of the company's reward scheme, or to be invalidated if justified from the point of view of the company and its shareholders.

The Annual General Meeting was held on 7 April 2016. It decided to adopt the financial statements for 2015 and discharge the Board of Directors and the CEO from liability for 2015. The AGM decided to distribute dividends of EUR 0.14 per share and to return EUR 0.06 per share from the reserve for invested non-restricted equity, in total EUR 5,661,124. Members of the Board of Directors, Peter Fagernäs, Esa Kiiskinen, Juha Laaksonen, Pertti Laine and Vesa Puttonen, were re-elected as members, and Hanna Maria Sievinen was elected as a new member. Ernst & Young Oy, Authorized audit firm, was re-elected as the company's auditor, with Ulla Nykky, Authorised Public Accountant, as auditor-in-charge.

The AGM decided to authorise the Board of Directors to decide on the issue of new shares and the assignment of treasury shares in the possession of the company on the following terms:

- The Board of Directors may issue new shares and assign treasury shares in the possession of the company to a maximum of 3,000,000 shares.
- The new shares may be issued and the treasury shares possessed by the company may be assigned to the company's shareholders in relation to their ownership of shares or in deviation from the privilege of shareholders by a directed issue, if there is a weighty financial reason for it from the point of view of the company, such as using the shares as consideration in potential corporate acquisitions or other arrangements that are part of the company's business operations, to finance investments or as part of the company's reward scheme.
- The Board of Directors may also decide on a free-of-charge share issue to the company itself.
- The new shares may be issued and the shares possessed by the company may be assigned either against payment or without payment. A directed issue may only be without payment if there is an especially weighty reason for it from the point of view of the company and taking into account the benefit of all its shareholders.
- The Board of Directors will decide on all factors related to share issues and the assignment of shares.
- The authorisation is valid until 7 April 2017.

Peter Fagernäs was re-elected as Chairman of the Board, and Juha Laaksonen was elected as Vice Chairman. The Board of Directors decided to establish two committees: the Inspection Committee and the Reward Committee. Vesa Puttonen was elected as Chairman of the Inspection Committee and Esa Kiiskinen and Hanna Maria Sievinen were elected as its other members. Peter Fagernäs was elected as Chairman of the Reward Committee, and Juha Laaksonen and Pertti Laine were elected as its other members.

Shares and share capital

At the beginning of the period under review, the company had 13,637,049 A-series shares and 14,713,571 B-series shares. The extraordinary general meeting of 8 January 2016 decided to combine the share series without any separate compensation. The shares were recorded in the Trade Register on 28 January 2016, and trading in one share series started on 29 January 2016 on the First North Finland market maintained by Nasdaq Helsinki. Since the combining, Taaleri has a total of 28,350,620 shares. The company's share capital has remained at EUR 125,000.00.

On 29 March 2016, Taaleri Plc submitted an application to Nasdaq Helsinki for the company's shares to be admitted for trading on the main market of Nasdaq Helsinki, which the Financial Supervisory Authority and the stock exchange approved. Trading in the company's shares began on the main market on 1 April 2016. The transfer to the main market increases transparency for investors and increases the company's disclosure obligation.

Taaleri shareholders and treasury shares

Taaleri transferred to the main market of Nasdaq Helsinki in 2016 and the number of owners of the company continued to show strong growth during the financial period. At the end of 2016, the company had 2,704 shareholders, and it had 1,760 at the end of 2015. On 31 December 2016, the company possessed 45,000 (45,000) treasury shares. The company's 10 largest shareholders on 31 December 2016 are presented in the table below, as well as additional information about the division of holdings.

10 largest shareholders 31 December 2016	Percentage of shares and votes
1. Oy Hermitage Ab	8.83
2. Veikko Laine Oy	8.57
3. Juhani Elomaa*	7.30
4. Lombard International Assurance S.A.	5.89
5. Karri Haaparinne**	5.89
6. Berling Capital Oy	5.02
7. Fennia Life Insurance Company Ltd	3.54
8. Swiss Life (Luxembourg) S.A.	2.52
9. Capercaillie Capital Oy	1.88
10. Petri Lampinen	1.85

* includes the share of the controlled company E-capital Oy, 0.94%

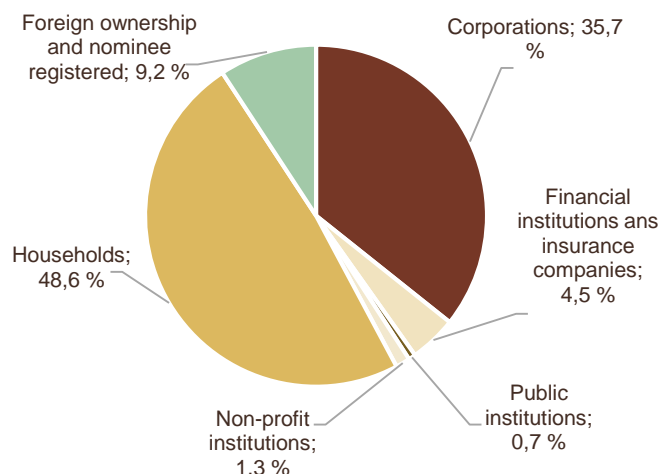
** includes the share of the controlled company Xabis Oy, 0.59%

Distribution of shareholdings 31 December 2016

Lower limit	Share- holders no.	Sharehol- ders %	Book-entry amount no.	Book-entry amount %	Number of votes no.	Number of votes %
1 -100	702	25.96	37 722	0.13	37 722	0.13
101- 500	826	30.55	208 300	0.74	208 300	0.74
501- 1 000	408	15.09	323 525	1.14	323 525	1.14
1 001 – 5 000	353	13.06	820 228	2.89	820 228	2.89
5 001 – 10 000	152	5.62	1 193 284	4.21	1 193 284	4.21
10 001 – 50 000	198	7.32	3 597 715	12.69	3 597 715	12.69
50 001 – 100 000	28	1.04	1 885 215	6.65	1 885 215	6.65
100 001 – 500 0000	27	1.00	6 173 721	21.78	6 173 721	21.78
500 001 – 1 000 000	3	0.11	1 773 742	6.26	1 773 742	6.26
1 000 001 – 10 000 000	7	0.26	12 337 168	43.52	12 337 168	43.52
Total	2 704	100.00	28 350 620	100.00	28 350 620	100.00
of which nominee-registered	5		90 542	0.32	90 542	0.32
Total on waiting list	0		0	0.00	0	0.00
In joint account			0	0.00	0	0.00
Total in special accounts			0	0.00	0	0.00
No. issued			28 350 620	100.00	28 350 620	100.00

Sector	Shareholders	Shares total	%
Companies	272	10,123,521	35.71
Financing and insurance institutions	17	1,267,822	4.47
Public corporations	2	189,447	0.67
Non-profit organisations		382,399	1.35
Households	2,379	13,768,539	48.57
Foreign and nominee-registered	20	2,618,892	9.24
Total	2,690	28,350,620	100.00

SHAREHOLDERS BY SECTOR



Name	Position	Number of shares
Board of Directors		31 December 2016
Peter Fagnäs ¹⁾	Chairman of the Board of Directors	2,503,128
Juha Laaksonen	Vice Chairman of the Board of Directors	-
Pertti Laine ²⁾	Member of the Board of Directors	2,430,694
Esa Kiiskinen ³⁾	Member of the Board of Directors	232,496
Vesa Puttonen ⁴⁾	Member of the Board of Directors	182,224
Hanna Maria Sievinen	Member of the Board of Directors	-
Total		5,348,542
Board of Directors' share of shares and votes, %		18.9%

Executive Management Team		31 December 2016
Juhani Elomaa ⁵⁾	CEO of Taaleri Plc	2,087,006
Karri Haaparinne ⁶⁾	Deputy CEO of Taaleri Plc	1,848,314
Vesa Aho	Managing Director of Garantia	-
Jorma Alanne ⁷⁾	Head of Wealth Management	1,000
Janne Koikkalainen	Head of Legal of Taaleri Plc	10,000
Petri Lampinen	Taaleri Wealth Management Ltd, Managing Director	525,858
Minna Smedsten	CFO of Taaleri Plc	-
Total		4,472,178
Executive Management Team's share of shares and votes, %		15.8%

¹⁾ Peter Fagnäs' shareholding consists of 2,503,128 shares owned by Oy Hermitage Ab, in which he has a controlling interest.

²⁾ Pertti Laine's shareholding consists of 2,430,694 shares owned by Veikko Laine Oy, in which he has a controlling interest.

³⁾ Esa Kiiskinen's shareholding consists of 232,496 shares, 78,891 of which are owned by Saija ja Esa Kiiskinen Oy, in which he has a controlling interest, and 74,714 are owned by Saija Kiiskinen Oy.

⁴⁾ Vesa Puttonen's shareholding consists of 182,224 shares owned by Enabla Oy, in which he has a controlling interest.

⁵⁾ Juhani Elomaa's shareholding consists of 2,087,006 shares, 266,656 of which are owned by E-Capital Oy, in which he has a controlling interest, and 16,175 are owned by other related parties.

⁶⁾ Karri Haaparinne's shareholding consists of 1,848,314 shares, 167,683 of which are owned by Xabis Oy, in which he has a controlling interest, and 178,539 are owned by other related parties.

⁷⁾ Jorma Alanne's shareholding consists of 1,000 shares owned by Alanne Capital Oy, in which he has a controlling interest.

Personnel

Professional and motivated personnel are Taaleri's most important success factor and strength. The turnover of the company's personnel has been very low throughout its operations, and successful recruitments have enabled the company to grow.

The Group employed an average of 167 (163) full-time personnel during the period under review. There were 123 (119) full-time people in the Wealth Management segment, 21 (18) in the Financing segment and 4 (0) in the Energia segment. The full-time personnel of other business operations averaged 18 (23). Of the personnel, 95 percent were employed in Finland and 5 percent abroad.

The personnel costs of the Taaleri Group totalled EUR 22.4 (19.3) million during the period under review. In comparison to the previous year, personnel costs were increased by the inclusion of Garantia in the Group's figures for the whole of the financial period, and the costs of bonuses and synthetic options, amounting to EUR 5.6 million (4.7).

Company administration and management during the financial period

The composition of the Board of Directors in the period 1 January–7 April 2016 was Peter Fagernäs, Juha Laaksonen, Esa Kiiskinen, Pertti Laine and Vesa Puttonen. Composition of the Board of Directors in the period 7 April–31 December 2016:

- Peter Fagernäs, Chairman
- Juha Laaksonen, Vice Chairman
- Esa Kiiskinen
- Pertti Laine
- Vesa Puttonen
- Hanna Maria Sievinen

The Board of Directors has an Inspection Committee and a Reward Committee. Juhani Elomaa was CEO of the parent company throughout the period, and Karri Haaparinne Deputy CEO. There is a Group Executive Management Team, whose main task is to assist the CEO by preparing area-specific strategies and policies, operating plans, internal guidelines and various monthly reports to be processed jointly by the Management Team and potentially by the Board of Directors.

At the end of the 2016 financial period, the Group Executive Management Team comprised CEO of Taaleri Plc Juhani Elomaa, Deputy CEO Karri Haaparinne, Head of Legal Janne Koikkalainen and CFO Minna Smedsten. The Group Executive Management Team also included Head of Wealth Management Jorma Alanne, Managing Director of Taaleri Wealth Management Ltd Petri Lampinen and Managing Director of Garantia Insurance Company Ltd Vesa Aho.

Ernst & Young Oy, Authorised Public Accountants, served as the company's auditor with Ulla Nykky APA as appointed auditor.

On its website at www.taaleri.com/en/investor-relations, Taaleri publishes a separate report on its corporate governance.

The company's share capital and changes to it during the financial period

On 31 December 2016, the company's share capital was EUR 125,000.00.

Incentive schemes

On 4 December 2013, the Board of Directors of Taaleri 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 shares and partly in cash. On 19 February 2015, the Board decided that, in terms of the number of shares in the synthetic option programme, the effect of the share issue decided upon by the extraordinary general meeting on 12 February 2015 would be taken

into account, so that it would have no impact on the value of the synthetic option rights. Because of this, a maximum of 800,000 new shares can be granted, including the part paid in cash.

On 28 October 2015, the Board of Directors of Taaleri 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 2019–2020 in cash. At the moment of granting, the bonuses paid based on the incentive scheme will correspond to the value of a total of no more than about 800,000 Taaleri Plc shares, including the part paid in cash.

Changes in Group structure

Taaleri Plc serves as parent company for the Group, whose subsidiaries are Taaleri Wealth Management Ltd and its subsidiaries Taaleri Private Equity Funds Ltd, Taaleri Investments Ltd, Garantia Insurance Company Ltd and Taaleri Energia Oy.

On 30 March 2016, Taaleri Plc purchased the minority 25 percent holding in Taaleri Private Equity Funds Ltd and so now owns 100 percent of the company. As a result of this transaction, the Group's equity was reduced by EUR 11.3 million. On 29 April 2016, Taaleri Investments sold its holding in Forest Fund II, in which Taaleri Plc had a controlling interest in accordance with IFRS 10, and which was included in the financial statements of Taaleri Group until 29 April 2016. As a result of the transaction, a profit of EUR 8.5 million was recorded in 2016.

During the financial period, Taaleri Plc established Taaleri Energia Oy, which was capitalised to the tune of EUR 0.7 million, and Taaleri Kapitaali Oy. In 2016, Taaleri Wealth Management Ltd's share of Taaleri Portföy Yönetimi A.S. fell from 84 percent to 83 percent, when the company was capitalised in July 2016. Bonus Solutions Oy, a subsidiary of Taaleri Investments Ltd, was capitalised by EUR 0.3 million.

During the 2016 financial period, Taaleri Private Equity Funds Ltd and Taaleri Investments Ltd established new administrative subsidiaries and subscribed to 100 percent of their shares.

Board's proposal for measures concerning profit and unrestricted capital

The parent company's results for the financial period 1 January–31 December 2016 amounted to EUR 6,364,826.18, and the parent company's distributable assets on 31 December 2016 were EUR 42.8 million. The Board proposes to the Annual General Meeting to be held on 29 March 2017 that EUR 0.22 per share of dividend be distributed based on the balance sheet adopted for the financial period ending on 31 December 2016, making total dividends of EUR 6,237,136.40. The dividend record date will be 31 March 2017, and the dividend payment date will be 7 April 2017. No material changes have taken place in the company's financial position since the end of the financial period. The proposed distribution of dividends does not jeopardise the company's solvency.

Comment on the scope of research and development activity

During 2016, Taaleri established the new Energia segment, and personnel costs in particular as well as start-up costs have been allocated to its development. Development work for IT systems and administrative processes has been targeted at the operations of Taaleri Group subsidiaries in 2016, aiming to boost Group operations. During the financial period, the product range of the Group's business areas has been deliberately expanded.

Material events after the financial period

On 29 February 2016, Taaleritehtaan Biotehdas I Ky and Gasum Ltd carried out ownership reorganisation, in which ownership of the Biofactory chain was transferred to Gasum. The divestment process has not yet been completed, and it is expected that it will be during the first half of 2017.

Since the end of the financial period, the business of Taaleri Group has continued as planned. Among other things, Taaleri has succeeded in collecting a good number of commitments to invest in the new funds launched at the end of the year, Taaleri Solar Wind Fund, Taaleri Property Fund II and Taaleri Rental Home Fund.

Estimate of likely future development

The company's management thinks that the business environment has become more demanding, but that the company has an opportunity to win market share in capital markets. The development of the Wealth Management segment has been positive, particularly in the latter half of the year, and the company has gained new customers in a competitive market, thanks to successful and varied private equity fund projects. The development of the Financing segment has been positive, both in relation to premiums written and claims incurred. The company believes that through active sales and high-level risk management, significant growth can be achieved. It is expected that the Group's expansion into the energy sector will significantly increase the assets managed by the company's private equity funds in the long term.

Taaleri's Board of Directors confirms at least 20 percent of income as the new target for operating profit. Financial targets related to growth are growth of more than 15 percent per annum in assets under management for the Wealth Management segment and growth of more than 15 percent per annum in gross premiums written for the Financing segment. Taaleri's target for return on equity over a long period is more than 15 percent and equity ratio is at least 30 percent. In addition to these, the company is endeavouring to increase the amount of dividend it distributes, and annually to distribute a competitive dividend, taking into account the company's financial and financing situation, the capital adequacy requirements, and future investment plans.

KEY FIGURES

GROUP	7-12/2016 IFRS	7-12/2015 IFRS	1-12/2016 IFRS	1-12/2015 IFRS
Income, EUR 1,000	26,900	28,447	60,569	58,401
Adjusted income, EUR 1,000 ¹⁾	26,900	28,447	60,569	58,401
Operating profit (-loss), EUR 1,000	4,591	8,252	16,340	47,379
- as percentage of turnover	17.1 %	29.0 %	27.0 %	81.1 %
Adjusted operating profit (-loss), EUR 1,000 ¹⁾	4,591	8,252	16,340	20,092
- as percentage of turnover	17.1 %	29.0 %	27.0 %	34.4 %
Net profit for the period, EUR 1,000	3,586	6,930	12,771	44,087
- as percentage of turnover	13.3 %	24.4 %	21.1 %	75.5 %
Adjusted net profit for the period, EUR 1,000 ¹⁾	3,586	6,930	12,771	16,800
- as percentage of turnover	13.3 %	24.4 %	21.1 %	28.8 %
Basic earnings per share, EUR	0.12	0.21	0.45	1.53
Adjusted basic earnings per share, EUR ¹⁾	0.12	0.21	0.45	0.55
Basic earnings per share, continuing operations, EUR	0.12	0.21	0.45	1.54
Diluted earnings per share, EUR	0.12	0.20	0.45	1.52
Diluted earnings per share, continuing operations, EUR	0.12	0.20	0.45	1.53
Return on equity % (ROE) ²⁾	7.9 %	14.8 %	13.4 %	65.3 %
Adjusted return on equity-% (ROE) ^{1) 2)}	7.9 %	14.8 %	13.4 %	24.9 %
Return on equity at fair value % (ROE) ²⁾	14.4 %	14.2 %	16.5 %	58.6 %
Adjusted return on equity at fair value % (ROE) ^{1) 2)}	14.4 %	14.2 %	16.5 %	18.2 %
Return on assets % (ROA) ²⁾	3.7 %	6.5 %	5.9 %	23.9 %
Adjusted return on assets % (ROA) ^{1) 2)}	3.7 %	6.5 %	5.9 %	9.1 %
Cost/income ratio	83.0 %	70.4 %	73.2 %	67.5 %
Price/earnings (P/E) ²⁾	33.1	20.4	18.4	5.5
Number of employees, avg	184	174	179	175

1) In the adjusted key figures, the impact of EUR 28,567 thousand of negative goodwill recognised as income in 2015 and expenses of EUR 1,280 thousand directly relating to the Garantia acquisition have been deducted.

2) Annualized.

GROUP	7-12/2016 IFRS	7-12/2015 IFRS	1-12/2016 IFRS	1-12/2015 IFRS
Equity ratio -%			44.0 %	44.8 %
Modified equity ratio % ¹⁾			44.0 %	44.8 %
Net gearing -%			19.7 %	48.6 %
Equity/share, EUR			3.30	3.35
Dividend/share, EUR ²⁾			0.22	0.20
Dividend/earnings, % ²⁾			49.2 %	13.0 %
Effective dividend yield, % ²⁾			2.7 %	2.4 %
Loan receivables, EUR 1,000			6,919	9,416
Conglomerate's capital adequacy ratio, %			269%	259%
Number of shares at the end of period ³⁾	28,305,620	28,305,620	28,305,620	28,305,620
Number of series A shares at the end of period ³⁾	n/a	13,592,049	n/a	13,592,049
Number of series B shares at the end of period ³⁾	n/a	14,713,571	n/a	14,713,571
Average number of shares ³⁾	28,305,620	28,305,620	28,305,620	27,684,777
Average number of series A shares (act/act) ³⁾	n/a	13,877,799	n/a	14,671,451
Average number of series B shares (act/act) ³⁾	n/a	14,427,821	n/a	13,013,327
Share average price, EUR ⁴⁾	8.49	8.27	8.73	8.10
- highest price, EUR	9.45	9.25	9.50	9.25
- lowest price, EUR	8.00	7.80	8.00	6.04
- closing price, EUR	8.24	8.38	8.24	8.38
Market capitalization, EUR 1,000 ⁵⁾	233,238	237,201	233,238	237,201
Shares traded, thousands ⁴⁾	1,039	1,033	2,719	2,148
Shares traded, % ⁴⁾	4%	7%	10%	17%

1) Modified equity ratio relates to a covenant term of a bond issued by 1) Modifioitu omavaraisuusaste liittyy konsernin liikkeelle up to 2014. From 2015 it equals the equity ratio, because Lainaamo Plc is no longer consolidated into the Group, and therefore the equity ratio does not need to be modified. See calculation formula on page 25.

2) The Board's proposal for 2016 EUR 0.22 dividend/share.

The 2015 dividend consists of a dividend of EUR 0.14 per share and a return of capital of EUR 0.06 per share.

3) Adjusted for share issues and reduced by own shares acquired

4) In January 2016 Taaleri Plc's two share series were combined. Key figures from 2014 and 2015 reflect series B shares which were traded before the combination.

5) Reduced by own shares acquired. In the key figures from 2014 and 2015 Series A shares have been valued at the Series B share closing price.

All per share key figures have been adjusted in accordance with the bonus issue in March 2015 (1:3).

INSURANCE OPERATIONS KEY FIGURES

The insurance business key figures have been calculated in accordance with the rules, regulations and instructions of the Finnish Financial Supervisory Authority (FSA). Taaleri's insurance business operations consist entirely of Garantia Insurance Company Ltd. Garantia Insurance Company Ltd has been consolidated from 1 April 2015. The key figures below are for comparative reasons presented from the beginning of 2015.

EUR 1,000	7-12/2016	7-12/2015	1-12/2016	1-12/2015
Premiums written	6,748	5,547	12,218	10,019
Other items ¹⁾	-1,655	-533	-2,751	-170
Earned premiums	5,093	5,015	9,467	9,849
Claims incurred	-756	-1,183	-1,174	-1,492
Operating expenses	-2,829	-2,352	-4,966	-4,778
Balance on technical account before changes in equalisation provision	1,508	1,480	3,327	3,579
Change in equalisation provision	756	-1,116	1,174	-3,517
Balance on technical account	2,264	364	4,501	62
Investment income and expenses, net	1,929	1,605	3,212	8,460
Earnings before tax	4,192	1,970	7,713	8,523
Combined ratio, %	70%	70%	65%	64%
Claims ratio, %	15%	24%	12%	15%
Expense ratio %	56%	47%	53%	49%
Return on investments at fair value, %	4.2 %	1.1 %	5.8 %	4.6 %
Solvency ratio (S2), % ²⁾	435%	506%	435%	506%
Insurance exposure, EUR billion	1.32	1.16	1.32	1.16
Number of employees, avg	22	23	22	25

1) Reinsurers share of premiums written, change in provision for unearned premiums and reinsurers' share of change in provision for unearned premiums.

2) The Solvency II regulations were not in force during the 2015 financial year and they do not fall within the sphere of statutory auditing under the Insurance Companies Act that entered into force on 1 January 2016. The Solvency II -figures have not been audited.

KEY FIGURES ACCOUNTING PRINCIPLES

Basic earnings per share, EUR
$$\frac{\text{Profit or loss attributable to ordinary share holders of the parent company}}{\text{Weighted average number of ordinary shares outstanding - repurchased own shares}}$$

Diluted earnings per share, EUR
$$\frac{\text{Profit or loss attributable to ordinary share holders of the parent company}}{\text{Weighted average number of ordinary shares outstanding + dilutive potential ordinary shares - repurchased own shares}}$$

Alternative performance measures

The Alternative Performance Measures Guidelines issued by the European Securities and Markets Authority (ESMA) came into force on 3 July 2016. The Alternative Performance Measures (APMs) are presented to illustrate the financial performance of business operations and to improve comparability between reporting periods. They should not be considered to be replacements for the performance measures defined in IFRS -standards.

Taaleri presents certain adjusted key figures that are named "adjusted" as in previous years. No changes have been made to the accounting principles of these key figures and the adjustments made are presented below.

In addition to the adjusted key figures, Taaleri also reports other key figures that are not defined in IFRS. No changes have been made to definitions or names of these key figures since the financial reporting in 2015 and the formulas are presented below.

The table below presents the adjustments made in the adjusted key figures.

Items affecting comparability, EUR 1,000	H2 2016	H1 2016	H2 2015	H1 2015
Finsilva fair value change	-	-	-	-
Total items affecting comparability in income	-	-	-	-
Negative goodwill and expenses directly relating to the Garantia acquisition	-	-	-	27,287
Total items affecting comparability in operating profit	-	-	-	27,287
Total items affecting comparability in net profit for the period	-	-	-	27,287

Return on equity (ROE), %
$$\frac{\text{Profit for the period} \times 100}{\text{Total equity (average of the beginning and end of the year)}}$$

Return on equity at fair value % (ROE)
$$\frac{\text{Total comprehensive income for the period} \times 100}{\text{Total equity (average of the beginning and end of the year)}}$$

Return on assets (ROA), %
$$\frac{\text{Profit for the period} \times 100}{\text{Balance sheet total (average of the beginning and end of the year)}}$$

Cost/income ratio, %
$$\frac{\text{fee and commission expense} + \text{interest expense} + \text{administrative expenses} + \text{depreciation} + \text{other operating expenses}}{\text{total income} + \text{share of associates' profit or loss}}$$

Price/Earnings (P/E)
$$\frac{\text{Price of series B share at the end of the period}}{\text{Earnings/share}}$$

Equity ratio, %
$$\frac{\text{Total equity} \times 100}{\text{Balance sheet total}}$$

Modified equity ratio, %
$$\frac{(\text{total equity} + \text{minority interest} + \text{voluntary provisions less deferred tax liability excluding Lainaamo consolidation}) \times 100}{\text{balance sheet total excluding Lainaamo consolidation}}$$

Net gearing ratio, %
$$\frac{(\text{Interest-bearing liabilities} - \text{cash and cash equivalents}) \times 100}{\text{Total equity}}$$

Equity/share, EUR
$$\frac{\text{Equity attributable to ordinary share holders of the parent company}}{\text{Number of shares at end of period - repurchased own shares}}$$

Dividend/share, EUR	$\frac{\text{Dividend payable for the financial period} \times 100}{\text{Weighted average number of ordinary shares}}$
Dividend/earnings, %	$\frac{\text{Dividend/share} \times 100}{\text{Basic earnings per share}}$
Effective dividend yield, %	$\frac{\text{Dividend/share} \times 100}{\text{Price of series B share at the end of the period}}$
Conglomerate's capital adequacy ratio, %	$\frac{\text{Conglomerate's total capital base}}{\text{Conglomerate's minimum requirement of total capital base}}$
Total capital in relation to risk-weighted items	$\frac{\text{Total Capital (TC)}}{\text{Risk-weighted items (Total risk)}}$
Common equity tier in relation to risk-weighted items	$\frac{\text{Common Equity Tier (CET1)}}{\text{Risk-weighted items (Total risk)}}$
Market capitalization	Number of shares (A + B) at end of financial period, less repurchased own shares, multiplied by stock exchange price of series B share at end of financial period
Shares traded, %	$\frac{\text{Shares traded during the financial period} \times 100}{\text{Weighted average number of ordinary shares outstanding}}$

KEY FIGURES FOR INSURANCE OPERATIONS

The key figures for the insurance operations are calculated based on regulations from the Financial Supervisory Authority. In calculating the key figures, the function-specific expenses of the insurance companies are used, which are not presented on the same principles as in the Group's income statement.

Combined ratio, %	Claims ratio, % + Expense ratio, %
Claims ratio, %	$\frac{\text{Claims incurred} \times 100}{\text{Insurance premium income}}$ This key figure is calculated after the share of the reinsurers.
Expense ratio, %	$\frac{\text{Operating costs} \times 100}{\text{Insurance premium income}}$ This key figure is calculated after the share of the reinsurers.
Solvency ratio (S2), %	$\frac{\text{Basic own funds} \times 100}{\text{Solvency capital requirement (SCR)}}$

CONSOLIDATED INCOME STATEMENT

EUR 1,000	Note	7-12-2016	7-12-2015	1-12-2016	1-12-2015
CONTINUING OPERATIONS					
Fee and commission income		16,130	16,032	33,238	31,801
Net income from insurance		6,528	5,412	12,328	13,156
From guaranty insurance operations		4,563	3,832	8,714	6,401
From investment operations		1,964	1,580	3,614	6,756
Net gains or net losses on trading in securities and foreign currencies		898	698	9,898	1,651
Income from equity investments			2,219	1,334	4,850
Interest income		295	437	700	913
Other operating income		3,048	3,650	3,071	6,029
TOTAL INCOME		26,900	28,447	60,569	58,401
Fee and commission expense		-2,191	-1,916	-4,326	-3,901
Interest expense		-1,100	-1,421	-2,313	-2,906
Administrative expenses					
Personnel costs		-11,778	-9,490	-22,383	-19,251
Other administrative expenses		-3,171	-3,043	-7,179	-5,529
Negative goodwill		-	-	-	28,567
Depreciation, amortisation and impairment of tangible and intangible assets		-812	-490	-1,388	-871
Other operating expenses	4	-3,313	-3,851	-6,870	-7,161
Impairment losses on loans and other receivables		-	-228	60	-228
Share of associates' profit or loss		56	246	169	258
OPERATING PROFIT		4,591	8,252	16,340	47,379
Income tax expense		-1,005	-1,322	-3,568	-2,976
PROFIT FROM CONTINUING OPERATIONS		3,586	6,930	12,771	44,403
DISCONTINUED OPERATIONS					
Loss from discontinued operations		-	-	-	-316
PROFIT FOR THE PERIOD		3,586	6,930	12,771	44,087
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME					
		7-12-2016	7-12-2015	1-12-2016	1-12-2015
Profit for the period		3,586	6,930	12,771	44,087
Items that may be reclassified to profit or loss					
Translation differences		-152	-24	-110	-158
Available-for-sale financial assets		3,843	-296	3,887	-5,497
Income tax		-769	59	-777	1,099
Items that may be reclassified to profit or loss in total		2,922	-261	2,999	-4,555
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		6,509	6,668	15,770	39,532
Profit for the period attributable to:					
Owners of the parent company		3,525	5,825	12,661	42,455
Non-controlling interests		61	1,104	110	1,632
Total		3,586	6,930	12,771	44,087
Total comprehensive income for the period attributable to:					
Owners of the parent company		6,447	5,564	15,660	37,900
Non-controlling interests		61	1,104	110	1,632
Total		6,509	6,668	15,770	39,532
Total comprehensive income for the period attributable to the owners of the parent company					
Continuing operations		6,447	5,564	15,660	38,216
Discontinued operations		-	-	-	-316
Total		6,447	5,564	15,660	37,900
Earnings per share for profit attributable to the shareholders of the parent company					
		7-12-2016	7-12-2015	1-12-2016	1-12-2015
Basic earnings per share, continuing operations		0.12	0.21	0.45	1.54
Diluted earnings per share, continuing operations		0.12	0.20	0.45	1.53
Basic earnings per share, discontinued operations		-	-	-	-0.01
Diluted earnings per share, discontinued operations		-	-	-	-0.01
Basic earnings per share, profit for the period		0.12	0.21	0.45	1.53
Diluted earnings per share, profit for the period		0.12	0.20	0.45	1.52

Income is presented as gross figures, except for gains or losses on trading in securities and foreign currencies, which are presented as net figures to give a fair presentation of the operations. Gross figures are presented for insurance income from 2016 onward.

CONSOLIDATED BALANCE SHEET

Assets, EUR 1,000	Note	31/12/2016	31/12/2015
Receivables from credit institutions	2, 3	55,148	27,983
Receivables from the public and general government	2, 3, 4	6,919	9,416
Debt securities	2, 3	100	1,541
Shares and units	2, 3	7,353	45,154
Participating interests	2, 3, 8	4,185	2,958
Derivative instruments	2, 3	28	-
Insurance assets	2, 3	126,202	116,715
Insurance assets		2,740	2,628
Investments		123,463	114,087
Intangible assets		2,514	2,369
Goodwill		627	627
Other intangible assets		1,886	1,741
Tangible assets		503	546
Other assets		4,846	4,877
Accrued income and prepayments		4,898	4,956
Deferred tax assets		566	249
		213,262	216,764
<hr/>			
Liabilities, EUR 1,000	Note	31/12/2016	31/12/2015
LIABILITIES		119,412	119,704
Liabilities to credit institutions	2, 3	8,967	14,939
Liabilities to the public and general government	2, 3	-	30,250
Debt securities issued to the public	2, 3	64,691	29,946
Insurance liabilities	2, 3, 5	14,998	13,071
Other liabilities		1,411	3,583
Accrued expenses and deferred income		12,494	10,186
Deferred tax liabilities		16,852	17,729
EQUITY CAPITAL	6	93,850	97,060
Share capital		125	125
Reserve for invested non-restricted equity		35,814	37,512
Fair value reserve		-1,288	-4,398
Translation difference		-248	-138
Retained earnings or loss		46,432	19,384
Profit or loss for the period		12,661	42,455
Non-controlling interest		354	2,119
		213,262	216,764

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1,000	1/1-31/12/2016	1/1-31/12/2015
Cash flow from operating activities:		
Operating profit (loss)	16,340	47,379
Depreciation	1,388	871
Change in goodwill	-	-28,567
Other adjustments		
Changes in fair value of investments		
- Held for trading	6,669	6,813
- Available-for-sale	3,109	-4,398
Other adjustments	-666	-939
Cash flow before change in working capital	26,841	21,159
Change in working capital		
Increase (-)/decrease (+) in loan receivables	2,498	-3,124
Increase (-)/decrease (+) in current interest-free receivables	-120	3,237
Increase (+)/decrease (-) in current interest-free liabilities	2,120	-588
Cash flow from operating activities before financial items and taxes	31,338	20,684
Direct taxes paid (-)	-2,890	-1,681
Cash flow from operating activities (A)	28,448	19,004
Cash flow from investing activities:		
Investments in tangible and intangible assets	-1,490	994
Investments in subsidiaries and associated companies net of cash acquired	-1,240	-17,962
Other investments	-8,605	-10,281
Cash flow from investing activities (B)	-11,335	-27,249
Cash flow from financing activities:		
Chargeable changes in equity capital	-	23,200
Purchase of own shares	185	10
Transactions with non-controlling interests	-12,000	-
Debt securities issued to the public	35,000	-
Increase (+)/decrease (-) in non-current liabilities	-6,000	-15,250
Dividends paid and other distribution of profit		
To parent company shareholders	-5,661	-2,264
To non-controlling shareholders	-1,472	-1,004
Cash flow from financing activities (C)	10,052	4,693
Increase/decrease in cash and cash equivalents (A+B+C)	27,166	-3,553
Cash and cash equivalents at beginning of period	27,983	31,536
Cash and cash equivalents at end of period	55,148	27,983
Net change in cash and cash equivalents	27,166	-3,553

CHANGES IN GROUP EQUITY CAPITAL

	Share capital	Available-for-sale	Reserve for invested non-restricted equity	Translation differences	Retained earnings	Total	Non-controlling interests	Equity total
2016, EUR 1,000								
01/01/2016	125	-4,398	37,512	-138	61,839	94,941	2,119	97,060
Total comprehensive income for the financial period	-	3,109	-	-110	12,661	15,660	110	15,770
Earnings for the period	-	-	-	-	12,661	12,661	110	12,771
Other comprehensive income items	-	3,109	-	-110	-	2,999	-	2,999
Chargeable additions to equity	-	-	-	-	-	-	-	-
Distribution of profit	-	-	-1,698	-	-3,963	-5,661	-1,472	-7,133
Dividend EUR 0.14/share	-	-	-	-	-3,963	-3,963	-	-3,963
Return of capital EUR 0.06/share	-	-	-1,698	-	-	-1,698	-	-1,698
Distribution of profit for subgroup	-	-	-	-	-	-	-1,472	-1,472
Purchase of own shares	-	-	-	-	-	-	-	-
Share-based payments payable as equity	-	-	-	-	185	185	-	185
Transactions with non-controlling interests ¹⁾	-	-	-	-	-11,232	-11,232	-451	-11,683
Other	-	-	-	-	-397	-397	47	-350
31/12/2016	125	-1,288	35,814	-248	59,093	93,496	354	93,850

	Share capital	Available-for-sale	Reserve for invested non-restricted equity	Translation differences	Retained earnings	Total	Non-controlling interests	Equity total
2015, EUR 1,000								
01/01/2015	125	-	14,638	20	21,637	36,420	1,447	37,868
Total comprehensive income for the financial period	-	-4,398	-	-158	42,455	37,900	1,632	39,532
Earnings for the period	-	-	-	-	42,455	42,455	1,632	44,087
Other comprehensive income items	-	-4,398	-	-158	-	-4,555	-	-4,555
Chargeable additions to equity	-	-	22,874	-	-	22,874	-	22,874
Distribution of profit	-	-	-	-	-2,264	-2,264	-1,004	-3,268
EUR 0.09/share for Series A shares	-	-	-	-	-1,473	-1,473	-	-1,473
EUR 0.09/share for Series B shares	-	-	-	-	-791	-791	-	-791
Distribution of profit for subgroup	-	-	-	-	-	-	-1,004	-1,004
Purchase of own shares	-	-	-	-	-195	-195	-	-195
Share-based payments payable as equity	-	-	-	-	206	206	-	206
Other	-	-	-	-	-	-	43	43
31/12/2015	125	-4,398	37,512	-138	61,839	94,941	2,119	97,060

1) See note 7.

SEGMENT INFORMATION

Business segments

Taaleri Group's business segments are Wealth Management, Financing, and Energy. Any activity not belonging to these segments is presented in "Other operations".

The Wealth Management segment consists of the investment service company Taaleri Wealth Management Ltd and its subsidiary Taaleri Private Equity Funds Ltd Group. The segment also includes Taaleri Kapitaali Oy. Fee and commission income is the most significant income item in the Wealth Management segment. Costs mainly comprise personnel and other administrative expenses as well as fee and commission expenses. The most significant type of business risk is operative risk, but the business also entails market risk and credit risk.

The Financing segment fully comprises Garantia Insurance Company Ltd. Garantia is an insurance company specialising in guaranty insurance. Garantia guarantees funding and other liabilities for Finnish companies, and insures investment-related risks. The most significant income items in the Financing segment are fee and commission income from guaranty insurance and investment income. The most significant risks in the guaranty business are insurance risks and investment risks.

The Energy segment comprises Taaleri Energia Oy and Taaleri Energia Operations Oy. Taaleri Energia works actively in international energy infrastructure markets seeking new investment opportunities. Operations are based on a life-cycle model, which begins by seeking and selecting targets of development, then continuing on through project development, construction and operation to the controlled shutdown of energy plants. Since 1 July 2016, income from the Energy business has been based on fund units from the Energy segment. The Energy business also develops projects whose income and costs are recorded in the financial period when the end result of the project can be reliably assessed. The Energy business also includes operating and maintenance services for wind farms from which annual fees are received. The most significant risks of the Energy business are country risks related to international projects and market risks and credit risks.

Other operations include the Group administration services of Taaleri Plc that support the segments and the investments on the Group's own balance sheet that are implemented through Taaleri Investments Ltd. The costs of services that support the business segments are allocated to the segments and charged monthly.

SEGMENT INFORMATION - EARNINGS

1 January–31 December 2016, EUR 1,000	Continuing operations				TOTAL
	WEALTH MANAGEMENT	FINANCING	ENERGY	OTHER	
Continuing earnings	28,327	12,328	336	2,494	43,486
Performance fees	5,781	-	-	-	5,781
Sales profits	2,963	-	-	8,508	11,471
Total income	37,072	12,328	336	11,002	60,738
Fee and commission expense	-4,247	-	-15	-61	-4,323
Interest expense	-41	-	-	-2,266	-2,307
Personnel costs	-13,802	-3,610	-521	-4,450	-22,383
Direct expenses	-5,790	-1,434	-273	-3,091	-10,588
Depreciation, amortisation and impairment	-914	-204	-3	-27	-1,148
Impairment losses on loans and other receivables	60	-	-	-	60
Operating profit before overhead costs	12,338	7,080	-476	1,107	20,050
Overhead costs	-6,168	-435	-392	3,284	-3,710
Allocation of financing expenses	-	-2,019	-	2,019	-
Operating profit before valuations	6,171	4,626	-868	6,411	16,340
Change in fair value of investments	809	3,064	-	14	3,887
Profit before taxes and non-controlling interests	6,979	7,690	-868	6,425	20,226

1 January–31 December 2015, EUR 1,000	Continuing operations				TOTAL
	WEALTH MANAGEMENT	FINANCING	ENERGY	OTHER	
Continuing earnings	28,788	12,460	-	6,145	47,393
Performance fees	4,495	-	-	-	4,495
Sales profits	6,075	696	-	-	6,771
Total income	39,358	13,156	-	6,145	58,659
Fee and commission expense	-3,852	-	-	-49	-3,901
Interest expense	-32	-	-	-2,874	-2,906
Personnel costs	-13,382	-2,353	-	-3,516	-19,251
Direct expenses	-5,691	-1,670	-	-2,096	-9,457
Depreciation, amortisation and impairment	-435	-179	-	-8	-622
Impairment losses on loans and other receivables	-228	-	-	-	-228
Operating profit before overhead costs	15,739	8,954	-	-2,399	22,294
Overhead costs	-5,970	-210	-	2,698	-3,482
Allocation of financing expenses	-	-2,024	-	2,024	-
Operating profit before valuations	9,769	6,720	-	2,323	18,812
Recognition of negative goodwill	-	28,567	-	-	28,567
Change in fair value of investments	153	-5,650	-	-	-5,497
Profit before taxes and non-controlling interests	9,921	29,637	-	2,323	41,882

Reconciliations

Reconciliation of total income	2016	2015
Total income of segments	60,738	58,659
Share of associates' profit or loss allocated to total income of segments	-169	-258
Consolidated total income	60,569	58,401
Reconciliation of operating profit	2016	2015
Total earnings of segments before taxes and non-controlling interests	20,226	41,882
Change in fair value of investments	-3,887	5,497
Consolidated operating profit	16,340	47,379

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1 ACCOUNTING POLICIES

The financial statements bulletin has been prepared in accordance with IAS 34 (Interim Financial Reporting) and with the accounting policies presented in the financial statements 2015, with exception of the changes described below.

The financial statements bulletin is unaudited. All figures in the accounts have been rounded and consequently the sum of individual figures can deviate from the presented sum figure.

The financial statements bulletin is available in Finnish and English. The Finnish version is the official financial statements bulletin that will apply if there is any discrepancy between the language versions.

Changes in accounting principles

The criteria for a significant and prolonged decline in the fair value of an investment in an equity instrument has been changed. If the fair value of an equity instrument is 20 % less than the acquisition cost at the end of the accounting period or if the fair value has been less than the acquisition cost for at least 12 months, the instrument is seen to be impaired. The previous definition of a prolonged decline was 24 months. The change does not affect previously booked impairments.

The Group has implemented these new or amended IFRS standards and interpretations mandatory as of 1 January 2016:

- Amendments to IAS 1 Presentation of Financial Statements - Disclosure Initiative
- Annual Improvements to IFRSs 2012–2014 cycle

The adoption of the changed standards above have no material impact on the reported results or financial position.

2 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities 31 December 2016, EUR 1,000

Financial assets	Loans and receivables	At fair value through profit or loss	Available-for-sale	Total	Fair value
Receivables from credit institutions ¹⁾	55,148	-	-	55,148	55,148
Receivables from the public and general government ¹⁾	6,919	-	-	6,919	6,919
Debt securities	-	-	100	100	100
Shares and units	-	3,233	4,120	7,353	7,353
Derivative instruments	-	28	-	28	28
Insurance assets	-	-	123,463	123,463	123,463
Other financial assets	7,297	-	-	7,297	-
Financial assets total	69,364	3,261	127,682	200,307	
Participating interests	-	-	-	4,185	-
Other than financial instruments	-	-	-	8,770	-
Assets in total 31 December 2016	-	-	-	213,262	

Financial liabilities	At fair value through profit or loss	Other liabilities	Total	Fair value
Liabilities to credit institutions ¹⁾	-	8,967	8,967	8,967
Debt securities issued to the public ²⁾	-	64,691	64,691	67,084
Other financial liabilities	-	9,006	9,006	-
Financial liabilities total	-	82,664	82,664	
Other than financial liabilities	-	-	36,748	-
Liabilities in total 31 December 2016	-	-	119,412	

1) The carrying amount of these receivables and liabilities are seen as the best estimate of their fair values.

2) Bonds included in Debt securities issued to the public are carried at amortised cost.

Financial assets and liabilities 31 December 2015, EUR 1,000

Financial assets	Loans and receivables	At fair value through profit or loss	Available-for-sale	Total	Fair value
Receivables from credit institutions ¹⁾	27,983	-	-	27,983	27,983
Receivables from the public and general government ¹⁾	9,416	-	-	9,416	9,416
Debt securities	-	-	1,541	1,541	1,541
Shares and units	-	42,576	2,579	45,154	45,154
Insurance assets	-	-	114,087	114,087	114,087
Other financial assets	7,096	-	-	7,096	-
Financial assets total	44,495	42,576	118,207	205,278	
Participating interests	-	-	-	2,958	-
Other than financial instruments	-	-	-	8,528	-
Assets in total 31 December 2015	-	-	-	216,764	

Financial liabilities	At fair value through profit or loss	Other liabilities	Total	Fair value
Liabilities to credit institutions ¹⁾	-	14,939	14,939	14,939
Liabilities to the public and general government ¹⁾	-	30,250	30,250	30,250
Debt securities issued to the public ²⁾	-	29,946	29,946	31,714
Other financial liabilities	-	8,512	8,512	-
Financial liabilities total	-	83,647	83,647	
Other than financial liabilities	-	-	36,056	-
Liabilities in total 31 December 2015	-	-	119,704	

1) The carrying amount of these receivables and liabilities are seen as the best estimate of their fair values.

2) Bonds included in Debt securities issued to the public are carried at amortised cost.

3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Fair value of assets 31 December 2016, EUR 1,000	Level 1	Level 2	Level 3	Fair value total
Receivables from credit institutions ¹⁾	-	55,148	-	55,148
Receivables from the public and general government ¹⁾	-	6,919	-	6,919
Debt securities	-	-	100	100
Shares and units	3,233	-	4,120	7,353
Derivative contracts	28	-	-	28
Insurance assets	120,041	-	3,421	123,463
Total	123,302	6,919	7,641	193,010

Fair value of liabilities 31 December 2016, EUR 1,000	Level 1	Level 2	Level 3	Fair value total
Liabilities to credit institutions ¹⁾	-	8,967	-	8,967
Debt securities issued to the public ¹⁾	-	67,084	-	67,084
Total	-	76,051	-	76,051

Fair value of assets 31 December 2015, EUR 1,000	Level 1	Level 2	Level 3	Fair value total
Receivables from credit institutions ¹⁾	-	27,983	-	27,983
Receivables from the public and general government ¹⁾	-	9,416	-	9,416
Debt securities	-	-	1,541	1,541
Shares and units	3,123	-	42,032	45,154
Insurance assets	111,127	-	2,960	114,087
Total	114,250	37,399	46,533	198,182

Fair value of liabilities 31 December 2015, EUR 1,000	Level 1	Level 2	Level 3	Fair value total
Liabilities to credit institutions ¹⁾	-	14,939	-	14,939
Liabilities to the public and general government ¹⁾	-	30,250	-	30,250
Debt securities issued to the public ¹⁾	-	31,714	-	31,714
Total	-	76,903	-	76,903

Fair value hierarchy

Level 1: Fair values are based on the prices quoted on the active market on identical assets or liabilities.

Level 2: Fair values are based on information other than quoted prices included within level 1 that are observable for the asset or liability, either directly (from prices) or indirectly (derived from prices). When measuring the fair value of these instruments, Taaleri Group uses generally accepted valuation models whose information is based to a significant degree on verifiable market information.

Level 3: Fair values are based on information concerning an asset or liability, which is not based on verifiable market information. Level 3 assets are mainly valued at a price received from an external party or, if no reliable fair value is available/determinable, at purchase price.

1) Financial receivables and liabilities have been moved from level 1 to level 2 to give a fair presentation of the operations.

Assets classified at level 3

Assets categorised within level 3 consist of unquoted shares in private equity funds, stocks and debt securities. Shares in private equity funds are mainly measured at the latest fair value received from the management company. Unquoted shares are measured at fair value using discounted cash flow analysis or, if it is determined that fair value cannot be measured reliably, at acquisition cost. On December 31, 2015 Finsilva shares were measured based on the latest completed market transaction, which took place in June 2015. On December 31, 2015 the group had one unquoted debt security (Sotkamo Silver convertible bond), which was valued at amortised cost. This was considered to be the best estimate of the fair value, as the convertible bond was acquired in the final quarter of 2015 and we had not seen any signs that its value would have changed significantly. Fair value measurement based on a valuation model would have included significant uncertainty. The Finsilva shares and the Sotkamo Silver convertible bond have been disposed of in 2016.

Reconciliation of assets categorised within level 3, EUR 1,000	31/12/2016	31/12/2015
Fair value January 1	46,533	80,059
Business combinations	-	2,248
Purchases	2,009	3,544
Sales and deductions	-41,654	-39,615
Change in fair value - income statement	-190	54
Change in fair value - comprehensive income statement	943	243
Fair value at end of period	7,641	46,533

Unrealised gains or losses attributable to fair value measurements of assets or liabilities categorised within level 3 held at the end of the reporting period recognised in profit or loss, EUR 1,000	01/01-31/12/2016	01/01-31/12/2015
Net income from insurance	-	3
Net gains or net losses on trading in securities and foreign currencies	-50	26
Total	-50	29

4 IMPAIRMENT LOSSES ON RECEIVABLES

EUR 1,000	01/01-31/12/2016	01/01-31/12/2015
Impairment losses on receivables from the public and general government:		
Agreement-specific amortisation and impairment losses, gross	-	228
Agreement-specific amortisation and impairment losses, deductions	-60	-
Booked to the income statement	-60	228

No credit losses have been realised in the 2015 and 2016 financial periods.

5 DEBT SECURITIES ISSUED TO THE PUBLIC

EUR 1,000	31/12/2016	31/12/2015
Publicly issued bonds	64,691	29,946
Total	64,691	29,946

Taaleri Plc has issued one bond in 2016 and two in 2014. The bond issued in 2016 is listed on the Nasdaq HEL Corporate Bond market and the bonds issued in 2014 are listed on the Nasdaq First North Bond Market Finland.

Key conditions of the bonds:

Taaleri Plc bond 01/2016

Bond organiser(s):	Danske Bank Oyj
Bond capital and currency:	EUR 35,000,000.00
Number of bond shares:	35,000
Priority position of bond:	Same as issuer's other unsecured commitments
Settlement of bond:	Euroclear Finland Ltd:s value-share system
Unit size of bond shares:	EUR 1,000.00
Minimum subscription of bond:	EUR 100,000.00
Date of issue:	20/12/2016
Date of maturity:	20/12/2021
Repayment amount:	Nominal value of bond capital
Date(s) of repayment:	20/12/2021
Interest:	The bond will be repaid in one instalment Fixed interest, 4.25% p.a. Interest payment dates: Each year on 20 December, beginning 20 December 2017 and ending 20.12.2021
Basis of interest calculation:	Actual/actual (ICMA)
Assumed banking day:	Following
Issuing agent and payment agent:	Danske Bank Oyj
Bond ISIN code:	FI4000232970

Taaleri Plc bond 01/2014

Bond organiser(s):	Nordea Bank Finland Plc and Taaleri Wealth Management Ltd
Bond capital and currency:	EUR 10,000,000.00
Number of bond shares:	10,000
Priority position of bond:	Same as issuer's other unsecured commitments
Settlement of bond:	EFI's OM value share system
Unit size of bond shares:	EUR 1,000.00
Minimum subscription of bond:	EUR 10,000.00
Date of issue:	03/04/2014
Date of maturity:	03/04/2017
Repayment amount:	Nominal value of bond capital
Date(s) of repayment:	03/04/2017 The bond will be repaid in one instalment
Interest:	Fixed interest, 4.5% p.a. Interest payment dates: Each year on 3 April, beginning 3 April 2015 and ending 3 April 2017
Basis of interest calculation:	Actual/actual (ICMA)
Assumed banking day:	Following
Issuing agent and payment agent:	Nordea Bank Finland Plc
Bond ISIN code:	FI4000088026

Taaleri Plc bond 02/2014

Bond organiser(s):	Taaleri Wealth Management Ltd
Bond capital and currency:	EUR 20,000,000.00
Number of bond shares:	20,000
Priority position of bond:	Same as issuer's other unsecured commitments
Settlement of bond:	EFI's OM value share system
Unit size of bond shares:	EUR 1,000.00
Minimum subscription of bond:	EUR 10,000.00
Date of issue:	19/09/2014
Date of maturity:	19/09/2019
Repayment amount:	Nominal value of bond capital
Date(s) of repayment:	19/09/2019 The bond will be repaid in one instalment
Interest:	Fixed interest, 5.5% p.a. Interest payment dates: Each year on 19 September, beginning 19 September 2015 and ending 19 September 2019
Basis of interest calculation:	Actual/actual (ICMA)
Assumed banking day:	Following
Issuing agent and payment agent:	Svenska Handelsbanken
Bond ISIN code:	FI4000108543

Further information about the bond programme can be found on the company's website (only in Finnish):
www.taaleri.com/fi/investor-relations/jvk

6 EQUITY CAPITAL

Share capital

The company's share capital on 31 December 2016 was EUR 125,000 and the amount of shares 28,350,620. The company's shares do not have a nominal value.

Taaleri Plc's two share series have been combined according to the resolution made by the Extraordinary General Meeting held on 8 January 2016. The combination of 13,637,049 Series A shares and 14,713,571 Series B shares, which have already been traded, into a single share series and identical in rights has been entered in the Trade Register on 28 January 2016. After the combination, Taaleri Plc has 28,350,620 shares, so the number of shares has not changed in connection with the combination of the share series. The new share series was traded on the First North Finland marketplace, maintained by Nasdaq Helsinki, with the trading code TAALA, beginning Friday, 29 January 2016. Trading in Taaleri Plc's shares was moved to the Nasdaq Helsinki main market on 1 April 2016. The shares' trading code is "TAALA" and ISIN code FI4000062195.

The parent company possesses 45,000 of its own shares. All shares issued have been paid for in full. The group uses share-based incentive schemes. The company has not issued convertible bonds or other than the above-mentioned special rights.

7 INVESTMENTS IN SUBSIDIARIES

Changes in subsidiary shareholdings 2016

The group has on 30 March 2016 acquired the 25% minority interest of its subsidiary Taaleri Private Equity Funds Ltd at a purchase price of EUR 12 million. The purchase price is based on an external valuation. Following the transaction, Taaleri Plc owns 100% of Taaleri Private Equity Funds Ltd. The effect on the group's equity capital was EUR 11.2 million negative.

In July 2016, Turkish subsidiary Taaleri Portföy Yönetimi A.Ş. was capitalised to the amount of 373 thousand Turkish lira (EUR 116 thousand). The Group's shareholding changed from 84% to 83%.

During the financial period, there were no other changes in subsidiary shareholdings that would have led to a change in ownership interest without a loss of control. The effect of all minority shareholder transactions on the equity of parent company is presented in the table below.

The group has on 29 April 2016 sold all of its holdings in Metsärahasto II Ky. Earnings of EUR 8.5 million were recognised in the income statement item 'Net gains or net losses on trading in securities and foreign currencies'. Taaleri has an optional right to an additional consideration, which is determined based on Finsilva Plc's operating profit in the years 2021-2022, other operating expenses deducted. The option has no value on 31 December 2016.

The subsidiary Bonus Solutions Oy was capitalised at two different occasions during the year, to a total amount of EUR 300 thousand. The groups ownership interest did not change.

Two new subsidiaries were established in July of 2016, Taaleri Energia Oy and Taaleri Kapitaali Oy.

Also during the financial period, the group discontinued, established and purchased shares in a range of small companies, mainly in relation to its private equity fund operations.

Changes in subsidiary shareholdings 2015

During the financial period, the Group purchased the entire share capital of Garantia Insurance Company Ltd.

In April 2015, Turkish subsidiary Taaleri Portföy Yönetimi A.Ş. was capitalised to the amount of 2,275,000 Turkish lira (EUR 817,000). As a result of this, the Group's shareholding was 84%. During the financial period, there were no other changes in subsidiary shareholdings that would have led to a change in control. The effect of all minority shareholder transactions on the equity of parent company is presented in the table below.

In May 2015, the Group sold the share capital of its subsidiary Lainaamo Oy. EUR 527,000 of sales losses was recorded from the sale, which is included in the income statement item 'Profit or loss from discontinued operations'.

In November 2015, the Group sold 50.1% of shares in Vakuutusvahti Oy, as a result of which its shareholding is now 19.9%. EUR 217,000 of sales losses was recorded from the sale, which is included in the income statement item 'Income from equity investments'.

Also during the financial period, the Group discontinued, established and purchased shares in a range of small companies, mainly in relation to its private equity fund operations.

Effects on the equity attributable to owners of the parent of any changes in its ownership interest in a subsidiary that do not result in a loss of control, EUR 1,000

	2016	2015
From an addition to the share owned in subsidiaries	-11,226	-61
From a reduction in the share owned in subsidiaries without loss of control	-7	-
Net effect on equity	-11,232	-61

Significant judgments and assumptions

The Group has sold all of its holdings in Metsärahasto II Ky in a deal closed on 29 April 2016. In relation to the sale a profit of EUR 8.5 million was recognized in the income statement item 'Net gains or net losses on trading in securities and foreign currencies'. Until 29 April 2016 Taaleri Plc had a controlling interest in Metsärahasto II Ky in accordance with IFRS 10. This was based on the fact that Taaleri Plc was fully exposed to the variable returns from Metsärahasto II Ky, and could influence the investee to affect the amount of the investor's returns. Because of this, in accordance with IFRS 10, Metsärahasto II Ky was a subsidiary of Taaleri Plc and was consolidated in the group.

Interest that material non-controlling interests have in the group, EUR 1,000

Company	Registered office	Proportion of non-controlling ownership interest		Profit or loss allocated to non-controlling interests		Equity capital allocated to non-controlling interests		
		2016	2015	2016	2015	2016	2015	
Taaleri Private Equity Funds Ltd	Helsinki	0%	25%	-	928	-	1,144	
Other subsidiaries with non-controlling interests, which are not material on their own					110	704	354	975
Total					110	1,632	354	2,119

Summary of financial information of subsidiaries with a material non-controlling interest

EUR 1,000	Taaleri Private Equity Funds Ltd	
	2016	2015
Assets	5,774	7,190
Liabilities	1,949	2,616
Equity capital	3,826	4,574
Total income	12,191	11,592
Profit/Loss	3,713	3,713
Parent company shareholders' share of profit/loss	3,713	2,785
Non-controlling interests' share of profit/loss	-	928
Dividends paid to non-controlling interests	1,112	950

The summary of financial information presents figures for the legal entity without deducting group internal items.

8 INVESTMENTS IN ASSOCIATED COMPANIES

The group has on 31 May 2016 acquired 40 percent of Inderes Oy, which has since been consolidated as an associated company. On 29 June 2016 the group has sold all of its holdings in Havuz Holding Oy, which was previously consolidated as an associated company. Hence, on 30 June 2016 the group has two associated companies, Fellow Finance Plc and Inderes Oy. Neither of these is considered material to the group. Both associated companies are consolidated using the equity method. A total of EUR 169 thousand of profit from continuing operations of the associated companies has been recognised in the group in the income statement item 'Share of associates' profit or loss'. Associated companies have neither discontinued operations nor comprehensive income items.

Up until 26 May 2015, also Finsilva Oyj was an associated company and was treated as a financial investment in accordance with IAS 39. It was classified as a financial asset at fair value through profit or loss. Finsilva was purchased in June 2014. The group has no holdings in Finsilva Oyj as of 29 April 2016, when Metsärahassto II Oy, whose only asset was a 19.77 percent share in Finsilva Oyj, was sold.

9 CONTINGENT LIABILITIES

Commitments not recognised as liabilities, EUR 1,000	31/12/2016	31/12/2015
Total gross exposures of guarantee insurance	1,319,746	1,164,466
Guarantees	219	219
Investment commitments	1,649	3,920
Pledged securities	15,000	64,653
Credit limits (unused)	10,000	10,000
Total	1,346,614	1,243,258

Garantia received a notification of a possible claim of EUR 5 million on 30 Decemer 2011. Garantia considers this claim unfounded and has therefore not recorded it in the provision of known claims. There has been no material change in the status of the matter during 2016 and the process continues.

10 RELATED PARTY DISCLOSURES

The parent company and its subsidiaries and associated companies belong to the group's related parties. Related parties also include the members of the Board of Directors and the executive board as well as their related parties.

The following belong to the company's related parties:

- 1) Someone who, by virtue of shareholding, options or convertible bonds has or may have at least 20 percent of the company's stocks or shares, or the voting rights attached to them, or a corresponding shareholding or voting right in an organisation belonging to the group, or in an organisation exercising control in the company, unless the significance of the company that is the subject of ownership is minor in terms of the whole group.
- 2) A member and deputy member of the Board of Directors, CEO and Deputy CEO, and somebody in a similar position in a company as referred to in point 1.
- 3) The children and spouse of someone as referred to in point 2, or someone in a marital relationship with that person.
- 4) An organisation and foundation in which an above-mentioned person, either alone or with another person, has control as specified in Chapter 1, Paragraph 5 of the Accounting Act.

Business transactions made with the company and companies belonging to the group have been carried out on terms equivalent to those that prevail in arm's length transactions. Taaleri Plc acquired the minority of Taaleri Private Equity Funds Ltd and owns 100% of Taaleri Private Equity Funds Ltd following the transaction. Among the subsidiary's minority shareholders were Taaleri Plc's CEO Juhani Elomaa and Deputy CEO Karri Haaparinne and the related party transactions are reported in the table below. More information about the transaction can be found in note 7. In 2015, the company divested its subsidiary Lainaamo Oy and invested in Fellow Finance Plc, of which Lainaamo became a subsidiary.

Board members Peter Fagernäs and Pertti Laine are among the 10 largest shareholders of the company through companies that they own. The company's CEO Juhani Elomaa, Deputy CEO Karri Haaparinne and member of the Executive Board Petri Lampinen are also amongst the company's 10 largest shareholders.

Related party transactions with associated companies and related parties, EUR 1,000

2016	Sales	Purchases	Receivables	Liabilities
Associated companies	667	32	4,065	-
Other related parties	885	10,135	4,528	-
2015	Sales	Purchases	Receivables	Liabilities
Associated companies	367	-	8,650	-
Other related parties	535	73	-	-

Garantia has, in the course of its normal business, granted guarantees amounting to EUR 10 million to related parties.

The group has specified its related parties and amended the comparative figures as the Market Abuse Regulation entered into force on 3 July 2016.

Management shareholdings

At the end of 2016, members of the company's Board of Directors and Senior Management Team owned a total of 9 820 720 of the company's shares, which corresponds to about 34.6% of the shares and the voting rights attached to all shares, after the combining of the two series of shares on 28 January 2016. The shareholdings of the members of the company's Board of Directors and Senior Management Team in the company, including insider holdings:

Name	Position	Number of shares
Peter Fagernäs ¹⁾	Chairman of the Board of Directors	2,503,128
Pertti Laine ²⁾	Member of the Board of Directors	2,430,694
Juhani Elomaa ³⁾	CEO	2,087,006
Karri Haaparinne ⁴⁾	Deputy CEO	1,848,314
Petri Lampinen	Taaleri Wealth Management Ltd, Managing Director	525,858
Vesa Puttonen ⁵⁾	Member of the Board of Directors	182,224
Esa Kiiskinen ⁶⁾	Member of the Board of Directors	232,496
Jorma Alanne ⁷⁾	Head of Wealth Management	1,000
Janne Koikkalainen	Legal and Compliance	10,000
Total		9,820,720
Total of share capital, %		34.6 %

¹⁾ Peter Fagernäs' shareholding consists of 2,503,128 shares owned by Oy Hermitage Ab, in which he has a controlling interest.

²⁾ Pertti Laine's shareholding consists of 2,430,694 shares owned by Veikko Laine Oy, in which he has a controlling interest.

³⁾ Juhani Elomaa's shareholding consists of 2,087,006 shares, 266,656 of which are owned by E-Capital Oy, in which he has a controlling interest, and 16,175 are owned by other related parties.

⁴⁾ Karri Haaparinne's shareholding consists of 1,848,314 shares, 167,683 of which are owned by Xabis Oy, in which he has a controlling interest, and 178,539 are owned by other related parties.

⁵⁾ Vesa Puttonen's shareholding consists of 182,224 shares owned by Enabla Oy, in which he has a controlling interest.

⁶⁾ Esa Kiiskinen's shareholding consists of 232,496 shares, 78,891 of which are owned by Saija ja Esa Kiiskinen Oy, and 74,714 are owned by Saija Kiiskinen Oy, in both of which he has a controlling interest,

⁷⁾ Jorma Alanne's shareholding consists of 1,000 shares owned by Alanne Capital Oy, in which he has a controlling interest.

Fringe benefits of senior management

Senior management consists of the Board of Directors and Senior Management Team ¹⁾. Compensation paid or payable to them for their work consists of the following items:

EUR 1,000	2016	2015
Salaries, bonuses and other fringe benefits	1,959	1,427
Benefits to be paid at the end of employment	596	498
Total	2,555	1,925

1) The composition of Taaleri's Senior Management Team changed during the 2015 and 2016 financial periods. The benefits of those who left the Senior Management Team are included in the table from the time when they belonged to the team.

In Helsinki 27 February 2017

The Board of Directors of Taaleri Plc

This Financial Statements Bulletin has not been audited and it is available on www.taaleri.com.

The Board of Directors' Report and Financial Statements of 2016 will be published in week 10 on www.taaleri.com. The next half year financial report will be published on 22 August 2017.

TAALERI IN BRIEF

Taaleri is a Financial Group, whose parent company Taaleri Plc is listed on Nasdaq Helsinki's main market. The Taaleri Group consists of three business areas: Wealth Management, Financing and Energy. Taaleri provides services to institutional investors, companies and private individuals. The Group's subsidiaries engaging in business are Taaleri Wealth Management and its subsidiaries, Taaleri Private Equity Funds Ltd Group, Taaleri Investments Ltd Group, Taaleri Energia Ltd and Garantia Insurance Company Ltd. In addition, Taaleri's has associated companies Fellow Finance Plc, which offers peer-to-peer lending services, and Inderes Ltd, which produces analyses for investors.

At the end of December 2016, Taaleri had EUR 4.8 billion assets under management and 3,900 wealth management customers. Taaleri Plc has approximately 2,700 shareholders. The operations of Taaleri are supervised by the Finnish Financial Supervisory Authority.

More information about our company and services: www.taaleri.com