TAALERI PLC

HALF YEAR Financial Report 2016

TAALERI

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TAALERI GROUP 1 JANUARY–30 JUNE 2016

- The Group's income for the period grew by 12.4 percent to EUR 33.7 million (1-6/2015: EUR 30.0 million).
- The Group’s assets under management grew by 8.3 percent to EUR 4.2 billion (EUR 3.9 billion).
- The Group's adjusted operating profit was EUR 11.7 million (1-6/2015: EUR 11.8 million).
- The Group's operating profit was EUR 11.7 million (1-6/2015: EUR 39.1 million, including EUR 27.3 million resulting from the Garantia acquisition), comprising 34.9% of turnover.
- The Group’s results include EUR 2.5 million in expenses, i.e. from the brand reform, the move to the Nasdaq Helsinki main market and the sale of Finsilva.
- Earnings per share: EUR 0.32 (1-6/2015: 1.35) and adjusted earnings per share: EUR 0.32 (1-6/2015: 0.35).

The Group's realized financial objectives	1-6/2016	1-6/2015	Objective
Adjusted operating profit, EUR million	11.7	11.8	-
Adjusted operating profit, %	34.9	39.5	> 15.0
Adjusted net profit for the period, EUR million	9.2	9.9	-
Adjusted return on equity, %	19.9	30.8	> 15.0
Equity ratio, %	49.8	43.4	> 30.0
Conglomerate’s capital adequacy ratio, %	312.4	-	> 150.0

The income of the **Wealth Management** segment was EUR 17.6 million. The operating profit of Wealth Management was EUR 2.0 million (4.9), representing 12 percent of turnover. Wealth Management has continued to invest in the growth of business operations, and the result included EUR 1.0 million expenses from the brand reform and the sale of the Biotehdas chain. The number of customers has grown during the start of 2016 by 500 customers to a total of 3,600 customers. The assets under management has grown by 8.5 percent to EUR 4,104 million from the turn of the year.

The insurance premium income of the **Financing segment** grew by 22 percent to EUR 5.5 (4.5) million in the period under review. The income was EUR 5.8 million, consisting of net income from insurance operations of EUR 4.2 million (4-6/2015: EUR 2.6 million) and the net income from investment operations of EUR 1.6 million (4-6/2015: EUR 5.2 million). The gross exposure of Garantia’s insurance portfolio grew by 5.5 percent to EUR 1.2 billion, and claims incurred were on a low level.

The **Energy segment** consists of Taaleri Energia to be established in the autumn of 2016, through which Taaleri significantly expands its operations in the energy sector.

Other operations consist of Taaleri Plc and Taaleri Investments Ltd. Taaleri Investments sold its ownership in Finsilva and Havuz Holding during the first half of 2016.

TAALERI IN BRIEF

Taaleri is a Finance House, 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 Oy and Garantia Insurance Company Ltd. In addition, Taaleri has associated companies Fellow Finance Plc, which offers peer-to-peer lending services, and Inderes Oy, which produces analyses and media content for investors.

At the end of June 2016, Taaleri had EUR 4.2 billion of assets under management and 3,600 asset management customers. Taaleri Plc has approximately 2,600 shareholders. The operations of Taaleri are supervised by the Finnish Financial Supervisory Authority.

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

REVIEW BY CEO JUHANI ELOMAA

TAALERI'S GROWTH CONTINUED DESPITE THE CHALLENGING MARKET CONDITIONS

We have managed well in the varying market conditions. Taaleri's income grew by 12 percent year-on-year. The market has been tormented by the continued zero interest environment and the various threatening images and individual market incident situations, such as Brexit. The development has lowered the willingness of customers to shoulder risks, which, in turn, has made the operating environment of the wealth management segment more challenging than previously.

Operatively, the start of Taaleri's year was positively characterised by our move from the First North marketplace maintained by Nasdaq Helsinki to the Nasdaq Helsinki main market from the beginning of April. The listing on the stock exchange enables the effective acquisition of capital for the growth needs of the company. To clarify our ownership the company's two share series were combined, and the parent company purchased a minority holding from Taaleri's private equity fund company. With its EUR 260 million market capitalization, Taaleri settles among the mid cap companies.

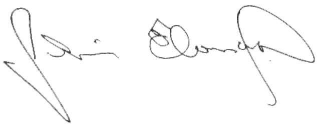
In January, Taaleri implemented a brand reform, in connection with which the name of the company was changed from Taaleritehdas to Taaleri. The Group has expanded through its partnerships to new areas of capital markets. Cooperation is becoming a new ecosystem of ownership. As a new opening, we purchased a 40 percent share of Inderes Oy, which produces share analyses and media content to investors. As a part of the ecosystem being built, we are able to offer our customers diversified new services and find new business opportunities. In the spring, we sold our share of the forest-owning Finsilva Oyj to Etera Mutual Pension Insurance Company.

In the wealth management segment, the administered funds rose to EUR 4.2 billion, and the number of our customers grew to 3,600. Our business operations have remained at a sound level, even though the market and the competitive situation have created challenges for income and profitability.

The business operations of private equity funds has expanded and succeeded well. In March, we established the first private equity fund focusing on circular economy in the world, and in June we opened a third wind power fund, which was quickly completely subscribed. The sale of Biotehdas, developed by us, to Gasum also occurred during the first half of the year.

The Financing segment succeeded according to our expectations. The result of our subsidiary Garantia Insurance Company Ltd for the first half of the year was good. In particular, the 22 percent increase of premiums written can be regarded as a success. Our business operations have grown in commercial bonds and residential mortgage guaranties, in particular. Fellow Finance, which facilitates online peer-to-peer lending, has continued to expand to new markets, and its business operations have grown.

In June, we announced that we will open a new Energy business segment. Our plan is to utilise the expertise we have acquired in renewable energy projects, and expand our resources for international investments. During the autumn, we will tell more about our plans related to our energy business.



Juhani Elomaa
CEO
Taaleri Plc

REVIEW FOR 1 JANUARY–30 JUNE 2016

OPERATING ENVIRONMENT

The year 2016 started in a gloomy atmosphere. The radical fall in the prices of raw materials and oil frightened investors. Fears concerning the solvency of energy companies increased and risk premiums turned to a rise. The nervous sentiment also spread to other market segments. Risky interest investments both in Europe and the United States turned to a fall, and equity markets dropped below zero. Interest rates continued to fall. The German 10-year interest rate loan that was considered as the reference loan in the euro area fell from 0.6 percent at the turn of the year to 0.1 percent by the end of February.

After the middle of February, the willingness of investors to take risks recovered gradually. The prices of oil and basic metals turned to a slight rise after a strong sales wave, and better financial statistics than the economists' forecasts was started to be received from the United States. The fears concerning the fast stop of Chinese growth and global financial recession faded away. The equity markets turned again to a growth curve driven by the United States.

Towards the end of the second half of the year, the referendum of the Britons concerning EU membership became the new market theme. The Britons voted for the exit from the EU. The investment markets received the event very negatively, but the recovery from the shock was fast. The return development of almost all investment categories recovered quickly to the level preceding the referendum or even higher levels. In addition to the temporary increase in volatility, other market impacts remained finally very slight.

TAALERI'S BUSINESS DURING THE REVIEW PERIOD

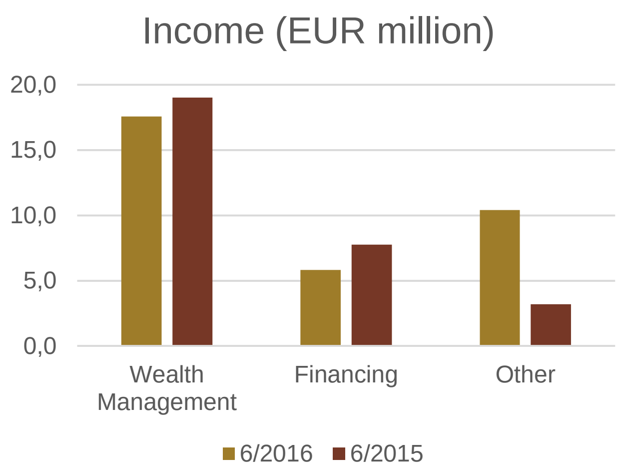
In the beginning of the year Taaleri implemented a significant brand reform, and changed its name from Taaleritehdas to Taaleri. The company decided to apply for the listing of the company's share on the main market of the Helsinki stock exchange after three years on the Nasdaq Helsinki First North market place. The move occurred the beginning of April and Taaleri is now among the mid cap companies on the Nasdaq Helsinki main market.

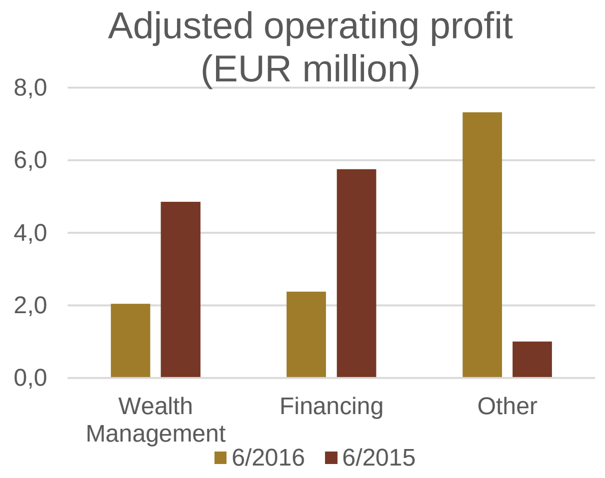
During the first half of the year Taaleri re-organised the operations of the Wealth Management segment and appointed Jorma Alanne as the Head of the segment, as well as purchased a 40 percent minority share in the analytics company Inderes. The company detached itself from its ownership in Finsilva and Havuz Holding, and sold the Biotehdas chain it had built to Gasum.

Taaleri Group

The income of the Group grew by 12.4 percent to EUR 33.7 million (30.0). The positive development of the Group's turnover in the first half of the year was influenced by the performance fees of Wealth Management from mutual and private equity funds and the detachment from Finsilva.

The Group's operating profit was EUR 11.7 (39.1) million. EUR 27.3 million was recognized as income from the acquisition of Garantia Insurance Company Ltd in the comparison year 2015. The result of the period under review included expenses of EUR 2.5 million relating to the brand reform, the move to the Nasdaq Helsinki main market, and the sale of Finsilva among others. The adjusted operating profit for the financial period, in which the non-recurring items arising from the acquisition of Garantia have not been taken into account in 2015, remained at the level of the comparison period, 11.7 (11.8) million.





The adjusted net profit of the period under review was EUR 9.2 (9.9) million, and net profit for the period amounted to 9.2 (37.2) million.

Taaleri manages the Group through three segments: Wealth management, Financing and Energy that starts in the autumn. Operations that do not belong in the segments are presented in the group "Other business operations", which includes the Group management of the parent company Taaleri Plc and the Group's own investments, which are made through Taaleri Investments Ltd.

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 diversified investment products. Taaleri's own key investment products cover equity and interest funds and private equity funds, which invest in, among others, forest, properties, renewable energy and business operations.

With Taaleri, it is possible to invest directly in such objects and business operations, which it is otherwise more difficult to invest in by private investors and smaller institutions. Taaleri challenges the established operating models by combining capital, ideas and entrepreneurship. The company offers not only investment opportunities, but also market views and new insights.

The Wealth Management segment consists of the investment service company Taaleri Wealth Management Ltd and its subsidiaries and Taaleri Private Equity Funds Ltd Group. Taaleri Private Equity Funds Ltd Group has the Finnish Financial Supervisory Authority's authorisation to act as an alternative investment fund manager.

The income of Wealth Management in the period under review was EUR 17.6 (19.0) million, down by 7.7 percent. The continuing fees of Wealth Management were EUR 13.8 (15.7) million, down by 12.1 percent. During the period under review, Taaleri Biotehdas chain was sold to Gasum according to an ownership arrangement. The performance fees grew by 288.2 percent to EUR 3.8 million (1.0). Other income, which has mainly consisted of sales profits from projects developed by Taaleri Private Equity Funds Ltd, did not occur during the period under review (EUR 2.4 million during the comparison period). The operating profit of Wealth Management was EUR 2.0 (4.9) million, which includes EUR 1.0 million expenses relating to the brand reform and the sale of the Biotehdas chain.

The assets under management by Wealth Management grew by 8.5 percent to EUR 4.1 billion (EUR 3.8 billion). The net subscriptions in our own mutual funds amounted to EUR 34 (26) million in the period under review, and the assets under management in the mutual funds amounted to EUR 825 (850) million, representing a fall of 2.9 percent. The assets under management in our own private equity funds grew in the period under review by 10.8 percent to EUR 690 (623) million. Assets under management in discretionary wealth management grew by 2.1 percent to EUR 1.3 (1.3) billion, while other assets under management grew by 23.9 percent to EUR 1.3 (1.1) billion.

Wealth management EUR million	1-6/2016	1-6/2015	Change, %
Wealth management fees	13.8	15.7	-12.1
Performance fees	3.8	1.0	288.2
Other income	-	2.4	-100,0
Total	**17.6**	**19.0**	**-7.7**
Operating profit	**2.0**	**4.9**	**-57.9**
Average personnel	132	128	2.9

Assets under management EUR million	30/06/2016	31/12/2015	Change, %
Assets under management	**4,104**	**3,784**	**8.5**
Mutual funds	825	850	-2.9
Private equity funds	690	623	10.8
Discretionary wealth management	1,287	1,260	2.1
Other	1,303	1,052	23.9

The subsidiary of Taaleri Wealth Management Ltd, Taaleri Fund Management Ltd, administers Taaleri's own mutual funds. Taaleri also offers wealth management services in Turkey. The Turkish company, Taaleri Portföy Yönetimi A.S., is a subsidiary of Taaleri Wealth Management Ltd. Other subsidiaries of Taaleri Wealth Management Ltd are Kultataaleri Oy offering physical gold and Taaleri Tax Services Ltd, which offers tax planning services for Taaleri's customers.

Jorma Alanne was appointed as the Head of Wealth Management on 1 April 2016. The objective is to develop Wealth Management to provide more effective services and become more suitable for different customer groups. Wealth Management has re-organised its operations in the summer, which serves to clarify the main processes for customers, investments and products. Petri Lampinen heads the Customer Operations, and Jorma Alanne, in turn, the Market Operations. The average number of personnel during the period under review was 132 (128).

The most significant future risks from the point of view of the company are risks related to the growth of business operations and growth management, the dependency of returns on the changes in the external operating environment, as well as credit risks.

RESULT AND RISK POSITION OF THE FINANCING SEGMENT

The Financing segment includes Garantia Insurance Company Ltd as of 31 March 2015 and Taaleri's associated company Fellow Finance Plc as of 26 May 2015, of which Taaleri's share of ownership is 38.4 percent. The comparison of the period under review to the corresponding period last year is challenging due to the different time periods. The development of the operations compared to last year is described by 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. Garantia is actively involved in various financing arrangements and develops new products for its customers' needs. The company's business is divided into insurance operations and investment operations.

Fellow Finance offers online peer-to-peer lending, and currently also loan-format crowdfunding to companies, enabling the growth of direct financing. Its returns consist of fee income for loans transmitted between the lender and the financier. Fellow Finance offers an advanced crowdfunding service, from which a lender may seek a loan, on loan terms defined by the lender themselves, and the creditor, i.e., the investor may receive competitive interest income on the loan granted. Lainaamo Oy, which is included in the Fellow Finance Group, is a Finnish special purpose entity the products of which are mainly loans directed at consumers. Fellow Finance Plc was established in 2013.

The turnover of the Financing segment fell to EUR 5.8 million (31 March–30 June 2015: 7.8), and the adjusted operating profit to EUR 2.4 million (5.8) after the net income from investment operations recorded in the income statement fell to EUR 1.6 million (5.2). The net income from the guaranty insurance, in turn, was EUR 4.2 (2.6) million due to the strong growth of premium income and claims incurred that have remained low.

The operating profit at fair value before tax of the Financing segment was EUR 2.5 million (28.1). The changes in fair value of investments was EUR 0.1 million (-5.2). The result of the Financing segment's comparison period included EUR 27.6 million of recognised income from the corporate acquisition of Garantia Insurance Company, which is not reported in adjusted operating profit.

Strong growth in the construction sector and the picked up housing market increased guaranty fees especially in commercial bonds and residential mortgage guaranties. In the first half of the year, new exposure in corporate loan guaranties exceeded new exposure for the whole of 2015. Despite low interest rates, demand for corporate loan guaranties remained at a low level. The gross exposure of the insurance portfolio increased by 5.5 percent during the first half of 2016 and was EUR 1,228 million at the end of June (1,164). Residential mortgage guaranties accounted for 33 percent of the gross exposure (33), loan guaranties 33 percent (37), commercial bonds 26 percent (22) and other guaranties 8 percent (8).

Claims paid remained at a low level. Claims incurred (previous 12 month period) in relation to the gross exposure were 0.13 percent (0.13).

Financing, EUR million	1-6/2016	4-6/2015
Net income from insurance operations	4.2	2.6
Net income from investment operations	1.7	4.5
Other income	0.0	0.7
Total	**5.8**	**7.8**
Adjusted operating profit before valuations, EUR million	2.4	5.7
Adjusted operating profit at fair value before tax	2.5	0.5
Average personnel	23	25

	30/06/2016	31/12/2015
Investment assets, fair value	117.6	114.1
Guaranty insurance, gross exposure	1,228	1,164

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 insurance liabilities.

The risk position of guaranty operations remained stable. Growth in the first half of the year occurred in diversified mortgage guaranties and in short-term commercial guaranties covered by comprehensive reinsurance. As a result of the repayments of loan guaranties, the share of investment-grade exposure (a rating between AAA–BBB-), of the insurance exposure, excluding residential mortgages, residual value insurance and assumed reinsurance, fell to 27% (30), however. The share of weaker rating classes with a C+ or lower rating remained low and was 2.7% (2.5). The most important industries in the insurance exposure were construction at 36% (33) and manufacturing 26% (33). Of the construction exposure, 54% has been reinsured (58).

Despite the challenges posed to investment in the first half of the year, the risk position of investment operations remained stable. No significant changes took place in investment allocation by asset type during the first six months and the share of fixed income investments of the investment portfolio (including the cash and bank balances) was 82% (82) and of equity investments 18% (17) at market value. The majority of fixed income investments are invested in bonds issued by Finnish corporates and Nordic credit institutions with a strong credit rating. The share of fixed income investments (excluding fixed income funds) classified at investment level was 73% (78). The modified duration of fixed income investments was 2.8 (2.5).

As part of the Taaleri Group, Garantia belongs to the regulation of large customer risks defined in the EU Solvency Regulation. At the period end, Garantia's largest individual customer risk was 36.3 percent of the conglomerate's own funds, and, combined, the liability of the two customer entities exceeded the 25 percent limit required by the law. The liabilities were granted in its entirety before the change in ownership. The Financial Supervisory Authority approved the action plan prepared by Garantia to lower the liability to the statutory requirement by 30 June 2017.

Credit rating

Garantia, which is included in the Financing segment, has Standard & Poor's credit rating. There were no changes in Garantia's credit rating during the first half of 2016. Standard & Poor's confirmed Garantia's credit rating on 19 June 2015 as A- with a negative outlook and removed the company from its CreditWatch list.

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	1-6/2016	1-6/2015	Change, %
Premiums written	**5.5**	**4.5**	22.3
Other items [1]	-1.1	0.4	-401.9
Premiums earned	**4.4**	**4.8**	-9.5
Claims incurred	-0.4	-0.3	**35.5**
Operating expenses	-2.1	-2.4	-11.9
Balance on technical account before changes in the equalization provision	**1.8**	**2.1**	**-13.4**
Change in the equalization provision [2]	0.4	-2.4	
Balance on technical account	**2.2**	**-0.3**	
Investment income and expenses, net	1.3	6.9	-81.3
Earnings before tax	**3.5**	**6.6**	-46.3
Combined ratio, %	58	57%	
Claims ratio	10%	6%	
Expense ratio, %	49%	50%	

Return on investments at fair value, %	1.5%	3.7%	
Solvency ratio (S2), % 3)	501%	n/a	

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

2) Regulations on the equalization provision were changed by the amended Insurance Companies Act that came into force on 1 January 2016. The equalization provision presented above is an estimate of the equlaization provision as per the new regulations. The estimate is based on an application submitted by Garantia to the FSA on the new calculation bases for Garantia's equalization provision.
3) 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. In April 2016 the FSA further specified the Solvency II regulations, as a result of which the figures provided above, which comply with Solvency II, differ from those published in the 2015 financial statements.

Garantia's result (FAS)

Premiums written increased 22 percent on the comparison period to EUR 5.5 million (4.5). However, earned premiums decreased as a result of a 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 a low level. The claims ratio was 9.6 percent (6.4). During the first half of the year, claims paid (gross) came to EUR 0.4 million (0.6), of which 84 percent related to residential mortgage guaranties and the rest commercial bonds. Operating expenses decreased by 12 percent. Operating expenses for the comparison period include costs related to reorganisation of personnel and moving to new premises.

The return on investments at fair value was 1.5 percent (3.7). The net return on investments from capital employed at fair value was 1.4 percent (3.3 percent). The net return on investments recognised in profit and loss account was EUR 1.3 million (6.8). During the review period, the valuation difference of investment assets increased from EUR 6.7 million to EUR 7.0 million. The market value of the investment portfolio (including cash and bank balances) remained at the year-end level of EUR 120 million.

Direct Financing

The income of the Fellow Finance Group increased by 205 percent during the period under review to EUR 2.7 million, and the operations were profitable. Taaleri Group only reports the Group's share of ownership of the profit of Fellow Finance. The company opened its peer-to-peer loan service in Poland in April, and in June it also transmitted its first corporate loans. Fellow Finance is the first crowdfunding service in the euro area to offer online peer-to-peer loan services to consumers and loan-format crowdfunding service to companies. Fellow Finance has issued loans of EUR 70 million, the service has had over 100,000 users, and there are investors from 35 different countries. Fellow Finance is further developing its crowdfunding service and continuing to expand its services.

OTHER BUSINESS OPERATIONS

Other business operations include the Group administration services of Taaleri Plc and the investments on the Group's own balance sheet, which are implemented through Taaleri Investments Ltd.

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 Metsärahasto II Ky (English: Forrest Fund II GP), was a 19.8 percent holding in Finsilva Oyj at the beginning of the financial period. Finsilva Oyj operates in wood production and sales. Taaleri Investments Ltd sold Metsärahasto II Ky 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 from 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 business operations was EUR 10.4 (3.2) million. Investments in other business operations totalled 10.9 (49.3) million at the end of the period under review, and loan receivables were EUR 6.7 (9.2) million.

Other business operations, EUR million	1-6/2016	1-6/2015	Change, %
Net sales	10.4	3.2	226.3
Operating profit	7.3	1.0	631.5
Average personnel	21	25	-15.2

EUR million	30/06/2016	31/12/2015	Change, %
Fair value of investments, EUR million	10.9	49.3	-77.8

DISCONTINUED OPERATIONS

Taaleri Plc sold its shares in the subsidiary Lainaamo Oy in May 2015. The product selection 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 from EUR 15.6 million at the beginning of 2015 to approximately EUR 20 million when the company divested its holding. The turnover of Lainaamo in the Taaleri Group in early 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 the Taaleri Group was EUR 175.4 million (31 December 2015: 216.8 million). The Group's investments totalled EUR 129.2 (163.7) million, corresponding to 73.7 (75.5) percent of the Group's balance sheet total.

The Group's interest-bearing liabilities amounted to EUR 44.4 (75.1) million, which consisted of the 2014 bond programme of Taaleri Plc of EUR 30.0 (29.9) million, liabilities to credit institutions of EUR 14.4 (14.9) million, and liabilities to the public of EUR 0.0 (30.3) million. Liabilities totalled EUR 88.1 (119.7) million. Equity fell from EUR 97.1 million in the first half of the year to EUR 87.2 million due to the redemption of the minority holding in Taaleri Private Equity Funds Ltd and the distribution of dividends decided by Taaleri Plc.

The equity ratio of the Taaleri Group strengthened to 49.8 (44.8) percent during the 2016 period under review.

TAALERI 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 supervising that the principles set by the Taaleri Plc Board of Directors are complied with in the company's operations. The risks of the Taaleri Group are divided in 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 of 2015 (available in Finnish).

The risk-bearing capacity of the Taaleri Group is comprised of 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).

The key risks of the Financing business are the credit risks of the guaranty insurance operations and the market risks of the investment assets which the underwriting reserves cover. Garantia's capital adequacy is strong, and its risk position remained stable in early 2016. The share of the weaker rating classes (C+ or below) remained low at 2.7 (2.5) percent. The most important industries in the insurance exposure were construction at 36% (33) and manufacturing 26% (33). Of the construction exposure, 54% has been reinsured (58).

The largest risks of Taaleri's traditional Wealth Management segment mainly consist of operative risks and, to a slight extent, credit risks. 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 the regulation of large customer risks determined in the EU Solvency Regulation. At the end of the period under review, Taaleri's largest single customer risk was 36.3% of the group's shareholders' equity and, combined, liabilities of the two largest customer entities 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 two customer entities in question are related to the guaranty insurance liability, which was granted in its 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 Taaleri to lower the major customer risks to the level required by the law by 30 June 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 2016.

The Rava Group's own funds amounted to EUR 84.3 million on 30 June 2016, exceeding the minimum capital requirement for own funds of EUR 27.0 million by EUR 57.3 million. The Group's capital adequacy ratio was 312.4 percent, while the statutory minimum requirement is 100 percent.

Capital adequacy of the conglomerate, EUR million	30/06/2016	31/12/2015
Shareholders' equity of the Taaleri Group	**87.3**	**97.1**
Goodwill and other intangible assets	-2.7	-2.4
Equalization provision	-	-18.7
Minority interests	-0.3	-2.1
Planned distribution of profit	-0.0	-5.7
Total own funds of the Conglomerate	**84.3**	**68.2**
Own funds requirement for the Financing business	7.2	10.8
Own funds requirement for the Insurance business	19.7	3.7
Minimum amount of own funds of the Conglomerate	**27.0**	**14.5**
Conglomerate's capital adequacy	**57.3**	**53.6**
Conglomerate's capital adequacy ratio, %	**312.4%**	**468.8%**

Within the Taaleri Group, the regulatory capital according to the Act on Credit Institutions (610/2014) and the EU Solvency Regulation (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's Financing sector comprises the subsidiaries and associated companies of Taaleri Plc, excluding Garantia Insurance Company Ltd. 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, FSA granted Taaleri Plc an exemption order that is valid until 31 December 2016, on the basis of which Taaleri will form a new consolidation group related to capital adequacy calculation, 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.

The core capital adequacy ratio and capital adequacy ratio of the Financing sector were 30.7 (13.8) percent in the Rava Group's regulatory capital calculation. The regulatory capital of the Financing sector amounted to EUR 27.8 (18.7) million on 30 June 2016, and was comprised in its entirety of items included in CET1 capital. The total amount of risk-weighted items in the Financing sector was EUR 82.9 (130.0) million at the end of the period under review, of which the credit risk accounted for EUR 25.1 (76.3) million and operative risk for EUR 57.8 (53.7) million.

The Solvency II rules tightened the capital requirements, which is also reflected in the regulatory capital according to the Act on the Supervision of Financing and Insurance Groups (2004/699). At the same time, however, the amount of own funds of the Taaleri Group (Rava) strengthened, because it is no longer necessary to deduct the equalization provision from shareholders' equity when calculating the amount own funds. The Solvency II regulatory capital provisions were not valid in the 2015 financial period, so the capital requirements are not comparable.

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 in the capital requirement calculation of the Group. Taaleri applies the standard approach in its regulatory capital calculation. The solvency capital requirement of the parent company Taaleri Plc and the subsidiary Garantia Insurance Company Ltd (SCR) was EUR 19.7 (22.7) million.

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.

Garantia's solvency remained strong. Garantia's basic own funds amounted to EUR 96.4 million (96.1), which clearly exceeded the solvency capital requirement of EUR 19.2 (19.0) million. The solvency ratio, or the ratio of basic own funds to the solvency capital requirement, was 501% (506). Garantia's own funds are formed in full of unrestricted Tier 1 basic own funds.

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. After the combination, the company has only one share series, and each share carries one vote and otherwise equal rights. After the combination, all of 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 look 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 corporate acquisitions or investments, to implement 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 it is justified from the point of view of the company and its shareholders.

The Annual General Meeting was held on 07 April 2016. It decided to adopt the financial statements for 2015 and grant the Board of Directors and the CEO discharge 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 unrestricted 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, Authorised Public Accountants, 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 the 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 Chairman of the Inspection Committee and Esa Kiiskinen and Hanna Maria Sievinen were elected as its other members. Peter Fagernäs was elected 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. After the combination, Taaleri's 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 the Helsinki stock exchange, 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 masket increases transparency for investors and increases the company's disclosure obligation.

Taaleritehdas shareholders and treasury shares

The number of owners of Taaleri has continued growing since the company transferred to the main market maintained by Nasdaq Helsinki. At the end of 2015, the company had 1,760 shareholders, and it had 2,537 at the end of the period under review, representing growth of 44 percent from the situation in the first half of the year. On 30 June 2016, the company possessed 45,000 (45,000) treasury shares. The company's ten largest shareholders on 30 June 2016 were:

10 largest shareholders on 30 June 2016	Percentage of shares and votes
1. Oy Hermitage Ab	8.8
2. Veikko Laine Oy	8.6
3. Juhani Elomaa*	7.3
4. Lombard International Assurance S.A.	6.6
5. Karri Haaparinne**	5.9
6. Berling Capital Ltd	5.3
7. Fennia Life Insurance Company Ltd.	3.4
8. Capercaillie Capital Oy	1.9
9. Petri Lampinen	1.9
10. Swiss Life (Luxembourg) S.A.	1.8

*includes the share of the controlled company E-capital Oy 0.9 percent
*includes the share of the controlled company Xabis Oy 0.6 percent

Personnel

Professional and motivated personnel is 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 161 (167) full-time personnel during the period under review. There were 121 (124) full-time personnel in the Wealth Management segment and 20 (13) in the Financing segment. The full-time personnel of other business operations segment averaged 19 (24). Of the personnel, 95 percent were employed in Finland and 5 percent abroad.

The personnel costs of the Taaleri Group were equivalent to 31.5 percent of the Group's turnover and totalled EUR 10.6 (9.8) million during the period under review. The comparison figure is influenced by the inclusion of Garantia in the Group since 1 April 2015, and accordingly for the whole period under review, 1 January–30 June 2016. In addition, Taaleri Private Equity Funds Ltd has strengthened its team.

Changes in Group structure

Taaleri Plc is the parent company of the Group, which has the subsidiaries Taaleritehdas Wealth Management Ltd and its subsidiaries, Taaleri Private Equity Funds Ltd and the sub-group it comprises, Taaleri Investments Ltd and the sub-group it comprises, and Garantia Insurance Company Ltd.

On 29 March 2016, Taaleri Plc purchased the minority holding in Taaleri Private Equity Funds Ltd and currently owns 100 percent of the company. The redemption of the minority holding reduced the Group's equity by EUR 11.2 million. During the period under review, Inderes Oy became an associated company of Taaleri when Taaleri Investments Ltd purchased a 40.0 percent holding in Inderes Oy in May.

During the period under review, Metsärahasto II Ky and the associated company Havuz Holding Oy were sold. The sales of Metsärahasto II strengthened the equity ratio of the Taaleri Group due to the good sales income and the reduced debt burden.

Taaleri Private Equity Funds Ltd and Taaleri Investments Ltd have, during the period under review in 2016, established the administrative subsidiaries Taaleri Telakka GP Oy, Taaleri Merenkulku GP Oy, Taaleri Tuulitehdas III GP Oy, and subscribed to 100 percent of their shares.

Events after the review period

During the second half of the year, we will invest in developing the business of Taaleri Energy. Taaleri Energy will channel Finnish holdings to renewable energy, such as wind and solar power, but also to existing energy sources and networks. Energy offers a natural expansion to Taaleri's operations as the company has strong expertise in the area. The energy business is also partly associated with Taaleri's internationalisation objective.

In addition, Taaleri Kapitaali was established after the period under review. Its mission is to support brokerage operations of the Wealth Management segment and to expand the services offered to customers.

Taneli Hassinen, head of communications, will step down from the Group's Executive Management Team starting from 1 October 2016. He continues to be responsible for Taaleri's communications and media and investor relations.

Estimate of future development

Taaleri's objectives are an equity ratio of more than 30 percent and an operating profit margin of more than 15 percent. The long term objective for return on equity is 15 percent.

In addition to these, the company aims to increase the amount of dividends distributed and annually distribute competitive dividends, taking into account the company's economic position and financing situation. Despite the challenging financial environment, we are aiming for controlled, profitable growth, and we expect that the company's financial objectives for 2016 will be achieved.

Helsinki, 24 August 2016
Board of Directors

The half-year financial report is unaudited.
The financial statements bulletin for 2016 will be published on 28 February 2017.

KEY FIGURES

GROUP	1-6/2016 IFRS	1-6/2015 IFRS	1-12/2015 IFRS
Income, EUR 1 000	33 670	29 954	58 401
Adjusted income, EUR 1 000 [1)]	33 670	29 954	58 401
Operating profit (-loss), EUR 1 000	11 749	39 127	47 379
- as percentage of turnover	34,9 %	130,6 %	81,1 %
Adjusted operating profit (-loss), EUR 1 000 [1)]	11 749	11 840	20 092
- as percentage of turnover	34,9 %	39,5 %	34,4 %
Net profit for the period, EUR 1 000	9 185	37 158	44 087
- as percentage of turnover	27,3 %	124,0 %	75,5 %
Adjusted net profit for the period, EUR 1 000 [1)]	9 185	9 871	16 800
- as percentage of turnover	27,3 %	33,0 %	28,8 %
Basic earnings per share, EUR	0,32	1,35	1,53
Adjusted basic earnings per share, EUR [1)]	0,32	0,35	0,55
Basic earnings per share, continuing operations, EUR	0,32	1,37	1,54
Diluted earnings per share, EUR	0,32	1,34	1,52
Diluted earnings per share, continuing operations, EUR	0,32	1,35	1,53
Return on equity % (ROE) [2)]	19,9 %	116,1 %	65,3 %
Adjusted return on equity-% (ROE) [1) 2)]	19,9 %	30,8 %	24,9 %
Return on equity at fair value % (ROE) [2)]	20,1 %	102,6 %	58,6 %
Adjusted return on equity at fair value % (ROE) [1) 2)]	20,1 %	17,4 %	18,2 %
Return on assets % (ROA) [2)]	9,4 %	41,2 %	23,9 %
Adjusted return on assets % (ROA) [1) 2)]	9,4 %	10,9 %	9,1 %
Cost/income ratio	65,4 %	64,8 %	67,5 %
Price/earnings (P/E) [2)]	13,6	2,9	5,5
Number of employees, avg	174	177	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	1-6/2016 IFRS	1-6/2015 IFRS	1-12/2015 IFRS
Equity ratio -%	49,8 %	43,4 %	44,8 %
Modified equity ratio % 1)	49,8 %	43,4 %	44,8 %
Gearing -%	26,0 %	57,1 %	48,6 %
Equity/share, EUR	3,07	3,18	3,35
Dividend/share, EUR 2)	-	-	0,20
Dividend/earnings, % 2)	-	-	13,0 %
Effective dividend yield, % 2)	-	-	2,4 %
Loan receivables, EUR 1 000	6 911	9 244	9 416
Conglomerate's capital adequacy ratio, %	312 %	-	469 %
Number of shares at the end of period 3)	28 305 620	28 305 620	28 305 620
Number of series A shares at the end of period 3)	n/a	14 023 016	13 592 049
Number of series B shares at the end of period 3)	n/a	14 282 604	14 713 571
Average number of shares 3)	28 305 620	27 053 644	27 684 777
Average number of series A shares (act/act) 3)	n/a	15 478 257	14 671 451
Average number of series B shares (act/act) 3)	n/a	11 575 387	13 013 327
Share average price, EUR 4)	8,87	7,11	7,60
- highest price, EUR	9,50	9,10	9,25
- lowest price, EUR	8,20	6,04	6,04
- closing price, EUR	8,77	7,90	8,38
Market capitalization, EUR 1000 5)	248 240	223 614	237 201
Shares traded, thousands 4)	1 680	1 115	2 148
Shares traded, % 4)	6 %	10 %	17 %

1) Modified equity ratio relates to a covenant term of a bond issued by the Group. From 2015 it is no longer presented, because Lainaamo Plc is no longer consolidated into the Group, and therefore the equity ratio does not need to be modified.

2) 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 2015 reflect series B shares which were traded before the combination.
5) Reduced by own shares acquired. In the key figures from 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	1-6/2016	1-6/2015	1-12/2015
Premiums written	**5 470**	**4 471**	**10 019**
Other items [1)]	-1 096	363	-170
Earned premiums	**4 374**	**4 834**	**9 849**
Claims incurred	-419	-309	-1 492
Operating expenses	-2 137	-2 426	-4 778
Balance on technical account before changes in equalisation provision	**1 818**	**2 099**	**3 579**
Change in equalisation provision [2)]	419	-2 401	-3 517
Balance on technical account	**2 237**	**-302**	**62**
Investment income and expenses, net	1 284	6 855	8 460
Earnings before tax	**3 520**	**6 553**	**8 523**
Combined ratio, %	58 %	57 %	64 %
Claims ratio, %	10 %	6 %	15 %
Expense ratio %	49 %	50 %	49 %
Return on investments at fair value, %	1,5 %	3,7 %	4,6 %
Solvency ratio (S2), % [3)]	501 %	n/a	506 %
	1,23	1,23	1,16
Number of employees, avg	23	25	25

1) Reinsurers share of premiums written, change in provision for unearned premiums and reinsurers' share of change in provisision for unearned premiums.
2) Regulations on the equalization provision were changed by the amended Insurance Companies Act that came into force on 1 January 2016. The equalization provision presented above is an estimate of the equlaization provision as per the new regulations. The estimate is based on an application submitted by Garantia to the FSA on the new calculation bases for Garantia's equalization provision.
3) The Solvency II regulations were not in force during the 2015 financial year and they do not fall wihtin the sphere of statutory auditing under the Insurance Companies Act that entered into force on 1 January 2016. In April 2016 the FSA further specified the Solvency II regulations, as a result of which the figures provided above, which comply with Solvency II, differ from those published in the 2015 financial statements.

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 defitions 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	**H1 2016**	**H2 2015**	**H1 2015**	**2014**
Finsilva fair value change	-	-	-	14 182
Total items affecting comparability in income	**-**	**-**	**-**	**14 182**
Negative goodwill and expenses directly relating to the Garantia acquisition	-	-	27 287	-
Total items affecting comparability in operating profit	**-**	**-**	**27 287**	**14 182**
Finsilva fair value change tax impact	-	-	-	-2 609
Total items affecting comparability in net profit for the period	**-**	**-**	**27 287**	**11 574**

Return on equity (ROE), %

$$\frac{\text{Profit for the period x 100}}{\text{Total equity (average of the beginning and end of the year)}}$$

Return on equity at fair value % (ROE)

$$\frac{\text{Total comprehensive income for the period x 100}}{\text{Total equity (average of the beginning and end of the year)}}$$

Return on assets (ROA), %

$$\frac{\text{Profit for the period x 100}}{\text{Balance sheet total (average of the beginning and end of the year)}}$$

Cost/income ratio, %

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

Price/Earnings (P/E)

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

Equity ratio, %

$$\frac{\text{Total equity x 100}}{\text{Balance sheet total}}$$

Modified equity ratio, %

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

Gearing ratio, %

$$\frac{\text{(Interest-bearing liabilities - cash and cash equivalents) x 100}}{\text{Total equity}}$$

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	Dividend payable for the financial period x 100 / Weighted average number of ordinary shares
Dividend/earnings, %	Dividend/share x 100 / Basic earnings per share
Effective dividend yield, %	Dividend/share x 100 / Price of series B share at the end of the period
Conglomerate's capital adequacy ratio, %	Conglomerate's total capital base / Conglomerate's minimum requirement of total capital base
Total capital in relation to risk-weighted items	Total Capital (TC) / Risk-weighted items (Total risk)
Common equity tier in relation to risk-weighted items	Common Equity Tier (CET1) / 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, %	Shares traded during the financial period x 100 / 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, %	Claims incurred x 100 / Insurance premium income This key figure is calculated after the share of the reinsurers.
Expense ratio, %	Operating costs x 100 / Insurance premium income This key figure is calculated after the share of the reinsurers.
Solvency ratio (S2), %	Basic own funds x 100 / Solvency capital requirement (SCR)

CONSOLIDATED INCOME STATEMENT

EUR 1 000	1.1.-30.6.2016	1.1.-30.6.2015
CONTINUING OPERATIONS		
Fee and commission income	17 108	15 770
Net income from insurance	5 800	7 745
From insurance operations	4 150	2 569
From investment operations	1 650	5 176
Net gains or net losses on trading in securities and foreign currencies	9 000	953
Income from equity investments	1 334	2 631
Interest income	405	476
Other operating income	22	2 379
TOTAL INCOME	**33 670**	**29 954**
Fee and commission expense	-2 135	-1 984
Interest expense	-1 212	-1 485
Administrative expenses		
Personnel costs	-10 605	-9 761
Other administrative expenses	-4 008	-2 486
Negative goodwill	-	28 567
Depreciation, amortisation and impairment of tangible and intangible assets	-576	-381
Other operating expenses	-3 557	-3 310
Impairment losses on loans and other receivables	60	-
Share of associates' profit or loss	113	12
OPERATING PROFIT	**11 749**	**39 127**
Income tax expense	-2 563	-1 653
PROFIT FROM CONTINUING OPERATIONS	**9 185**	**37 474**
DISCONTINUED OPERATIONS		
Loss from discontinued operations	-	-316
PROFIT FOR THE PERIOD	**9 185**	**37 158**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	1.1.-30.6.2016	1.1.-30.6.2015
Profit for the period	9 185	37 158
Items that may be reclassified to profit or loss		
Translation differences	42	-133
Available-for-sale financial assets	43	-5 201
Income tax	-9	1 040
Items that may be reclassified to profit or loss in total	**77**	**-4 294**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**9 262**	**32 864**
Profit for the period attributable to:		
Owners of the parent company	9 136	36 630
Non-controlling interests	49	528
Total	**9 185**	**37 158**
Total comprehensive income for the period attributable to:		
Owners of the parent company	9 213	32 336
Non-controlling interests	49	528
Total	**9 262**	**32 864**
Total comprehensive income for the period attributable to the owners of the parent company		
Continuing operations	9 262	33 180
Discontinued operations	-	-316
Total	**9 262**	**32 864**

Earnings per share for profit attributable to the shareholders of the parent company	1.1.-30.6.2016	1.1.-30.6.2015
Basic earnings per share, continuing operations	0,32	1,37
Diluted earnings per share, continuing operations	0,32	1,35
Basic earnings per share, discontinued operations	-	-0,01
Diluted earnings per share, discontinued operations	-	-0,01
Basic earnings per share, profit for the period	0,32	1,35
Diluted earnings per share, profit for the period	0,32	1,34

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

CONSOLIDATED BALANCE SHEET

Assets, EUR 1 000	Note	30.6.2016	31.12.2015
Receivables from credit instutions	2, 3	21 724	27 983
Receivables from the public and general government	2, 3	6 911	9 416
Debt securities	2, 3	1 503	1 541
Shares and units	2, 3	5 936	45 154
Participating interests		4 129	2 958
Insurance assets	2, 3	119 999	116 715
Insurance assets		2 395	2 628
Investments		117 604	114 087
Intangible assets		2 688	2 369
Goodwill		627	627
Other intangible assets		2 061	1 741
Tangible assets		589	546
Other assets		4 596	4 877
Accrued income and prepayments		6 941	4 956
Deferred tax assets		347	249
		175 363	**216 764**

Liabilities, EUR 1 000	Note	30.6.2016	31.12.2015
LIABILITIES		**88 116**	**119 704**
Liabilities to credit institutions	2, 3	14 446	14 939
Liabilities to the public and general government	2, 3	-	30 250
Debt securities issued to the public	2, 3	29 967	29 946
Insurance liabilities		14 014	13 071
Other liabilities		2 248	3 583
Accrued expenses and deferred income		11 210	10 186
Deferred tax liabilities		16 231	17 729
EQUITY CAPITAL	4	**87 246**	**97 060**
Share capital		125	125
Reserve for invested non-restricted equity		35 814	37 512
Fair value reserve		-4 363	-4 398
Translation difference		-96	-138
Retained earnings or loss		46 375	19 384
Profit or loss for the period		9 136	42 455
Non-controlling interest		255	2 119
		175 363	**216 764**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1 000	1.1.-30.6.2016	1.1.-30.6.2015
Cash flow from operating activities:		
Operating profit (loss)	11 749	39 127
Depreciation	576	381
Change in goodwill	-	-28 567
Other adjustments		
Changes in fair value of investments		
- Held for trading	6 857	6 806
- Available-for-sale	35	-4 161
Other adjustments	-91	-669
Cash flow before change in working capital	19 125	12 917
Change in working capital		
Increase (-)/decrease (+) in loan receivables	2 505	-2 952
Increase (-)/decrease (+) in current interest-free receivables	-1 199	1 528
Increase (+)/decrease (-) in current interest-free liabilities	170	-2 090
Cash flow from operating activities before financial items and taxes	20 601	9 404
Direct taxes paid (-)	-1 375	-897
Cash flow from operating activities (A)	**19 226**	**8 508**
Cash flow from investing activities:		
Investments in tangible and intangible assets	-939	1 593
Investments in subsidiaries and associated companies		
net of cash acquired	-13 240	-17 906
Other investments	-3 776	-4 755
Cash flow from investing activities (B)	**-17 955**	**-21 068**
Cash flow from financing activities:		
Chargeable changes in share capital	-	23 200
Purchase of own shares	103	-115
Increase (+)/decrease (-) in non-current liabilities	-500	-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)	**-7 530**	**4 567**
Increase/decrease in cash and cash equivalents (A+B+C)	-6 259	-7 993
Cash and cash equivalents at beginning of period	27 983	31 536
Cash and cash equivalents at end of period	21 724	23 543
Net change in cash and cash equivalents	-6 259	-7 993

CHANGES IN GROUP EQUITY CAPITAL

1.1.-30.6.2016, EUR 1 000	Share capital	Available-for-sale	Reserve for invested non-restricted equity	Translation differences	Retained earnings	Total	Non-controlling interests	Equity total
1.1.2016	125	-4 398	37 512	-138	61 839	94 941	2 119	97 060
Total comprehensive income for the financial period	-	35	-	42	9 136	9 213	49	9 262
Earnings for the period	-	-	-	-	9 136	9 136	49	9 185
Other comprehensive income items	-	35	-	42	-	77	-	77
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	-	-	-	-	103	103	-	103
Other	-	-	-	-	-11 605	-11 605	-441	-12 045
30.6.2016	**125**	**-4 363**	**35 814**	**-96**	**55 511**	**86 991**	**255**	**87 246**

1.1.-30.6.2015, EUR 1 000	Share capital	Available-for-sale	Reserve for invested non-restricted equity	Translation differences	Retained earnings	Total	Non-controlling interests	Equity total
1.1.2015	125	-	14 638	20	21 637	36 420	1 447	37 868
Total comprehensive income for the financial period	-	-4 161	-	-133	36 630	32 336	528	32 864
Earnings for the period	-	-	-	-	36 630	36 630	528	37 158
Other comprehensive income items	-	-4 161	-	-133	-	-4 294	-	-4 294
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	-	-	-	-	80	80	-	80
Other	-	-	-	-	-	-	-26	-26
30.6.2015	**125**	**-4 161**	**37 512**	**-113**	**55 889**	**89 252**	**945**	**90 197**

SEGMENT INFORMATION - EARNINGS

1 January–30 June 2016, EUR 1 000	Continuing operations WEALTH MANAGEMENT	FINANCING	OTHER	TOTAL
Continuing earnings	13 761	5 812	1 901	21 473
Performance fees	3 799	-	-	3 799
Sales profits	-	-	8 510	8 510
Total income	**17 559**	**5 812**	**10 411**	**33 782**
Fee and commission expense	-2 097	-	-38	-2 135
Interest expense	-19	-	-1 194	-1 212
Personnel costs	-6 859	-1 495	-2 250	-10 605
Direct expenses	-2 374	-676	-2 301	-5 351
Depreciation, amortisation and impairment	-5	-102	-15	-122
Impairment losses on loans and other receivables	60	-	-	60
Operating profit before overhead costs	**6 266**	**3 538**	**4 613**	**14 417**
Overhead costs	-4 219	-162	1 711	-2 669
Allocation of financing expenses	-	-996	996	-
Operating profit before valuations	**2 047**	**2 381**	**7 320**	**11 748**
Recognition of negative goodwill	-	-	-	-
Change in fair value of investments	-26	69	-	43
Profit before taxes and non-controlling interests	**2 021**	**2 450**	**7 320**	**11 791**

1 January–30 June 2015, EUR 1 000	Continuing operations WEALTH MANAGEMENT	FINANCING	OTHER	TOTAL
Continuing earnings	15 662	7 061	3 190	25 913
Performance fees	978	-	-	978
Sales profits	2 379	696	-	3 075
Total income	**19 019**	**7 757**	**3 190**	**29 967**
Fee and commission expense	-1 961	-	-23	-1 984
Interest expense	-13	-	-1 471	-1 485
Personnel costs	-6 688	-992	-2 081	-9 761
Direct expenses	-2 308	-1 017	-797	-4 121
Depreciation, amortisation and impairment	-189	-49	-	-238
Impairment losses on loans and other receivables	-	-	-	-
Operating profit before overhead costs	**7 860**	**5 699**	**-1 181**	**12 378**
Overhead costs	-3 002	-74	1 259	-1 817
Allocation of financing expenses	-	-924	924	-
Operating profit before valuations	**4 858**	**4 701**	**1 001**	**10 560**
Recognition of negative goodwill	-	28 567	-	28 567
Change in fair value of investments	-	-5 201	-	-5 201
Profit before taxes and non-controlling interests	**4 858**	**28 067**	**1 001**	**33 926**

Reconciliations

Reconciliation of total income	1.1.-30.6.2016	1.1.-30.6.2015
Total income of segments	33 782	29 967
Share of associates' profit or loss allocated to total income of segments	-113	-12
Consolidated total income	**33 670**	**29 954**

Reconciliation of operating profit	1.1.-30.6.2016	1.1.-30.6.2015
Total earnings of segments before taxes and non-controlling interests	11 791	33 926
Change in fair value of investments	-43	5 201
Consolidated operating profit	**11 749**	**39 127**

NOTES TO THE HALF YEAR FINANCIAL REPORT 30 JUNE 2016

1 ACCOUNTING PRINCIPLES

The half year financial report has been prepared in accordance with IAS 34 (Interim Financial Reporting) and with the accounting principles presented in the financial statements 2015, with exception of the changes desribed below.

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

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 Jauary 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 30 June 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)]	21 724	-	-	21 724	21 724
Receivables from the public and general government [1)]	6 911	-	-	6 911	6 911
Debt securities	-	-	1 503	1 503	1 503
Shares and units	-	2 824	3 112	5 936	5 936
Insurance assets	-	-	117 604	117 604	117 604
Other financial assets	7 574	-	-	7 574	-
Financial assets total	**36 210**	**2 824**	**122 219**	**161 252**	**-**
Participating interests	**-**	**-**	**-**	4 129	**-**
Other than financial instruments	-	-	-	9 982	-
Assets in total 30 June 2016	**-**	**-**	**-**	**175 363**	**-**

Financial liabilities	At fair value through profit or loss	Other liabilities	Total	Fair value
Liabilities to credit institutions [1)]	-	14 446	14 446	14 446
Debt securities issued to the public [2)]	-	29 967	29 967	32 040
Other financial liabilities	-	8 177	8 177	-
Financial liabilities total	**-**	**52 590**	**52 590**	**-**
Other than financial liabilities	-	-	35 526	-
Liabilities in total 30 June 2016	**-**	**-**	**88 116**	**-**

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 30 June 2016, EUR 1 000	Level 1	Level 2	Level 3	Fair value total
Receivables from credit institutions [1)]	-	21 724	-	21 724
Receivables from the public and general government [1)]	-	6 911	-	6 911
Debt securities	-	-	1 503	1 503
Shares and units	3 023	-	2 913	5 936
Insurance assets	114 792	-	2 813	117 604
Total	**117 814**	**28 635**	**7 228**	**153 678**

Fair value of liabilities 30 June 2016, EUR 1 000	Level 1	Level 2	Level 3	Fair value total
Liabilities to credit institutions [1)]	-	14 446	-	14 446
Debt securities issued to the public [1)]	-	32 040	-	32 040
Total	**-**	**46 486**	**-**	**46 486**

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 categorised within 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 measuered 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. The group has one unquoted debt security (Sotkamo Silver convertible bond), which is valued at amortised cost. This is considered to be the best estimate of the fair value, as the convertible bond was acquired in the final quarter of 2015 and we have not seen any signs that its value would have changed significantly. Fair value measurement based on a valuation model would include significant uncertainty.

Reconciliation of assets categorised within level 3, EUR 1 000	**30.6.2016**	**31.12.2015**
Fair value January 1	46 533	80 059
Business combinations	-	2 248
Purchases	516	3 544
Sales and deductions	-39 863	-39 615
Change in fair value - income statement	43	54
Change in fair value - comprehensive income statement	-	243
Fair value at end of period	**7 228**	**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	**1.1.-30.6.2016**	**1.1.-31.12.2015**
Net income from insurance	10	3
Net gains or net losses on trading in securities and foreign currencies	-38	26
Total	**-28**	**29**

4 EQUITY CAPITAL

Share capital

The company's share capital on 30 June 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.

5 INVESTMENTS IN SUBSIDIARIES

Changes in subsidiary shareholdings 2016

The group has 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 11.3 million negative.

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 logging quantities until the year 2021. The option has no value in the half year financial report.

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

In 2015 the group purchased the entire share capital of Garantia Insurance Company Ltd.

In April 2015, Turkish subsidiary Taaleri Portföy Yönetimi was capitalised by 2 275 000 Turkish lira (EUR 817 thousand). 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 the parent company is presented in the table below.

In May 2015, the group sold the share capital of its subsidiary Lainaamo Oy. A sales loss of EUR 527 thousand was recorded from the sale and is included in the income statement item 'Profit/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%. A sales loss of EUR 217 thousand was recorded from the sale and 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	1.1.- 30.6.2016	1.1.- 31.12.2015
Ownership increase in subsidiaries	-11 226	-61
Ownership decrease in subsidiaries without loss of control	-	-
Net effect on equity	**-11 226**	**-61**

Significant judgements 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 is consolidated in the group.

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

		Proportion of non-controlling ownership interest		Profit or loss allocated to non-controlling interests		Equity capital allocated to non-controlling interests	
Company	Registered office	30.6.2016	31.12.2015	1.1.- 30.6.2016	1.1.- 30.6.2015	30.6.2016	31.12.2015
Taaleri Private Equity Funds Ltd	Helsinki	0 %	25 %	-	449	-	1 144
Other subsidiaries with non-controlling interests, which are not material on their own				49	79	255	975
Total				**49**	**528**	**255**	**2 119**

6 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 113 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 Metsärahasto II Oy, whose only asset was a 19.77 percent share in Finsilva Oyj, was sold.

7 CONTINGENT LIABILITIES

Commitments not recognised as liabilities, EUR 1 000	**30.6.2016**	**31.12.2015**
Total gross exposures of guarantee insurance	1 228 191	1 164 466
Guarantees	219	219
Investment commitments	2 525	3 920
Pledged securities	25 200	64 653
Credit limits (unused)	10 000	10 000
Total	**1 266 135**	**1 243 258**

Garantia received a notification of a possible claim of EUR 5 million on 30 December 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.

8 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.

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

1.1.-30.6.2016	**Sales**	**Purchases**	**Receivables**	**Liabilities**
Associated companies	123	3	-	-
Other related parties	537	10 100	-	-

2014	**Sales**	**Purchases**	**Receivables**	**Liabilities**
Associated companies	-	-	-	-
Other related parties	257	20	-	-