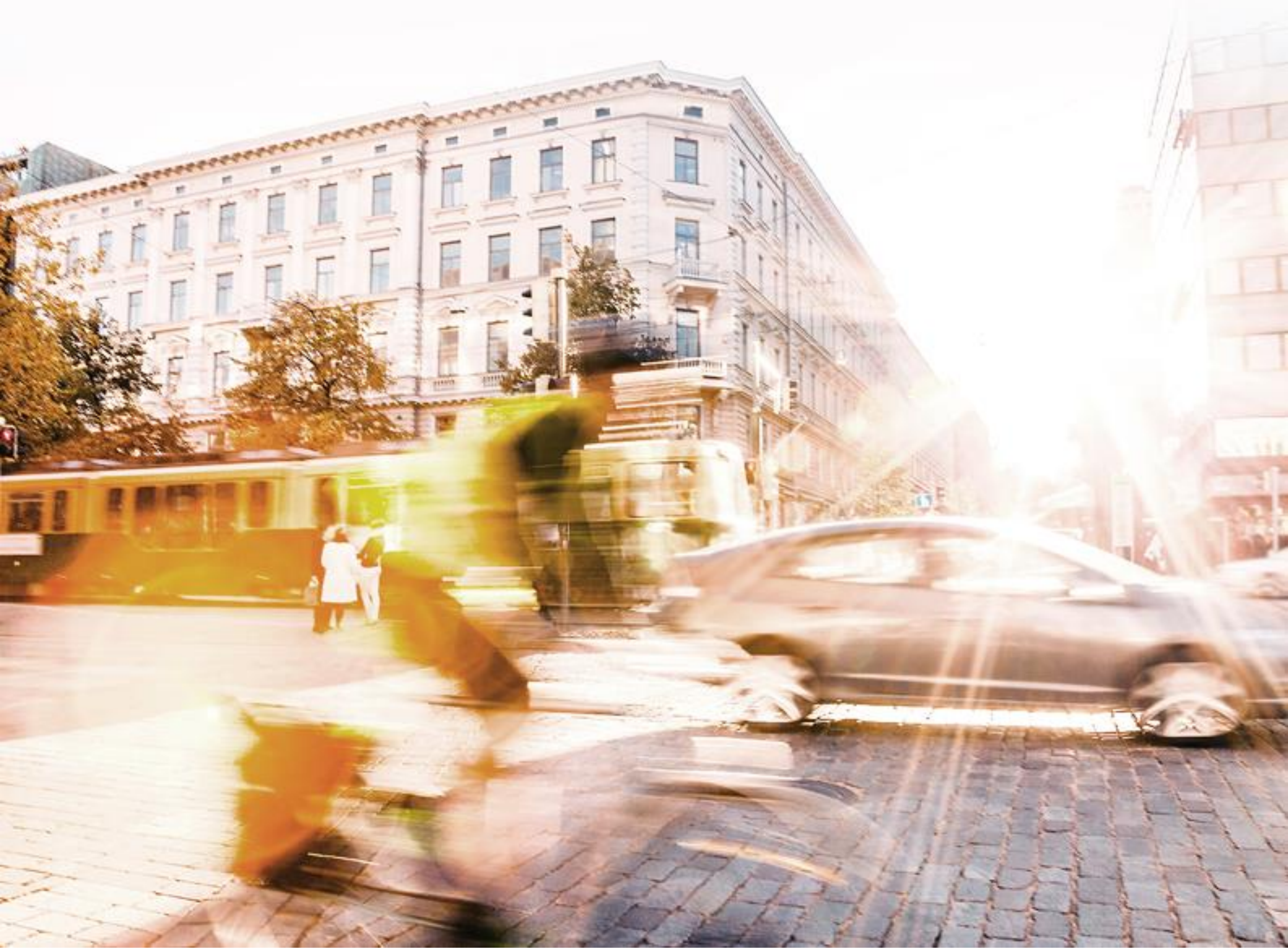
TAALERI

FINANCIAL STATEMENTS BULLETIN

JANUARY-DECEMBER 2018



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Taaleri Plc Financial Statements Bulletin January-December 2018

CONTINUING EARNINGS GREW, EARNINGS PER SHARE WAS EUR 0.76 AND DIVIDEND PROPOSAL IS EUR 0.30 PER SHARE

The Group in January-December 2018

- Income was EUR 72.5 (81.0) million, a decrease of 10.5 per cent due to lower performance fees.
- Continuing earnings grew 6.3 per cent to EUR 52.0 (48.9) million.
- Net income from investment operations was EUR 12.2 (16.8) million. Garantia investment operations yielded EUR -0.7 (11.9) million, and a profit of EUR 13.8 million was recorded due to the listing of Fellow Finance.
- Operating profit was EUR 23.9 (27.6) million, or 33 (34) per cent of income, due to improved cost efficiency.
- Earnings from investment operations were EUR 12.2 (16.8) million. Garantia investment operations totalled EUR -0.7 (11.9) million. Fellow Finance' listing resulted in a EUR 13.8 million recorded profit.
- Operating profit was EUR 23.9 (27.6) million, or 33 (34) per cent of income, due to improved cost efficiency.
- Earnings per share were EUR 0.76 (0.76).
- Assets under management grew 2.9 per cent to EUR 5.7 (5.6) billion.
- Insurance exposure grew 11.8% and totalled EUR 1.7 (1.5) billion.
- The Board of Directors' proposes a dividend of EUR 0.30 per share.

The Group in July-December 2018

- Income declined 11.8 per cent and was EUR 37.3 (42.3) million.
- Continuing earnings grew by 5.4 per cent to EUR 25.2 (23.9) million.
- Performance fees were EUR 2.5 (10.1) million.
- Earnings from investment operations were EUR 9.2 (8.7) million.
- Operating profit was EUR 11.5 (12.0) million.
- Earnings per share were EUR 0.44 (0.32).

Group key figures	2018	2017	H2/2018	H2/2017	Long-term target
Earnings key figures					
Continuing earnings, MEUR	52.0	48.9	25.2	23.9	
Income, MEUR	72.5	81.0	37.3	42.3	
Operating profit, MEUR	23.9	27.6	11.5	12.0	
Operating profit, %	33.0	34.1	30.9	28.4	**> 20.0**
Profit for the period, MEUR	21.6	21.8	12.2	9.3	
Return on equity*, %	18.9	21.8	21.1	18.2	**> 15.0**
Balance sheet key figures					
Equity ratio, %	51.4	46.3			**> 30.0**
Group's capital adequacy ratio, %	186.0	251.2			
Per share key figures					
Earnings/share, EUR	0.76	0.76	0.44	0.32	
Equity/share, EUR	4.26	3.73			
Share closing price, EUR	7.10	10.35			
Other key figures					
Cost/income ratio	67.0	66.2	68.9	71.8	
Average full-time employees	183	175	187	175	
Market capitalization, BEUR	201.0	293.0			
Assets under management, BEUR	5.7	5.6			
Guaranty insurance portfolio, BEUR	1.7	1.5			

* annualized

Income statement items are compared with figures for the corresponding period last year. The balance sheet is compared to the situation at the end of 2017, unless otherwise stated.

Taaleri publishes its Financial Statements Bulletin 2018 as PDF files attached to this stock exchange release. The report is also available at https://www.taaleri.com/en/investor-relations/reports-and-presentations.

CEO JUHANI ELOMAA

”Our company’s result remained at a good level also in 2018. Taaleri’s operating margin in 2018 was 33%, and earnings per share EUR 0.76, both at last year’s level. Income slightly declined, mainly due to the weak equity and bond market during the second half of the year, and totalled EUR 72.5 million. The operating profit of the Wealth Management segment remained at last year’s level, EUR 16.8 (16.7) million, and the operating profit margin strengthened to 35 per cent. The improved operating profit was due mainly to lower variable personnel costs. Garantia’s net income from insurance operations grew by 33 per cent to EUR 13.0 (9.8) million due to the growth of premiums written, continued low claims incurred and growth in the insurance portfolio. Taaleri Energia’s projects advanced well and as planned. In January 2019, Taaleri Energia and energy company Masdar, signed a letter of intent to establish a joint development company. In fact, the Energy segment is continually seeking new investment opportunities in international renewable energy infrastructure markets. The earnings improvement in “Other” came from the listing of Fellow Finance.

The year included many successes, one good example of which is the listing of the associated company Fellow Finance. Taaleri has been part of Fellow Finance’s story since 2015. We envisioned strong change in the financial market, and we believed in Fellow Finance’s position as one of the clear frontrunners. This view proved to be correct. Unfortunately, the year also included setbacks. The private equity fund Taaleri Geo Fund I made a decision to invest in the Höhenrain geothermal energy plant project in the Bavarian state in Germany. In the test drilling, the project’s production capacity proved to be insufficient and thus the project became commercially unviable.

Taaleri has been a growth company throughout its history; accordingly, we must be bold so that we can find new investment targets and grow faster than the market. The finance arrangements-related megatrend is fundamentally helping us; when entrepreneurs, companies and developers of new business models seek capital directly through different financial actors on the capital markets. This means that today entrepreneurs, companies, and developers of new operating models in need of capital are seeking it primarily from the capital market via various financial operators. This creates diverse demand for special expertise in financing. Taaleri has several examples of these kinds of direct financing activities from the year, among them: Turun Toriparkki, Garantia’s multi-issuer bond, and the financing of the Keilaniemi tower building.

Climate change is one of our biggest global crises and it has negative impacts around the world. Making more clearly defined choices for the sake of responsibility is something we must do. As an enabler of responsible ownership, we believe in responsible actions rather than written assurances. We are creating a sustainable future by taking a bold role in energy market transformation by building renewable energy. We can make an impact by seeking out opportunities to finance projects and players that are focused on building a sustainable future. Our operations must be transparent so that Taaleri’s credibility as a responsible partner can be seen and assessed by all.

As our operative environment quickly evolves, we too are evolving while simultaneously taking care of our competitiveness. In 2018 there was an increased focus on leadership. Personnel motivation, opportunities to influence one’s own work and to be self-directed have improved well.

A fundamental transformation of the Wealth Management business model is under way. High-quality, personal service is at the core of our operations. A multi-channel approach, standardization of our processes, and quantitative analysis are the kinds of development paths that will now bring further development to Taaleri’s wealth management. The acquisition of Evervest, Finland’s only robo-advisor asset manager last summer, and the personnel that was transferred with the acquisition and streamlining the customer experience are at the core of the internal change.

An event-filled year is now behind us, and I want to thank all our colleagues, customers and partners for the shared efforts in 2018.”

BOARD OF DIRECTORS' REPORT 1 JANUARY–31 DECEMBER 2018

Operating environment

The Finnish economy continued to be strong and experienced broad growth. Employment also developed favourably in 2018. Volatility and correction movements in the stock market increased, as economic uncertainties grew. During the early part of the year inflation figures worried investors, while later in the year the fear of a significant economic slowdown grew. Concerns included an accelerated pace of rising interest rates by the US Federal Reserve, the trade war between the US and China, as well as other political challenges around the world. Despite this, the US stock exchange markets, and particularly the technology companies, fared well.

The 2018 earnings and net sales of companies grew everywhere, including in Europe, although economic growth in the euro area fell short of expectations. At the end of 2018, the US Federal Reserve lowered the growth forecast for 2019, and the fear of excessive interest rate increases had a strong impact on stock market valuations, adding to the fear of a global slowdown in economic growth. The slowdown in China's economic growth, excessive interest rate increases, and international politics in Europe and globally has led investors to increasingly question the continuation of global economic growth at a good level and will create uncertainty also in the future.

In addition to the investment environment, our operating environment and our company are impacted directly and indirectly mega trends affecting the financial sector. These mega trends are: changes in customer behaviour, the Americanization of the capital markets, regulation and climate change. Taaleri is an enabler of responsible ownership. As the world changes, the ways of managing assets also have changed. Changes in the operating environment were visible in 2018 and have impacted companies. Creating flexible solutions and structures gives us much more ability to handle the big changes targeting the sector – and ideally to also benefit from them.

FINANCIAL RESULT

Segment specific income and operating profit

EUR million	2018	2017	Change, %	H2/2018	H2/2017	Change, %
Group income	**72.3**	**81.6**	**-11.4**	**37.3**	**42.3**	**-13.7**
Wealth Management	48.7	54.6	-10.7	19.0	30.7	-38.0
Financing	12.5	21.8	-42.6	6.3	10.1	-37.2
Energy	2.3	1.8	27.7	1.2	1.0	18.0
Other operations	8.8	3.4	156	10.3	0.9	1,100.4
Group operating profit/loss	**23.9**	**27.6**	**-13.5**	**11.5**	**12.0**	**-4.1**
Wealth Management	16.8	16.6	1.1	2.7	8.8	-69.5
Financing	4.9	13.9	-64.4	2.5	6.0	-57.5
Energy	-2.3	-1.5	50.8	-1.4	-0.9	62.5
Other operations	4.4	-1.4	n.a.	7.7	-1.9	n.a.

The Group's share of the result of associated companies is taken into account in the segment-specific income. Segment information is displayed on page 34.

January–December 2018

The Group's income in January-December 2018 was EUR 72.5 (81.0) million. The Group's continuing earnings increased by 6.3 per cent to EUR 52.0 (48.9) million. The Group's fee and commission income was EUR 45.6 (53.0) million, of which the performance fees accounted for EUR 8.1 (15.8) million. Net income from insurance operations was EUR 12.3 (21.7) million, of which net income from guaranty insurance operations grew by 32.6 per cent to EUR 13.0 (9.8) million, due to the growth of premiums written, continued low claims incurred and growth in the guaranty insurance portfolio. The net return on investments in insurance operations totalled EUR -0.7 (11.9) million, and the return on investments at fair value was -1.7 (6.6) per cent. With IFRS 9, the majority of the change in the fair value of investments of Garantia's investment portfolio is visible directly in income, while previously only the realized sales revenue was presented in income. Taaleri Group's investment operations without Garantia's investment operations yielded EUR 12.9 (4.9) million, which mainly includes EUR 13.8 million profit from the Fellow Finance ownership, of which EUR 5.2 million is realized capital gains, and write-downs from geothermal projects in Germany amounting to EUR 5.4 million, and the additional earn-out of EUR 4.9 million from a wind project.

The Group's operating profit was EUR 23.9 (27.6) million and represented 33.0 (34.1) per cent of the Group's income. Taaleri's Board of Directors decided that the Fellow Finance ownership is for sale, and it is now recorded in Taaleri's balance sheet at fair value. Accordingly, Taaleri booked a gain totalling approximately EUR 8.7 million in its results during the second half of the year.

The Group's cost-effectiveness is visible as lower total administrative costs. The administrative costs decreased by 17.1 per cent and totalled EUR 30.2 (36.4) million. Personnel costs decreased by 25.8 per cent to EUR 21.7 (29.3) million due to the decrease in variable salaries. Other administrative expenses totalled EUR 8.4 (7.1) million and other operating expenses EUR 8.4 (6.7) million, which increased mainly due to costs related to ICT services, capital gains and project development.

Profit for the financial period 2018 remained at last year's level and amounted to EUR 21.6 (21.8) million. Comprehensive income strengthened 6.5 per cent and was EUR 20.3 (19.0) million.

July–December 2018

The Group's income was EUR 37.3 (42.3) million. The Group's continuing earnings increased by 5.4 per cent to EUR 25.2 (23.9) million. The Group's fee and commission income was EUR 20.0 (28.5) million, of which the performance fees accounted for EUR 2.5 (10.1) million due to weak stock market development. Net income from insurance operations was EUR 6.1 (10.1) million, of which guaranty insurance operations grew by 59.5 per cent to EUR 7.2 (4.5) million and net income from investment operations declined to EUR -1.1 (5.5) million. The return on investments in insurance operations at fair value was -1.6 (3.2) per cent. With IFRS 9, the majority of the change in the fair value of investments of Garantia's investment portfolio is visible directly in income, while previously only the realized sales revenue was presented in income. The Group's investment activity generated EUR 9.2 (8.7) million during July-December 2018. Taaleri Group's investment operations without Garantia's investment operations yielded EUR 10.3 (3.2) million, which includes mainly EUR 13.8 million profit from the Fellow Finance ownership, of which EUR 5.2 million is realized capital gains, and a impairment from the write-off of a geothermal project in Germany amounting to EUR 3.1 million. The Fellow Finance ownership is recorded in Taaleri's balance sheet at fair value, as Taaleri's Board of Directors decided that the ownership is for sale.

The Group's operating profit was EUR 11.5 (12.0) million and represented 30.9 (28.4) per cent of the Group's income. The Group's cost-effectiveness improved, and total administrative costs declined 22.6 per cent and totalled EUR 16.0 (20.6) million. Personnel costs declined 31.8 per cent and amounted to EUR 11.5 (16.9) million due to the decrease in variable salaries. Other operating costs totalled EUR 4.7 (3.9) million. The increase was mainly due to costs related to project development.

Profit for the financial period amounted to EUR 12.2 (9.3) million. Comprehensive income for the financial period was EUR 11.3 (8.4) million.

Taaleri's balance sheet, investments and financing

The balance sheet total of the Taaleri Group was EUR 238.0 (31 Dec. 2017: 229.3) million. The Group's investments were EUR 162.2 (165.8) million, corresponding to 68.1 (72.3) per cent of the Group's balance sheet total.

The Group's interest-bearing liabilities amounted to EUR 61.8 (62.7) million, which consisted of EUR 54.8 (54.8) million in Taaleri Plc bond programs and EUR 7.0 (8.0) million in liabilities to credit institutions. Liabilities totalled EUR 115.6 (123.2) million and equity stood at 122.4 (106.1) million.

The equity ratio of Taaleri Group remained strong and was 51.4 (46.3) per cent.

BUSINESS SEGMENTS

Taaleri manages its business through three segments: Wealth Management, Financing, and Energy. Operations that do not belong to the segments are presented in "Other operations".

WEALTH MANAGEMENT

Taaleri's Wealth Management segment offers a broad range of wealth management services and investment products both to private individuals and corporate customers. In addition to services and allocation solutions based on the individual needs of our customers, our offering includes all traditional asset classes, both on the stock and money markets. In addition, we offer various opportunities for co-investment and private equity investments.

Wealth Management	**2018**	**2017**	**Change, %**	**H2/2018**	**H2/2017**	**Change, %**
EUR million						
Wealth Management fees	35.8	35.7	0.2	16.7	17.6	-5.2
Performance fees	8.1	15.8	-48.7	2.5	10.1	-75.5
Investment operations	4.8	3.1	57.3	-0.1	3.1	-103.5
Total	**48.7**	**54.6**	**-10.7**	**19.0**	**30.7**	**-38.0**
Operating profit	**16.8**	**16.6**	**1.1**	**2.7**	**8.8**	**-69.5**
Average full-time personnel	120	119	1.2	121	119	1.8

January-December 2018

Wealth Management's income totalled EUR 48.7 (54.6) million, in January-December 2018. The continuing fees of Wealth Management remained at the 2018 level and totalled EUR 35.8 (35.7) million. Volume from trading activities decreased compared to the previous year, but the on average higher assets under management of the private equity funds and co-investments and the increased advisory fees boosted earnings in 2018. In 2018 Taaleri arranged, among other things, funding for the real estate development projects Turku Toripark and Keilaniemen kiinteistökehitys Oy, where Taaleri acted as a financial advisor in the issue of a EUR 100 million senior secured bond.

Performance fees totalled EUR 8.1 (15.8) million. The profit from investment operations during January-December 2018 totalled EUR 4.8 (3.1) million. Costs declined 15.9 per cent and totalled EUR 30.9 (36.8) million. The positive development in administrative expenses was primarily due to the decreased variable personnel costs. Direct costs increased as a result of the continuing investments in business growth and the development of IT systems, as well as the costs related to the Helsinki office move.

Wealth Management's operating profit was at the 2017 level and totalled EUR 16.8 (16.7) million, which corresponds to 35 per cent of income.

Assets under management by Wealth Management grew by 3.0 per cent to EUR 5.6 (5.5) billion. The assets under management in Taaleri's own mutual funds declined to EUR 0.9 (1.1) billion. Assets under management in Taaleri's own private equity funds as well as co-investments totalled EUR 1.0 (1.1) billion. Assets under management in discretionary wealth management grew by 8.4 per cent to EUR 1.9 (1.8) billion, while assets in consultative wealth management grew by 13.6 per cent to EUR 1.8 (1.5) billion.

July-December 2018

Wealth Management's income totalled EUR 19.0 (30.7) million in July-December 2018. The continuing fees of Wealth Management decreased by 5.2 per cent to EUR 16.7 (17.6) million. Performance fees totalled EUR 2.5 (10.1) million. There were no exits from private equity fund projects during the review period; consequently, the profit from investment operations decreased to EUR -0.1 (3.1) million. Expenses decreased 25.3 per cent to EUR 15.9 (21.3) million, and operating profit was EUR 2.7 (8.8) million. The operating profit margin was 14 (29).

Assets under management	**31 December 2018**	**31 December 2017**	**Change, %**
EUR million			
Assets under management	**5,612**	**5,451**	**3.0**
Mutual funds	911	1,083	-15.8
Private equity funds	1,024	1,052	-2.6
Discretionary wealth management	1,922	1,772	8.4
Consultative wealth management	1,754	1,544	13.6

On 5 July, Taaleri Wealth Management Ltd acquired Evervest Oy, Finland's first robo-advisor wealth management company. The new digital distribution channel and its further development has a clear strategic position in the transformation of the wealth management sector. The ramp-up of the new digital channel boosts efficiency into processes, creates additional needs to the business, and at the same time supports the traditional meeting-based asset management service model.

During the review period investment commitments were collected for a new co-investment in Taaleri Datacenter. In addition, the special investment fund Taaleri Uusi Eurooppa and the investment fund sijoitusrahasto Taaleri Euroopan Kassakoneet began operations. It was decided to drive down the private equity fund Taaleri Geo Fund I and co-investment Taaleri Geoenergia Ky due to increased risks.

FINANCING

The Financing segment includes Garantia Insurance Company Ltd, an insurance company specializing in guaranty insurance. Garantia's solutions help customers promote sales, secure financing and improve their capital efficiency. Garantia's solutions for companies cover loan guaranties, commercial bonds, rent guaranties for the housing portfolio, investment guaranties and residual value guaranties. Garantia's solutions for consumers cover Takaamo and Securent rent guaranties, and residential mortgage guaranties offered through partners. Garantia is actively involved in various financing arrangements and develops new solutions for its customers' needs. The company's business is divided into guaranty insurance operations and investment operations.

Financing, EUR million	2018	2017	Change, %	H2/2018	H1/2017	Change, %
Net income from guaranty insurance operations	13.2	9.8	34.7	7.4	4.5	64.0
Net income from investment operations	-0.7	11.9	-106.2	-1.1	5.5	-120.4
Income	12.5	21.8	-42.6	6.3	10.1	-37.2
Operating expenses	-7.5	-7.8	n.a.	-3.8	-4.1	-7.3
Operating profit before valuations	4.9	13.9	-64.4	2.5	6.0	-57.5
Change in fair value of investments	-1.7	-3.6	n.a.	-1.1	-1.3	-16.4
Result at fair value before tax	3.3	10.3	-68.4	1.4	4.6	-69.5
Claims ratio, %	-4.2%	10.1%	-14.3% pts	-4.9%	16.4%	-21.3% pts
Expense ratio, %	39.1%	50.1%	-11.0% pts	34.7%	51.9%	-17.2% pts
Combined ratio, %	34.9%	60.3%	-25.4% pts	29.8%	68.4%	-38.5% pts
Return on investment at fair value, %	-1.7%	6.6%	-8.3% pts	-1.6%	3.2%	-4.8% pts
Average full-time personnel	25	25	-1.3	25	24	2.1 %

	31 Dec. 2018	31 Dec. 2017	Change, %
Investment assets, fair value, MEUR	134	134	0.2
Guaranty insurance portfolio, MEUR	1,667	1,491	11.8
Solvency ratio, %	233.4%	393.6%	-160.2% pts
Credit rating	A-	A-	

*Garantia's solvency ratio, or the ratio of basic own funds to the solvency capital requirement, including the capital add-on was 233.4 (237.6 pro forma) per cent and excluding the capital add-on 390.7 (393.6) per cent.

January-December 2018

In January-December 2018, Income of the Financing segment was EUR 12.5 (21.8) million. Net income from insurance operations grew by 34.7 per cent to EUR 13.2 (9.8) million due to growth in premiums written and the continued low claims expenses. The insurance exposure grew 11.8 per cent to EUR 1.7 (1.5) billion. Net income from investment operations totalled -0.7 (11.9) million as a result of the weakened global stock market.

Operating expenses declined somewhat from the previous year and totalled EUR 7.5 (7.8) million. The operating profit of the Financing segment before valuations was EUR 4.9 (13.9) million. The result at fair value before tax was EUR 3.3 (10.3) million.

July-December 2018

In July-December 2018, income of the Financing segment was EUR 6.3 (10.1) million. The net income from insurance operations totalled EUR 7.4 (4.5) million. Net income from investment operations totalled -1.1 (5.5) million as a result of the weakened global stock market.

Operating expenses declined somewhat compared to the comparison period and totalled EUR 3.8 (4.1) million. The operating profit of the Financing segment before valuations was EUR 2.5 (6.0) million. The result at fair value before tax was EUR 1.4 (4.6) million.

Insurance operations

In January-December 2018, gross premiums written (including reinsurers' share) grew by 14.1 per cent to EUR 17.4 (15.2) million and premiums (after reinsurers' share) by 15.4 per cent to EUR 12.3 (10.6) million in 2018. Premium income grew in all product groups. A EUR 82 million multi-issuer bond issued by eight Finnish companies in September and guaranteed by Garantia grew premium income in loan guaranties. Strong growth in the construction sector increased guaranty fees, especially in commercial bonds, resulting in growth in premium income from investment guarantees done in co-operation with Taaleri. Premiums written in investment guarantees, done in co-operation with Taaleri, increased. The brisk housing market increased guaranty fees in residential mortgage guaranties, although the growth in premium income slowed somewhat with respect to the comparison period.

The gross exposure of the guaranty insurance portfolio increased by 11.8 per cent and was EUR 1,667 (1,491) million at the end of 2018. Residential mortgage guaranties accounted for 39 (39) per cent of the gross exposure, commercial bonds 31 (30) per cent, loan guaranties 22 (25) per cent and other guaranties 8 (7) per cent.

Insurance claims paid remained exceptionally low. The claims ratio was -4.2 (10.1) per cent and insurance claims paid (less reinsurers' share and including the share of actual operating expenses allocated to claims handling) with respect to the guaranty insurance portfolio 0.05 (0.07) per cent. In January-December 2018, EUR 0.7 (0.6) million was paid in claims, of which approximately 50 per cent was due to residential mortgage guaranties and 50 per cent to commercial bonds. Of that sum, EUR 0.0 (0.0) million was recorded in claims of recourse. Of claims paid during and before 2018, EUR 2.1 (0.9) was recovered. Of that sum, EUR 0.9 (0.3) million was allocated to claims of recourse. The net provision for claims outstanding (less reinsurers' share) declined to EUR 1.3 (1.6) million, a result of changes in the provision for claims outstanding, which decreased claims incurred by EUR 0.4 million.

Garantia has received information that a matter concerning a potential insurance event and a EUR 5 million claim with penalty consequences and legal fees has become pending in the Helsinki District Court. The insurance claim concerns a pension fund that was a loan guaranty customer of Garantia in 2011 and that was placed in liquidation in December 2011 (and has since gone bankrupt 5 February 2018) under the Pension Fund Act (1164/1992, as amended), related to which Garantia originally received a claim on 30 December 2011. Garantia considers the claim to be still unfounded, which is why it has not been entered in the profit and loss account as a provision for outstanding claims. In Taaleri Group's financial report, the insurance claim is presented as a contingent liability.

The expense ratio of insurance operations improved to 39.1 (50.1) per cent and the combined ratio to 34.9 (60.3) per cent due to the strong growth of premiums earned (net) as well as lower claim expenses. Combined ratio was further improved by low claims paid and decreased operating expenses.

Investment activity

Net income from investment operations in 2018 was EUR -0.7 (11.9) million and consisted of interest income and clearly lower investment sales profits than during the comparision period as well as clearly higher negative fair value changes which targeted mainly the net gains from investment operations as a result of the adoption of IFRS 9. The change in the fair value investment assets recognised in the comprehensive income before taxes was EUR -1.7 (-3.6) million. Return on investment at fair value thus totalled EUR -2.4 (8.3) million, or -1.7 (6.6) per cent. The investment portfolio (incl. cash and bank balances) was valued at EUR 132 (132) million.

Risk position

The principal risks associated with the Financing segment's business operations are credit risks arising from guaranty operations and the market risk regarding investment assets covering technical provisions.

The risk position of guaranty insurance operations remained stable during 2018 despite investment market turbulence. The growth of insurance exposure took place in well-diversified mortgage guaranties and investment guaranties, and in short-term commercial bonds covered by comprehensive reinsurance. The insurance exposure classified as investment grade, i.e. with a rating between AAA- and BBB-, excluding residential mortgage guaranties, residual value guaranties and assumed reinsurance was 11 (21) per cent and the share of guaranties with a credit rating of BB- or better was 79.5 (75.5) per cent. The share of those with credit ratings of C+ or lower decreased and was 1.7 (2.7) per cent. The principal sectors in the insurance exposure were construction at 22 (25) per cent and manufacturing at 22 (25) per cent. A total of 54 (55) per cent of construction guaranties are reinsured.

As a part of Taaleri Group, Garantia falls within the sphere of regulation of large customer risks determined in the EU Capital Requirements Regulation. At the end of 2018, Garantia's largest single customer risk amounted to 22.3 (20.8) per cent of Taaleri Group's own funds.

In investment operations risk was kept at a moderate level throughout the year, and it was further lowered late in the year. Fixed income investments (incl. cash and bank balances) made up 87.4 (76.0) per cent, equity investments (incl. private equity investments) 11.1 (22.7) per cent, and real-estate investments 1.4 (1.3) per cent of the investment portfolio. 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 (excl. fixed income funds) was 51.2 (48.9) per cent. The modified duration of fixed income investments was 3.4 (3.7).

Credit rating

No changes took place in Garantia's credit rating or its outlook during the year. Standard & Poor's Global Ratings Europe Limited (S&P) has confirmed Garantia Insurance Company Ltd.'s Financial Strength Rating (FSR) and the Financial Enhancement Rating (FER) reflecting the company's solvency and willingness to meet its financial commitments as A- with a stable outlook rating.

Corporate arrangements

Garantia acquired the entire share capital of Suomen Vuokravastuu Oy (SVV) on 31 August 2018, and on 31 December 2018 Suomen Vuokravastuu merged with the insurance company Garantia through a subsidiary merger. In conjunction with the merger, the rent guaranties offered by SVV were modified into an insurance format and were included as part of Garantia's normal insurance guaranty business. The financial significance of the corporate arrangement will initially remain small for Garantia because of the small scale of SVV's business at the time of acquisition and into the start-up phase. The company's income during the final accounting for the financial period 1 August 2017-31 December 2018 was EUR 0.4 million, profit for the financial period EUR 0.0 million, balance sheet total EUR 0.1 million, and the guaranty portfolio EUR 1.8 million. A fair value assessment of SVV has been conducted by an independent expert.

ENERGY

Taaleri Energia operates on international energy infrastructure markets seeking new investment opportunities. Energy's operational responsibilities are based on the life-cycle model: from seeking and selecting targets to develop, their project development, construction and operation to the controlled shutdown of energy plants. Taaleri Energia creates relations also with the leading domestic and international institutional investors as well as develops and manages investment products tailored for their needs. The Energy segment started its operations in 2016 and has one of Europe's largest teams specialized in wind and solar power.

Energy segment, EUR million	2018	2017	Change, %	H2/2018	H2/2017	Change, %
Income	2.3	1.8	27.7	1.2	1.0	18.0
Operating profit	-2.3	-1.5	50.8	-1.4	-0.9	62.5
Average full-time personnel	19	16	19.6	20	16	26.0

The Taaleri Solar Wind fund acquired a 30 per cent stake in the 158-MW Čibuk wind power project in Serbia in 2017 and in the 200-MW Baynouna solar energy project in Jordan in January 2018. Construction of Čibuk has advanced as planned, and at the end of 2018 all wind turbines were generating electricity. In the Baynouna project, the financial terms were fulfilled in November, and the work on preparations for the actual construction phase progressed as planned. Taaleri Energy's partner in both projects is Masdar, one of the world's leaders in renewable energy. Masdar is owned by the Mubadala Investment Company of the Emirate of Abu Dhabi.

During the first half of the year Taaleri Energia established a subsidiary in the United States to seek out and develop renewable energy investment opportunities in North America, and it acquired the project rights of a 275-MW wind power project in Texas. In the second half of 2018, Taaleri Energia signed an agreement with the German Senvion on the supply and commissioning of 68 wind turbines. The agreement also includes a 25-year service contract. This wind power project is progressing as planned and is estimated to be commercially operating during the second half of 2020.

In March 2018, Taaleri signed a significant, multi-year contract with Fortum for the purchase and sale of wind power. Under the agreement, Fortum undertakes to purchase the production of 13 wind farms, managed by Taaleri, and to sell it to the Nord Pool power exchange. Taaler's wind power portfolio is the second largest in Finland.

As the latest investment, in December 2018 Taaleri Solar Wind fund acquired 100 per cent of the Slageryd wind power project located in Sweden. The construction and operation of six wind turbines is being carried out in collaboration with the German BayWa r.e. The construction of the project was started immediately and the commercial commissioning will take place in the first half of 2020.

Taaleri Energia's subsidiary Taaleri Energia Funds Management Oy received the alternative investment fund manager license in June 2018.

OTHER OPERATIONS

Other operations include the Group administration services of Taaleri Plc that support the segments and the investments on the Group's own balance sheet, which are done primarily through Taaleri Investments Ltd. The Group's investment company Taaleri Investments Ltd invests from its own balance sheet in unlisted and listed companies directly and on the principles of co-investment. Taaleri Investments Ltd aims to make longer-term investments mainly in growth companies, where value is created for Taaleri through ownership and where entrepreneurship, ideas and capital are combined.

Taaleri's balance sheet investments include portfolio investments, co-investments and the Group's own investments. The aim of the portfolio investments is to pursue new business opportunities that support the existing businesses and grow the value of the target companies. Portfolio investments include shares in, e.g., Fellow Finance Plc, Inderes Oy, ClarkApps Oy, (former Bonus Solutions Oy), Turun Toripark and Munkkiniemi Group. The primary goal of co-investments is to create value for the target company. Co-investments include shares in, e.g., Rauma Marine Constructions, Taaleri Geoenergia and Ficolo Oy. The Group's own investments include TT Canada Real Estate Holding, other listed and unlisted investments, and granted loans.

Other operations, EUR million	2018	2017	Change, %	H2 2018	H2 2017	Change, %
Income	8.8	3.4	156.0	10.3	0.9	1,100.4
Operating profit	4.4	-1.4	n.a	7.7	-1.9	n.a
Average full-time personnel	19	16	22.7	21	16	29.2

	31 December 2018	31 December 2017	Change, %
Investments and receivables, fair value	**45.7**	33.7	35.6
- Portfolio investments	25.3	9.2	174.6
- Co-investments	4.8	6.3	-23.6
- Own investments	15.6	18.2	-14.4

January-December 2018

In January-December 2018, income from other operations amounted to EUR 8.8 (3.4) million and operating profit to EUR 4.4 (-1.4) affected by the listing of Fellow Finance that yielded EUR 13.8 million and the impairment of the German geothermal projects totaling EUR 5.4 million. Taaleri decreased the ownership in Fellow Finance to 26 percent and decided that the shares are for sale. In addition, Taaleri invested in real estate projects in Finland including Turun Toripark and in Canada. Investments in other operations and loan receivables totalled EUR 45.7 (33.7) million.

July-December 2018

In July-December 2018, Income from other operations amounted to EUR 10.3 (0.9) million and the operating profit to EUR 7.7 (-1.9) million. Fellow Finance's listing yielded a total of EUR 13.8 million for Taaleri, both through the realized sales profit of EUR 5.2 million and EUR 8.7 million increase in fair value. Based on the test drillings, the company decided to write-off Taaleri Investment's geothermal project in Germany, which resulted in a EUR 3.1 million impairment in the financial results.

OTHER GROUP EVENTS DURING THE FINANCIAL PERIOD

CORPORATE RESPONSIBILITY

Responsible Taaleri has high ethics and is committed to act in a sustainable, ethical and socially responsible manner. Environmental, Social and Governance. ”ESG” matters are in well incorporated in the company strategy. We all have the duty to operate responsibly. We also believe that responsible operations advance business success and long-term shareholder value, and encompass:

- Fair and legal behaviour;
- Economic responsibility to shareholders;
- Responsibility to minimise and manage environmental impacts;
- Responsibility towards employees; and
- Responsibility to the wider community.

We understand that evolving legislation, climate change, and other factors can change the long-term risk and returns profile, and therefore we are continuously developing our business. Additionally, we want to promote solutions that tackle the key challenges of our time, e.g. in renewable energy production. We want people, communities, the environment, and our assets to be safe also in the future.

Taaleri business segments are responsible with dedicated committees to oversee and review the implementation of Taaleri’s responsibility actions, including environmental, social and governance, and responsible investment matters. Each segment will have/has a separate ESG policy.

CHANGES IN GROUP STRUCTURE

In order to promote entrepreneurship Taaleri reduced, on 6 March 2018, its ownership in Taaleri Energia by 19.4 per cent to commit its Energy segment's key operative individuals; at the end of the financial period Taaleri had an 80.6 per cent stake in the company. Taaleri Investments acquired an 82.47 per cent stake in Erdwärme Oberland GmbH on 14 March 2018. Taaleri Wealth Management Ltd acquired the entire share capital of the investment company Evervest Oy on 5 July 2018, and the company became a fully-owned subsidiary of Taaleri Wealth Management Ltd. Garantia Insurance Company acquired the entire share capital of Suomen Vuokravastuu Oy on 31 August 2018, and the company was merged with Garantia at the end of the 2018 financial period. Taaleri Wealth Management acquired a 20 per cent minority shareholding in Taaleri Veropalvelut Oy (Taaleri Tax Services), giving Taaleri Wealth Management a 95 per cent share in the company on 17 December 2018. Additionally, during the financial period, management and project companies were established under Taaleri Private Equity Funds Group and Taaleri Energia Group.

CHANGES IN TAALERI'S EXECUTIVE MANAGEMENT TEAM

At the end of December 2017, Taaleri announced it is renewing its management system and thereby its organization from 1 January 2018. Through these changes, the Group is seeking to streamline its operations and to create an operating model that more strongly supports its core processes. Taaleri's processes are built around managing customer relationships and product development.

Samu Lang, Taaleri's CIO, Director, Markets and Portfolio Management, was appointed Head of the Wealth Management segment and a member of the Group's Executive Management Team. Heikki Nystedt was appointed Taaleri's Head of Product and Service Development.

On 15 August 2018, Vesa Aho, CEO of Garantia Insurance Company Ltd and member of Taaleri Plc.'s Executive management Team informed that he will move to another company. He left the company on 30 September 2018. Titta Elomaa, Head of Investment and deputy CEO of Garantia, assumed responsibility for the duties of CEO until a successor has been appointed.

ANNUAL GENERAL MEETING 2018

Taaleri Plc's Annual General Meeting was held on 21 March 2018 in Helsinki. The General Meeting adopted the financial statements for the 2017 financial period and granted the members of the Board of Directors and the CEO discharge from liability.

In accordance with the proposal of the Board of Directors, the General Meeting decided that, based on the balance sheet to be adopted for the financial period ending 31 December 2017, a dividend of EUR 0.26 per share be distributed and the remaining part of the distributable funds be retained in shareholders' equity. The dividend payment record date was 23 March 2018 and the dividend was paid on 3 April 2018.

The General Meeting decided on the annual remuneration payable to the members of the Board of Directors as follows:

- Chairman of the Board of Directors EUR 50,000
- Vice Chairman of the Board of Directors EUR 36,000
- Chairman of the Audit Committee EUR 36,000
- Member of the Board of Directors EUR 30,000

The annual remuneration covers the whole of the term of office and committee work.

In addition, in accordance with the proposal of the Nomination Committee of the Board it was decided that:

- Committee members who are not members of the Board, are paid EUR 1,000 per meeting
- Travel and accommodation expenses of the members of the Board and the Committees are paid against invoices, when the meeting takes place outside the member's domicile.

It was decided that the number of members of the Board of Directors of the company be set at six (6). All of the present members of the Board of Directors, that is Peter Fagernäs, Juha Laaksonen, Vesa Puttonen, Esa Kiiskinen, Hanna Maria Sievinen and Tuomas Syrjänen, were re-elected to the Board. The term of office of the Board of Directors will end at the close of the following Annual General Meeting.

The General Meeting elected Authorized Public Accountants Ernst & Young Oy to auditor for the term of office that will end at the close of the following Annual General Meeting. Ernst & Young Oy has announced that the auditor-in-charge will be Ulla Nykky.

The General Meeting authorized the Board of Directors to decide on the purchase of the company's treasury shares using assets belonging to unrestricted equity on the following conditions: Up to 2,000,000 shares may be purchased, corresponding to 7.05% of all the company's shares. The purchase may be made in one or more instalments. The purchase price per share shall be the price given on the Helsinki Stock Exchange or another market-based price. 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 cancelled if justified from the point of view of the company and its shareholders. The authorization issued to the Board of Directors includes the right to decide whether the shares will be acquired in a private placement or in proportion to the shares owned by shareholders. The purchase may take place through private placement only if there is a weighty financial reason for it from the company's perspective. The Board of Directors has the right to decide on other matters concerning the purchase of shares. This authorization is valid for 18 months from the date of the close of the Annual General Meeting. This authorization supersedes the authorization to purchase the company's treasury shares issued at the Annual General Meeting of 29 March 2017.

The General Meeting also authorized 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 up to a maximum of 2,500,000 shares, corresponding to 8.82% of all the company's 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 deviating from the shareholder's pre-emptive subscription right in a private placement, 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, or 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 private placement 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 other factors related to share issues and the assignment of shares. The authorization is valid for one (1) year from the close of the Annual General Meeting, but no later than until 30 June 2019. This authorization supersedes the authorization issued at the Annual General Meeting on 29 March 2017.

The General Meeting decided that Section 4 of the Articles of Association be amended to read as follows: "Section 4 Board of Directors" The Board of Directors comprises at least three (3) and no more than eight (8) members. The Chairman and Vice Chairman of the Board of Directors are elected by the General Meeting. The term of office of the members of the Board of Directors ends at the close of the first Annual General Meeting following the election.

Decisions regarding organization of Taaleri Plc.'s Board of Directors

In its meeting held on 21 March 2018, Taaleri Plc's Board of Directors decided to elect Peter Fagernäs as Chairman of the Board of Directors and Juha Laaksonen as Vice Chairman.

Vesa Puttonen, Hanna Sievinen and Tuomas Syrjänen were elected as members of the Audit Committee of the Board of Directors. The Board of Directors elected Vesa Puttonen as Chairman of the Audit Committee.

Peter Fagernäs, Juha Laaksonen and Esa Kiiskinen were elected as members of the Remuneration Committee of the Board of Directors. The Board of Directors elected Peter Fagernäs as Chairman of the Remuneration Committee.

Board members Peter Fagernäs and Juha Laaksonen, as well as the external member of the Board Pertti Laine were elected as members of the Nomination Committee of the Board of Directors. The Board of Directors elected Peter Fagernäs as Chairman of the Nomination Committee.

TAALERI'S PERSONNEL

Taaleri's most important success factor and strength is having professional and motivated personnel. The company's personnel turnover has been low throughout its operations, and the company's growth has been facilitated by successful recruitment.

The Group employed an average of 183 (175) full-time people during the period under review. There were 120 (119) full-time people in the Wealth Management segment, 25 (25) in the Financing segment and 19 (16) in the Energy segment. The full-time personnel of Other operations averaged 19 (16). Of the personnel, 99 per cent were employed in Finland.

During January-December 2018 the personnel costs of the Taaleri Group declined 25.8 percent and totalled EUR 21.7 (29.3) million, even though the number of employees increased. This was due to a decrease in variable remuneration and stock option expenses, when compared to 2017.

Incentive schemes

Taaleri has three share-based incentive schemes for the Group's key persons.

The two first incentive schemes, 2013 and 2015, are synthetic option rights, the potential bonus of which will be paid partly in company shares and partly in cash. By the end of year 2018, the year 2013 synthetic options usage time ended and, for year 2015 a total of 615,000 synthetic options were outstanding. The Board of Directors has the right to require Taaleri key personnel to purchase company shares to a maximum of 50 per cent of the received bonus amount.

The third incentive scheme, has three earning periods lasting three years each. The Board of Directors will decide on the earning criteria and the targets set for each earning criterion at the beginning of each earning period. The bonuses paid will correspond with the value of no more than 420,000 Taaleri Plc shares, including the part paid in cash. The bonus will be paid partly in company shares and partly in cash.

SHARES AND SHARE CAPITAL

Taaleri's share Nasdaq Helsinki

January-December 2018	No. of shares traded	Total value EUR	High EUR	Low EUR	Average* EUR	Last EUR
TAALA	2,247,398	21,779,481	11.80	7.08	9.69	7.10

* Volume weighted average

	31 Dec. 2018	%	31 Dec. 2017	%
Market capitalization, EUR million	201.0		293.0	
No. of shareholders	4,414	100.0	3,928	100.0
Shareholding per group				
Corporations	9,449,145	33.4	9,426,857	33.3
Financial and insurance corporations	4,169,016	14.7	1,299,162	4.5
Public institutions	197,847	0.7	191,447	0.7
Non-profit institutions	311,203	1.1	326,399	1.1
Households	13,612,081	48.1	13,799,115	48.7
Nominee registrations and direct foreign shareholders	575,266	2.0	3,307,640	11.7

On 31 December 2018, Taaleri Plc's Shareholders equity was EUR 125,000.00. The company had 28,350,620 registered shares.

Taaleri's share has been listed on Nasdaq Helsinki, among mid-cap companies, since 2016. The trading code is TAALA. On 31 December 2018, the company possessed 45,000 (45,000) treasury shares.

10 biggest shareholders, 31 December 2018

	No.	of shares, %
1. Veikko Laine Oy	2,603,833	9.18
2. Oy Hermitage Ab	2,503,128	8.83
3. Elomaa Juhani	1,717,562	6.06
4. Lombard International Assurance S.A.	1,461,161	5.15
5. Haaparinne Karri	1,450,213	5.12
6. Fennia Life Insurance Company Ltd	1,281,239	4.52
7. Swiss Life Luxembourg Sa	1,139,558	4.02
8. Lampinen Petri	508,844	1.79
9. Mathur Ranjit Juhani C.	430,000	1.52
10. Berling Capital Ltd	411,558	1.45
Total,	**13,507,096**	**47.64**
of which Nominee registrations	**451,878**	**1.59**

Share split by number of shares, 31 December 2018

No. of shares	Owners	% of owners	Shares	%
1-100	1,546	37.3	76,605	0.3
101-500	1,295	31.3	332,256	1.2
501-1,000	456	11.0	360,493	1.3
1,001-5,000	421	10.2	930,332	3.3
5,001-10,000	160	3.9	1,259,563	4.4
10,001-50,000	199	4.8	3,841,557	13.6
50,001-100,000	26	0.6	1,712,240	6.0
100,001-500,000	30	0.7	7,172,036	25.3
500,001-	8	0.2	12,665,538	44.7
Total	**4,141**	**100.0**	**28,350,620**	**100.0**

Taaleri Plc's Board of Directors' ownership, 31 December 2018, including organizations with controlling interests

Board of Directors		No.	of shares, %
Chairman	Peter Fagernäs	2,503,128	8.83
Deputy Chairman	Juha Laaksonen	0	0.00
	Esa Kiiskinen	232,496	0.82
	Vesa Puttonen	182,224	0.64
	Hanna Maria Sievinen	3,000	0.01
	Tuomas Syrjänen	2,500	0.01
Total		**2,923,348**	**10.31**

Taaleri Executive Management Team ownership, 31 December 2018, including organizations with controlling interests

Management team		No.	of shares, %
CEO	Juhani Elomaa	1,984,218	7.00
Deputy CEO	Karri Haaparinne	1,617,896	5.71
Legal counsel	Janne Koikkalainen	10,000	0.04
Wealth Management Director	Samu Lang	256,530	0.90
CFO	Minna Smedsten	17,586	0.06
Member, until 14 Jan 2019	Petri Lampinen	517,112	1.82
Member until 30 Sep 2018	Vesa Aho	0	0.00
Total		**4,403,342**	**15.53**

Taaleri share price development from the listing; 20 April 2013 – 31 December 2018

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 RaVa conglomerate, Taaleri Group discloses its own funds and capital adequacy in accordance with the capital adequacy regulations for financial and insurance conglomerates. Taaleri RaVa conglomerate's own funds amounted to EUR 105.1 (96.1) million, with the minimum requirement being EUR 56.5 (38.3) million. The change in the own funds requirement is mainly due to the capital add-on requirement in 2018 for Garantia of EUR 17.8 million, set by the Financial Supervisory Authority. The conglomerate's capital adequacy is EUR 48.6 (57.9) million and the capital adequacy ratio is 186.0 (251.2) per cent, with the minimum requirement being 100 per cent.

Within the Taaleri Group, the regulatory capital according to Solvency II is determined and reported not only for Garantia Insurance Company Ltd, but also for Taaleri Plc as a part of the RaVa conglomerate. Taaleri applies the standardised approach in its regulatory capital calculation. The total solvency capital requirement (SCR) of the parent company Taaleri Plc and the subsidiary Garantia Insurance Company Ltd was EUR 27.5 (28.5) million. The Financial Supervisory Authority confirmed during 2018 a capital add-on totaling EUR 17.8 million. The total solvency requirement was hence EUR 45.3 million for the insurance business.

Taaleri's own funds fully comprise its own unrestricted Tier 1 basic funds.

Capital adequacy of RaVa conglomerate, EUR thousand	31 Dec. 2018	31 Dec. 2017
Shareholders' equity of the Taaleri Group	**122,381**	**106,084**
Goodwill and other intangible assets	-7,164	-2,205
Non-controlling interests	-1,661	-384
Planned distribution of profit	-8,505	-7,371
Conglomerate's own funds, total	**105,051**	**96,124**
Financing business' requirement for own funds	11,156	9,781
Insurance business' requirement for own funds	45,327	28,484
Minimum amount of own funds of the conglomerate, total	**56,483**	**38,265**
Conglomerate's capital adequacy	**48,567**	**57,859**
Conglomerate's capital adequacy ratio	**186.0%**	**251.2%**

Capital adequacy according to the Act on Credit Institutions and the EU Capital Requirements Regulation (Basel III)

Within the Taaleri Group, the regulatory capital according to the Act on Credit Institutions (610/2014) and the EU Capital Requirements Regulation (CRR) (No 575/2013 of the European Parliament and of the Council) is determined and disclosed to the supervised parties operating in the Financing sector. Taaleri applies the standardised approach in the regulatory capital calculation of the credit risk capital requirement. Taaleri has changed to the standardised approach in the calculation of the operational risk capital requirement from the previously used basic indicator method as of 31 December 2018.

Taaleri Group's target level for the own funds of the Financing sector is 1.3 times the internal risk based capital requirement, calculated on the basis of the pillar 1 minimum capital requirement and additional pillar 2 risk-based capital requirement.

The Finnish Financial Supervisory Authority has 31 January 2019 given Taaleri Plc permission pursuant to Article 49 (1) of the EU Capital Requirements Regulation (EU) 575/2013 (CRR). The permission entitles Taaleri Plc to not deduct the investments in the own funds instruments of Garantia Insurance Company Limited from the consolidated common equity tier capital (CET1) of the investment services firm. Instead of deduction, investments in insurance company should be risk-weighted in accordance with CRR Article 49 (4). The permit is for a fixed term and is valid until 31.12.2020.

With the permission Garantia's book acquisition expense of EUR 60.4 million can be left undeducted. The impact on the result accumulated by the insurance company investment is not included in the consolidated Common Equity Tier 1 of the investment service company. Equity investments include the Group's internal insurance company investment of EUR 60.4 million with a risk-weight of 100 per cent. With the result of the review period, the consolidated Common Equity Tier 1 of the investment service company would be EUR 16.6 million on 31 December 2018, if the CRR 49 permission were not applied, and the alternative calculation method where the insurance company investment would be deducted from the Common Equity Tier 1 would be used.

Taaleri's Financing sector's Common Equity Tier 1 with the CRR 49 permission is EUR 57.1 (48.8) million, from which the profit of year 2018, EUR 21.3 (19.2) million, is deducted. The risk-weighted commitments were EUR 229.6 (217.2) million, of which the share of credit risk was EUR 150.0 (145.6) million and the share of operational risk EUR

79.6 million according to the standardized approach (according to the basic indicator method approach 2017: EUR 71.6 million). The Financing sector's capital adequacy ratio was 24.9 (22.5) per cent.

Financing sector's capital adequacy, EUR thousand (with the CRR 49 permission)	**31 Dec. 2018**	**31 Dec. 2017**
Common Equity Tier 1 before deductions	**86,321**	**70,554**
Deductions from the Common Equity Tier 1		
Goodwill and intangible assets	-6,228	-2,173
Non-controlling interests	-1,662	-384
Profit of the review period	-21,318	-19,172
Common Equity Tier (CET1)	**57,113**	**48,825**
Additional Tier 1 before deductions	-	-
Deductions from the Additional Tier 1	-	-
Additional Tier 1 (AT1)	-	-
Tier 1 capital (T1 = CET1 + AT1)	**57,113**	**48,825**
Tier 2 capital before deductions	**-**	-
Deductions from the Tier 2 capital	-	-
Tier 2 capital (T2)	**-**	-
Total capital (TC = T1 + T2)	**57,113**	**48,825**
Total risk-weighted commitments (total risk)	**229,622**	**217,201**
- of which the share of credit risk	150,023	145,560
- of which insurance company holdings	60,350	60,000
- of which the share of operative risk	79,599	71,641
- of which the share of other risks	-	-
Common Equity Tier 1 (CET1) in relation to the amount of total risk (%)	24.9%	22.5%
Tier 1 capital (T1) in relation to the amount of total risk (%)	24.9%	22.5%
Total capital (TC) in relation to the amount of total risk (%)	24.9%	22.5%

Solvency according to the Insurance Companies Act (Solvency II)

Garantia continues to have strong capital adequacy. Garantia's own funds at the end of December 2018 were EUR 103.3 (106.8) million. The solvency capital requirement including the capital add-on was EUR 44.3 (44.9 pro forma) million and excluding the capital add-on EUR 26.4 (27.1) million. Garantia's solvency ratio, or the ratio of basic own funds to the solvency capital requirement, including the capital add-on was 233.4 (237.6 pro forma) per cent and excluding the capital add-on 390.7 (393.6) per cent. The decrease in own basic funds was mainly a result of the change in expected dividends. The decrease in the solvency capital requirement excluding the capital add-on was the result of the decreased investment risk, which was faster than the growth of insurance risk.

Garantia's own funds fully comprise its unrestricted Tier 1 basic own funds. Garantia uses neither matching adjustment nor volatility adjustment in the calculation of technical provisions. In the calculation of the solvency capital requirement, Garantia applies the standard formula. Garantia does not apply technical provision or market risk calculation transition arrangements. In June 2018 the Financial Supervisory Authority confirmed Garantia's capital add-on to EUR 17.8 million. The Financial Supervisory Authority states that the risk profile of Garantia's non-life underwriting risk differs from the underlying assumptions in the standard formula for the solvency capital requirement calculation.

In addition, the Financial Supervisory Authority notes that the requirement to use an internal model is not appropriate for Garantia. The increase in the capital add-on was at the expected level and the capital add-on including the increase is somewhat smaller than what Garantia uses in its internal riskmodel for solvency capital requirement.

Based on the Insurance Companies Act that came into force on 1 January 2016, the Solvency II capital adequacy regulations do not fall within the sphere of statutory auditing.

TAALERI’S RISK MANAGEMENT AND RISK POSITION

The task of risk management is to identify, assess, measure, handle and monitor business operation-related risks that influence the realization of the Group’s strategic and operative goals, as well as to oversee that the principles approved by the Taaleri Plc Board of Directors are complied with in the company’s operations. Risk management aims to mitigate the likelihood of unforeseeable risks being realized, and their influence on and the threat they present to Taaleri Group’s business operations. Risk management supports the achieving of the goals set in the strategy by promoting better utilization of opportunities related to the different functions and the distribution of risk-taking capacity to the different functions as efficiently as possible and within the framework of risk appetite defined for projects.

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). In addition, Taaleri follows the development of political risks. The principles of Taaleri's risk and capital adequacy management are described in note 36 to the 2018 financial statements.

The risk-bearing capacity of the Taaleri Group comprises a properly optimized 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 careful consideration of the risk/return relationship. Taaleri Plc’s Board of Directors has decided that the Group may not in its activities take a risk that jeopardizes the target level set for the company’s own funds.

Segment-specific risks

The greatest risks of Taaleri’s Wealth Management segment mainly consist of operative risks and, to a slight extent, credit risks. The result of the Wealth Management segment is influenced by the development of assets under management, which depends on the progress of the private equity funds’ projects and the development of the capital markets. The profit development is also influenced by the realization of performance fee and commission income tied to the success of investment operations. On the other hand, private equity fund management fees are based on long-term contracts that bring in a steady cash flow.

The business operations of Garantia Insurance Company Ltd in the insurance sector and the company’s investment operations play a key role in Taaleri’s risk position. The insurance and investment activities carried out by Garantia Insurance Company are central to Taaleri's risk position. The principal risks associated with Garantia’s business operations are credit risks arising from guaranty operations, and the market risk regarding investment assets covering technical provisions. Garantia’s capital adequacy is strong and its risk position has remained stable. At the end of the review period, Garantia’s claims ratio was -4.2 per cent and the claims incurred in relation to gross exposure remained low at 0.05 per cent. The share of fixed income investments in Garantia’s investments was 87 per cent. Standard & Poor's Global Ratings Europe Limited (S&P) credit rating for Garantia is A- with stable outlook.

The Energy segment’s objective is to channel assets under management to renewable energy production projects and to other energy projects supporting sustainability. The goal is to internationalize and expand energy business operations considerably, which naturally grows risks relating to the growth and internationalization of the operations.

The Energy segment's earnings are impacted by its success in finding suitable projects, its ability to identify all risks related to renewable energy's international development, construction, financing and operations, and its success in internationalization of its operations. The Energy segment's earnings are also affected by the success of its own investments in development-stage energy projects.

The most significant risks of the Other operations segment consist primarily of private investments and financing granted by Taaleri Investments Ltd and of credit risks related to Taaleri Plc's granted loans as well as receivables from credit institutions. The Other operations segment's returns consist of the fair value changes in investments and of profits/losses gained in connection with the sales of its investments. The returns and income of the Other operations segment may thus vary significantly between periods under review.

Taaleri falls within the sphere of regulation of large customer risks defined in the EU Capital Requirements Regulation. At the end of the review period, Taaleri's largest single customer risk was 22.3 (20.8) per cent of the Group's own funds and the liabilities of any (single) customer entity did not exceed the 25 per cent limit set by the law.

MATERIAL EVENTS AFTER THE FINANCIAL PERIOD

In January 2019, Taaleri Plc and Mr. Petri Lampinen, member of Taaleri's executive management team and responsible for customer relationships at Taaleri Wealth Management agreed on termination of employment. Lampinen left the company on 14 January 2019.

15 January 2019, Taaleri Energia and Masdar signed a letter of intent to establish a joint venture. The aim of the joint venture is to develop wind power and solar energy projects in Eastern Europe.

31 January 2019, the Finnish Financial Supervisory Authority gave Taaleri Plc the permission pursuant to Article 49 (1) of the EU Capital Requirements Regulation (EU) 575/2013 (CRR). The permission entitles Taaleri Plc to not deduct the investments in the own funds instruments of Garantia Insurance Company Limited from the consolidated common equity tier capital (CET1) of the investment services firm. Garantia is part of Taaleri Plc's financing and insurance conglomerate supervised by the Financial Supervisory Authority. Instead of deduction, investments in insurance company should be risk-weighted in accordance with CRR Article 49 (4). The permit is for a fixed term and is valid until 31.12.2020.

OUTLOOK

Short-term risks and concerns

To change and grow in a changing market environment requires courage. The most significant external factors affecting the Group's operating profit are changes in the operating and regulatory environment and the development of the financial market globally but especially in Finland.

The results of the Wealth Management and the Energy segments are influenced by the development of assets under management, which depends among other things on the progress of the private equity funds' projects and the development of capital markets. The profit development is also influenced by the realization of performance fees, which are tied to the success of our investment operations. The Energy segment's earnings are also affected by the success of its own investments in development-stage energy projects.

The Financing segment's i.e. Garantia's guaranty insurance business and investment activity, has a major impact on Taaleri's operational income.

The Other operations segment's returns consist of the market value changes in investments and of sales profits/losses gained in connection with exits. The returns and income of the Other operations segment may thus vary significantly between periods under review.

Long-term financial targets

Taaleri's long-term operating profit target is at least 20 per cent of income, its long-term return on equity target is at least 15 per cent, and its long-term equity ratio target is at least 30 per cent.

The company strives to increase the amount of dividend it distributes, and to annually distribute a competitive dividend, taking into account the company's financial and financing situation as well as the Finnish Financial Supervisory's capital adequacy requirement.

BOARD OF DIRECTORS´ DIVIDEND PROPOSAL

The Board of Directors proposes that a dividend of EUR 0.30 per share, a total of EUR 8,505,186.00 be paid for the financial year 2018. The parent company's distributable funds total EUR 60,954,918.41, which includes EUR 11,591,097.91 in net profit for the year. The dividend is paid on a yearly basis.

The dividend will be paid to shareholders who are registered in the list of shareholders maintained by Euroclear Finland Ltd on the record date, which is 22 March 2019. The dividend payment date proposed by the Board is 29 March 2019.

The Board of Directors' report and financial statements will be available at www.taaleri.com on 28 February 2019 at the latest.

Helsinki, 14 February 2019
Taaleri Plc
Board of Directors

Additional info:

CEO Juhani Elomaa, +358 40 778 9020

CFO Minna Smedsten, +358 40 700 1738

Head of Communications and IR Sophie Jolly, +358 40 828 7317, investors@taaleri.com

Web cast presentation in English

An English presentation will be available from 13:00 CET at https://www.taaleri.com/en/investor-relations/reports-and-presentations. The web cast is conducted in Finnish.

Financial information

The Annual General Meeting is scheduled to be held in Helsinki on 20 March 2019.
Taaleri Plc will release the January–June 2019 half year financial report on 15 August 2019 at approx. 8:30 a.m.

KEY FIGURES

GROUP	7-12/2018	7-12/2017	1-12/2018	1-12/2017
Income, EUR 1 000	37,292	42,267	72,513	80,989
Operating profit (-loss), EUR 1 000	11,518	12,008	23,895	27,611
- as percentage of turnover	30.9 %	28.4 %	33.0 %	34.1 %
Net profit for the period, EUR 1 000	12,241	9,253	21,637	21,787
- as percentage of turnover	32.8 %	21.9 %	29.8 %	26.9 %
Basic earnings per share, EUR	0.44	0.32	0.76	0.76
Diluted earnings per share, EUR	0.44	0.32	0.76	0.76
Return on equity % (ROE) 1)	21.1 %	18.2 %	18.9 %	21.8 %
Return on equity at fair value % (ROE) 1)	19.5 %	16.6 %	17.8 %	19.1 %
Return on assets % (ROA) 1)	10.5 %	8.4 %	9.3 %	9.8 %
Cost/income ratio	68.9 %	71.8 %	67.0 %	66.2 %
Price/earnings (P/E) 1)	8.0	16.1	9.3	13.7
Number of full-time employees, avg	187	175	183	175

1) Annualised.

GROUP	7-12/2018	7-12/2017	1-12/2018	1-12/2017
Equity ratio -%	51.4 %	46.3 %	51.4 %	46.3 %
Net gearing -%	24.3 %	7.7 %	24.3 %	7.7 %
Equity/share, EUR	4.26	3.73	4.26	3.73
Dividend/share, EUR [1)]	-	-	0.30	0.26
Dividend/earnings, % [1)]	-	-	39.3 %	34.3 %
Effective dividend yield, % [1)]	-	-	4.2 %	2.5 %
Loan receivables, EUR 1,000	9,379	6,598	9,379	6,598
Conglomerate's capital adequacy ratio, %	186.0 %	251.2 %	186.0 %	251.2 %
Financing sector capital adequacy ratio, %	24.9 %	22.5 %	24.9 %	22.5 %
Number of shares at the end of period [2)]	28,305,620	28,305,620	28,305,620	28,305,620
Average number of shares [2)]	28,305,620	28,305,620	28,305,620	28,305,620
Share average price, EUR	9.24	10.36	9.69	9.30
- highest price, EUR	10.60	11.50	11.80	11.50
- lowest price, EUR	7.08	9.25	7.08	7.78
- closing price, EUR	7.10	10.35	7.10	10.35
Market capitalization, EUR 1,000 [2)]	200,970	292,963	200,970	292,963
Shares traded, thousands	1,360	1,183	2,247	2,487
Shares traded, %	5%	4%	8%	9%

1) The Board’s proposal for 2018 EUR 0.30 dividend/share.
2) Reduced by own shares acquired.

INSURANCE OPERATIONS KEY FIGURES

Taaleri's insurance business operations consist entirely of Garantia Insurance Company Ltd. Garantia Insurance Company Ltd has been consolidated from 1 April 2015.

EUR 1,000	7-12/2018	7-12/2017	1-12/2018	1-12/2017
Net income from insurance	**7,235**	**4,535**	**13,021**	**9,818**
Earned premiums, net	6,790	5,260	12,277	10,638
Claims incurred, net	445	-724	744	-820
Other income	**202**	**3**	**202**	3
Net income from investment operations	**-1,126**	**5,515**	**-734**	**11,930**
Operating expenses	**-3,768**	**-4,064**	**-7,540**	**-7,849**
Operating profit before valuations	**2,543**	**5,989**	**4,949**	**13,902**
Change in fair value of investments	**-1,128**	**-1,350**	**-1,690**	**-3,604**
Profit before taxes and non-controlling interests	**1,415**	**4,640**	**3,259**	**10,298**
Combined ratio, %	29.8 %	68.4 %	34.9 %	60.3 %
Claims ratio, %	-4.9 %	16.4 %	-4.2 %	10.1 %
Expense ratio %	34.7 %	51.9 %	39.1 %	50.1 %
Return on investments at fair value, %	-1.6 %	3.2 %	-1.7 %	6.6 %
Solvency ratio (S2), % 1)	390.7 %	393.6 %	390.7 %	393.6 %
Solvency ratio (S2) with raise in capital requirement, % 1)	233.4 %	237.6 %	233.4 %	237.6 %
Insurance exposure, EUR billion	1.67	1.49	1.67	1.49
Number of employees, avg	26	24	26	25

1) The Solvency II figures 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 (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.

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, %

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

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

$$\frac{\text{Dividend payable for the financial period x 100}}{\text{Weighted average number of ordinary shares}}$$

Dividend/earnings, %

$$\frac{\text{Dividend/share x 100}}{\text{Basic earnings per share}}$$

Effective dividend yield, %

$$\frac{\text{Dividend/share x 100}}{\text{Price of series B share at the end of the period}}$$

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 at end of financial period, less repurchased own shares, multiplied by stock exchange price at end of financial period

Shares traded, %

$$\frac{\text{Shares traded during the financial period x 100}}{\text{Weighted average number of ordinary shares outstanding}}$$

KEY FIGURES FOR INSURANCE OPERATIONS

Combined ratio, %	Claims ratio, % + Expense ratio, %
Claims ratio, %	$\frac{\text{Claims incurred + operating expenses allocated to claims paid x 100}}{\text{Insurance premium income}}$
	This key figure is calculated after the share of the reinsurers.
Expense ratio, %	$\frac{\text{(Operating costs - Group's allocated overhead and financing expenses + operating expenes allocated to claims paid) x 100}}{\text{Insurance premium income}}$
	This key figure is calculated after the share of the reinsurers.
Solvency ratio (S2), %	$\frac{\text{Basic own funds x 100}}{\text{Solvency capital requirement (SCR)}}$

CONSOLIDATED INCOME STATEMENT

EUR 1 000	Note	7-12/2018	7-12/2017	1-12/2018	1-12/2017
Fee and commission income	2	20,031	28,547	45,631	53,015
Net income from insurance	3	6,109	10,050	12,287	21,748
From guaranty insurance operations		7,235	4,535	13,021	9,818
From investment operations		-1,126	5,515	-734	11,930
Net gains or net losses on trading in securities and foreign	4	-3,628	187	-2,814	534
Income from equity investments	5	14,176	-568	11,835	1,301
Interest income	6	300	234	678	562
Other operating income	7	303	3,817	4,896	3,829
TOTAL INCOME		**37,292**	**42,267**	**72,513**	**80,989**
Fee and commission expense		-2,622	-3,852	-5,774	-6,391
Interest expense		-1,479	-1,519	-2,943	-3,133
Administrative expenses					
Personnel costs		-11,517	-16,886	-21,735	-29,304
Other administrative expenses		-4,435	-3,713	-8,430	-7,079
Depreciation, amortisation and impairment of tangible and intangible assets		-573	-746	-1,181	-1,316
Other operating expenses		-4,729	-3,921	-8,390	-6,738
Expected credit losses from financial assets measured at amortised cost	12	55	-	51	-
Share of associates' profit or loss		-475	378	-215	583
OPERATING PROFIT		**11,518**	**12,008**	**23,895**	**27,611**
Income tax expense		723	-2,755	-2,258	-5,824
PROFIT FOR THE PERIOD		**12,241**	**9,253**	**21,637**	**21,787**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**7-12/2018**	**7-12/2017**	**1-12/2018**	**1-12/2017**
Profit for the period	12,241	9,253	21,637	21,787
Items that may be reclassified to profit or loss				
Translation differences	9	276	21	248
Changes in the fair value reserve	-1,128	-1,357	-1,690	-3,739
Income tax	226	271	338	748
Items that may be reclassified to profit or loss in total	**-894**	**-810**	**-1,330**	**-2,743**
Items that may not be reclassified to profit or loss				
Changes in the fair value reserve	-30	-	-31	-
Income tax	5	-	5	-
Items that may not be reclassified to profit or loss in total	**-25**	**-**	**-26**	**-**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**11,322**	**8,443**	**20,281**	**19,044**
Profit for the period attributable to:				
Owners of the parent company	12,510	9,081	21,626	21,447
Non-controlling interests	-269	172	12	341
Total	**12,241**	**9,253**	**21,637**	**21,787**
Total comprehensive income for the period attributable to:				
Owners of the parent company	11,592	8,271	20,269	18,703
Non-controlling interests	-269	172	12	341
Total	**11,322**	**8,443**	**20,281**	**19,044**

Earnings per share for profit attributable	**7-12/2018**	**7-12/2017**	**1-12/2018**	**1-12/2017**
Basic earnings per share, profit for the period	0.44	0.32	0.76	0.76
Diluted earnings per share, profit for the period	0.44	0.32	0.76	0.76

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.

CONSOLIDATED BALANCE SHEET

Assets, EUR 1 000	Note	31/12/2018	31/12/2017
Receivables from credit instutions	8, 9	26,133	34,567
Receivables from the public and general government	8, 9	9,379	6,598
Shares and units	8, 9	12,424	25,883
Assets classified as held for sale		12,007	-
Participating interests	8, 9, 16	6,140	7,606
Insurance assets	8, 9	133,634	135,586
Insurance assets		1,802	3,268
Investments		131,832	132,318
Intangible assets		6,575	2,205
Goodwill		5,097	627
Other intangible assets		1,479	1,577
Tangible assets		692	361
Other assets		6,540	10,081
Accrued income and prepayments		22,163	5,322
Deferred tax assets		2,322	1,113
		238,009	**229,322**

Liabilities, EUR 1 000	Note	31/12/2018	31/12/2017
LIABILITIES		**115,628**	**123,238**
Liabilities to credit institutions	8, 9	6,996	7,982
Debt securities issued to the public	8, 9, 13	54,815	54,758
Insurance liabilities		23,293	20,336
Other liabilities		2,882	2,131
Accrued expenses and deferred income		12,999	22,143
Deferred tax liabilities		14,643	15,887
EQUITY CAPITAL	14	**122,381**	**106,084**
Share capital		125	125
Reserve for invested non-restricted equity		35,814	35,814
Fair value reserve		-2,414	-4,280
Translation difference		21	-
Retained earnings or loss		65,547	52,594
Profit or loss for the period		21,626	21,447
Non-controlling interest		1,662	384
		238,009	**229,322**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1,000	**1/1-31/12/2018**	**1/1-31/12/2017**
Cash flow from operating activities:		
Operating profit (loss)	23,895	27,611
Depreciation	1,181	1,316
Other adjustments		
Changes in fair value of investments		
- at fair value through profit or loss	-813	-76
- at fair value through other comprehensive income	1,522	-2,984
Other adjustments	490	-297
Cash flow before change in working capital	26,275	25,569
Change in working capital		
Increase (-)/decrease (+) in loan receivables	-2,830	304
Increase (-)/decrease (+) in current interest-free receivables	-12,879	-6,149
Increase (+)/decrease (-) in current interest-free liabilities	-1,589	12,780
Cash flow from operating activities before financial items and taxes	8,977	32,505
Direct taxes paid (-)	-3,890	-3,711
Cash flow from operating activities (A)	**5,087**	**28,794**
Cash flow from investing activities:		
Investments in tangible and intangible assets	-1,376	-870
Investments in subsidiaries and associated companies		
net of cash acquired	-9,918	-3,215
Other investments	5,235	-27,426
Cash flow from investing activities (B)	**-6,059**	**-31,511**
Cash flow from financing activities:		
Changes in synthetic options	1,279	-472
Transactions with non-controlling interests	23	24
Debt securities issued to the public	-	-10,000
Increase (+)/decrease (-) in non-current liabilities	-1,000	-1,000
Dividends paid and other distribution of profit		
To parent company shareholders	-7,359	-6,202
To non-controlling shareholders	-404	-215
Cash flow from financing activities (C)	**-7,461**	**-17,864**
Increase/decrease in cash and cash equivalents (A+B+C)	-8,434	-20,581
Cash and cash equivalents at beginning of period	34,567	55,148
Cash and cash equivalents at end of period	26,133	34,567
Net change in cash and cash equivalents	-8,434	-20,581

CHANGES IN GROUP EQUITY CAPITAL

2018, EUR 1,000	Share capital	Fair value reserve	Reserve for invested non-restricted equity	Translation differences	Retained earnings	Total	Non-controlling interests	Equity total
31/12/2017	**125**	**-4,280**	**35,814**	**-**	**74,041**	**105,700**	**384**	**106,084**
Effect of IFRS 9 transition 1.1.2018	-	3,244	-	-	-3,301	-57	-	-57
Effect of IFRS 2 amendments 1.1.2018	-	-	-	-	783	783	-	783
01/01/2018	**125**	**-1,036**	**35,814**	**-**	**71,523**	**106,426**	**384**	**106,809**
Total comprehensive income for the period	-	-1,378	-	21	21,626	20,269	12	20,281
Earnings for the period	-	-	-	-	21,626	21,626	12	21,637
Other comprehensive income items	-	-1,378	-	21	-	-1,356	-	-1,356
Chargeable additions to equity	-	-	-	-	-	-	-	-
Distribution of profit	-	-	-	-	-7,359	-7,359	-404	-7,764
Dividend EUR 0.26/share	-	-	-	-	-7,359	-7,359	-	-7,359
Distribution of profit for subgroup	-	-	-	-	-	-	-404	-404
Purchase of own shares	-	-	-	-	-	-	-	-
Share-based payments payable as equity	-	-	-	-	1,279	1,279	-	1,279
Shares sold to non-controlling interests 1)	-	-	-	-	397	397	1,647	2,044
Transactions with non-controlling interests 1)	-	-	-	-	-291	-291	-8	-300
Other	-	-	-	-	-	-	32	32
31/12/2018	**125**	**-2,414**	**35,814**	**21**	**87,173**	**120,720**	**1,662**	**122,381**

2017, EUR 1,000	Share capital	Available-for-sale	Reserve for invested non-restricted equity	Translation differences	Retained earnings	Total	Non-controlling interests	Equity total
01/01/2017	125	-1,288	35,814	-248	59,093	93,496	354	93,850
Total comprehensive income for the period	-	-2,991	-	248	21,447	18,703	341	19,044
Earnings for the period	-	-	-	-	21,447	21,447	341	21,787
Other comprehensive income items	-	-2,991	-	248	-	-2,743	-	-2,743
Distribution of profit	-	-	-	-	-6,227	-6,227	-215	-6,442
Dividend EUR 0.22/share	-	-	-	-	-6,227	-6,227	-	-6,227
Distribution of profit for subgroup	-	-	-	-	-	-	-215	-215
Purchase of own shares	-	-	-	-	-	-	-	-
Share-based payments payable as equity	-	-	-	-	-472	-472	-	-472
Shares sold to non-controlling interests 1)	-	-	-	-	147	147	-103	44
Transactions with non-controlling interests 1)	-	-	-	-	53	53	7	60
31/12/2017	**125**	**-4,280**	**35,814**	**-**	**74,041**	**105,700**	**384**	**106,084**

1) See note 15.

SEGMENT INFORMATION - EARNINGS

	Continuing operations				
1 January–31 December 2018, EUR 1,000	**WEALTH MANAGEMENT**	**FINANCING**	**ENERGY**	**OTHER**	**TOTAL**
Continuing earnings	35,818	13,223	2,280	706	52,028
Performance fees	8,102	-	-	-	8,102
Investment operations	4,821	-734	-	8,081	12,168
Total income	**48,742**	**12,489**	**2,280**	**8,787**	**72,298**
Fee and commission expense	-5,517	-128	-20	-110	-5,774
Interest expense	-43	-	-	-2,900	-2,943
Personnel costs 1)	-13,600	-3,072	-2,056	-3,008	-21,735
Direct expenses	-9,659	-1,761	-1,943	-3,458	-16,820
Depreciation, amortisation and impairment	-984	-89	-27	-80	-1,181
Impairment losses on loans and other receivables	-	19	-	32	51
Operating profit before overhead costs	**18,938**	**7,459**	**-1,765**	**-736**	**23,895**
Overhead costs 1)	-2,111	-348	-317	2,776	-
Allocation of financing expenses	-	-2,163	-247	2,410	-
Operating profit before valuations	**16,828**	**4,949**	**-2,330**	**4,449**	**23,895**
Change in fair value of investments	-31	-1,690	-	-	-1,721
Profit before taxes and non-controlling interests	**16,796**	**3,259**	**-2,330**	**4,449**	**22,174**

	Continuing operations				
1 January–31 December 2017, EUR 1,000	**WEALTH MANAGEMENT**	**FINANCING**	**ENERGY**	**OTHER**	**TOTAL**
Continuing earnings	35,733	9,818	1,786	1,610	48,947
Performance fees	15,806	-	-	-	15,806
Investment operations	3,064	11,933	-	1,822	16,820
Total income	**54,603**	**21,751**	**1,786**	**3,432**	**81,572**
Fee and commission expense	-6,190	-55	-97	-50	-6,391
Interest expense	-46	-	-	-3,087	-3,133
Personnel costs 1)	-18,726	-4,208	-1,920	-4,449	-29,304
Direct expenses	-8,809	-1,367	-837	-2,805	-13,818
Depreciation, amortisation and impairment	-1,163	-91	-23	-39	-1,316
Impairment losses on loans and other receivables	-	-	-	-	-
Operating profit before overhead costs	**19,670**	**16,030**	**-1,091**	**-6,997**	**27,611**
Overhead costs 1)	-3,024	-549	-454	4,027	-
Allocation of financing expenses	-	-1,580	-	1,580	-
Operating profit before valuations	**16,646**	**13,902**	**-1,545**	**-1,391**	**27,611**
Change in fair value of investments	13	-3,604	-	-149	-3,739
Profit before taxes and non-controlling interests	**16,659**	**10,298**	**-1,545**	**-1,539**	**23,872**

1) From 1 January 2018 onwards expenses from share based incentive schemes have been presented in personnel costs, while they previously were in Overhead costs. Comparative figures have been amended accordingly.

Reconciliations

Reconciliation of total income	**2018**	**2017**
Total income of segments	72,298	81,572
Share of associates' profit or loss allocated to total income of segments	215	-583
Consolidated total income	**72,513**	**80,989**

Reconciliation of operating profit	**2018**	**2017**
Total earnings of segments before taxes and non-controlling interests	22,174	23,872
Change in fair value of investments	1,721	3,739
Consolidated operating profit	**23,895**	**27,611**

NOTES TO THE FINANCIAL STATEMENTS BULLETIN 31 DECEMBER 2018

1. ACCOUNTING POLICIES

The financial statements bulletin has been prepared in accordance with IAS 34 and with the accounting principles presented in the financial statements 2017, with exception of the changes described below.

The figures in the bulletin are based on the audited financial statements of 2018. The auditor's report has been given on 14 February 2019. 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.

APPLIED NEW AND REVISED STANDARDS

Starting from 1 January 2018, the Group has applied the following new and revised standards and interpretations with an impact on the financial statements:

- IFRS 9 *Financial Instruments*, which has replaced IAS 39 *Financial Instruments: Recognition and Measurement*. The effects of adopting the new standard have been explained below.
- IFRS 15 *Revenue from contracts with customers*, which has replaced IAS 18 *Revenue* and IAS 11 *Construction Contracts* and related interpretations. The effects of adopting the new standard have been explained below.
- The amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* became applicable on 1 January 2018. The effects of adopting the amendments have been explained below.
- Improvements to IFRS. Annual improvements to standards are performed collectively once a year. The impact of these changes varies according to standard, but these changes have not had any significant impact on consolidated financial statements.

IFRS 9 Financial instruments

On 1 January 2018, the Group started applying the IFRS 9 *Financial Instruments* standard, which comprises the classification, measurement and impairment of financial assets and liabilities. The standard affects the classification and measurement of the Group's financial instruments as well as impairment. The Group does not apply hedge accounting. Below, we present the key effects of the standard in the Group, the conversion calculation of financial instruments as per 1 January 2018 and the amended accounting principles from 1 January 2018 onward. Taaleri does not amend comparative figures and accounting principles in effect until 31 December 2017 have been presented in the group financial statements of 2017.

Key effects in the Group – classification and measurement

At initial recognition, the Group's financial assets are classified into the following categories: those recognised at fair value through profit or loss, those recognised at fair value through other comprehensive income and those recognised at amortised cost. For the classification, financial assets are grouped into debt instruments, equity instruments and derivatives. Taaleri has reclassified its financial assets based on this grouping and, where debt instruments are concerned, also based on the business model and the cash flow characteristics of the instruments. The changes are presented in the table below.

IFRS 9 did not bring any changes to the classification and measurement of financial liabilities.

Conversion table for financial assets and liabilities as of 1 January 2018, without the effect of expected credit losses

Financial assets 1/1/2018, EUR 1 000	IFRS 9 classification					
IAS 39 classification	Amortised cost	At fair value through other comprehensive income	At fair value through other comprehensive income (without recycling)	At fair value through profit or loss	TOTAL	Note
Loans and receivables	**52 020**	**-**	**-**	**564**	**52 583**	
Receivables from credit institutions	34 567				34 567	1)
Receivables from the public and general government	5 634			564	6 198	2)
Other financial assets	11 819				11 819	1)
At fair value through profit or loss	**-**	**-**	**-**	**20 470**	**20 470**	
Shares and units				20 470	20 470	3)
Available-for-sale	**-**	**67 735**	**390**	**70 006**	**138 132**	
Shares and units			390	5 023	5 413	4)
Receivables from the public and general government				400	400	5)
Insurance assets		67 735		64 583	132 318	6)
Assets in total	**52 020**	**67 735**	**390**	**91 040**	**211 185**	
Excepted credit loss	71	204				

Financial liabilities 1/1/2018, EUR 1 000	IFRS 9 classification			
IAS 39 classification	Amortised cost	At fair value through profit or loss	TOTAL	
Other liabilities	**79 164**	**-**	**79 164**	
Liabilities to credit institutions	7 982	-	7 982	1)
Debt securities issued to the public	54 758	-	54 758	1)
Other financial liabilities	16 424	-	16 424	1)
Liabilities in total	**79 164**	**-**	**79 164**	

1) Receivables from credit institutions, other financial assets and all liabilities are measured as before, at amortised cost.

2) Receivables from the public and general government previously classified as loans and receivables will continue to be measured at amortised cost. However, receivables whose cash flow characteristics are not consistent with a basic lending arrangement are measured at fair value through profit or loss. At Taaleri, such receivables consist of subordinated loans, among other things.

3) Shares previously measured at fair value through profit or loss will continue to be measured at fair value through profit or loss.

4) Shares and units previously classified as available-for-sale will now be measured at fair value through profit or loss. However, at the time of initial recognition, the management may make an irrevocable choice concerning a procedure according to which changes in fair value are recognised in other comprehensive income and will not later be recycled to profit or loss. Taaleri's non-strategic investments are measured according to this procedure at fair value through other comprehensive income without recycling.

5) Receivables from the public and general government previously classified as available-for-sale will now be measured at fair value through profit or loss. At Taaleri, such receivables consist of profit-sharing loans, among other things.

6) Financial assets of insurance operations, previously classified as available-for-sale, will now be measured either at fair value through other comprehensive income or at fair value through profit or loss. Debt instruments that pass the cash flow test are measured at fair value through other comprehensive income. This category includes normal bonds. Equity instruments and debt instruments that do not pass the cash flow test are measured at fair value through profit or loss. This category includes mutual funds, private equity funds and hybrid loans.

Key effects in the Group – impairment

With regard to impairment, through IFRS 9 a model based on expected credit losses was introduced, replacing the model based on actual losses accordant with IAS 39. Impairment is recognised from all loans and debt instruments not recognised at fair value through profit or loss and from all off-balance sheet liabilities.

For the purposes of impairment testing, assets to be tested are divided into three levels. On the first level, there are instruments whose credit risk has not increased significantly; on the second level, there are instruments whose credit risk has increased significantly; and, on the third level, there are instruments whose value has decreased. For instruments on the first level, a deductible item is recognised that corresponds to the expected credit losses from 12 months. For instruments on the second and third levels, a deductible item is recognised to the amount which corresponds to the expected credit losses over the entire period of validity.

The majority of the items for which the expected credit loss is recognised are in Garantia's investment portfolio. The expected credit loss for debt instruments in Garantia's investment portfolio is calculated based on an individual credit risk calculation model (PDxLGDxEAD)1, where the credit risk calculation model from Garantia's economic capital model is utilized. The Group's other debt instruments are very few in number, and their expected credit loss is also mainly calculated according to the corresponding individual credit risk calculation model. Expected credit loss is recognised for 12 months when the credit risk has not increased significantly and for the entire period of validity when the credit risk has increased significantly. A significant increase in credit risk is estimated on the basis of a change in credit rating; the credit rating is deemed to take into account reasonable and justifiable information to the necessary extent. In addition, the credit risk is estimated to have increased significantly if the payment is over 30 days due.

It is expected that the application of the expected credit loss model will increase and bring forward credit loss allowances, but the impact is not expected to be significant. In connection with the IFRS 9 conversion, expected credit losses amounting to EUR 204,000 were recognised for financial assets in insurance operations and EUR 71,000 for receivables from the public and general government.

IFRS 9 – accounting policies

Chapter *2.7 Financial assets and liabilities* of Taaleri's accounting policies has changed as of 1 January 2018 as described hereunder, with the exception of the *Measurement at fair value* section. In addition, Chapter *2.8 Assets and liabilities from insurance operations* has been updated regarding investment assets of insurance operations and Chapter *2.18 Accounting policies requiring management's judgement and key uncertainties regarding estimations* has been updated with a paragraph on impairment. The amended accounting policies are presented below.

2.7 FINANCIAL ASSETS AND LIABILITIES

Assets and liabilities are presented in the order of liquidity which, for the Taaleri Group, offers more reliable and significant information than the presentation of current and non-current items.

FINANCIAL ASSETS

At initial recognition, the Group's financial assets are classified into the following categories: those measured at fair value through profit or loss, those measured at fair value through other comprehensive income and those measured

[1] PD (probability of default) represents the other party's probability of becoming insolvent within the next 12 months, LGD (loss given default) represents the proportion of financial loss in a case of insolvency, and EAD (exposure at default) represents the amount of liability at the moment of insolvency.

at amortised cost. For the purpose of classification, financial assets are grouped into debt instruments, equity instruments and derivatives.

The classification of debt instruments depends on Taaleri's business model in the management of financial assets and the characteristics of the cash flows of the financial assets in question. Taaleri mainly manages its debt instruments according to two different business models. Due to the nature of the insurance operations, the objective of Garantia's investment operations is achieved by both collecting contractual cash flows and selling financial assets, i.e. applying the "hold to collect and sell" business model. Accordingly, debt instruments that pass the cash flow test are measured at fair value through other comprehensive income. For debt instruments other than those of insurance operations, the business model is mainly holding the debt instruments to collect contractual cash flows, meaning that debt instruments that pass the cash flow test are measured at amortised cost. This estimate is performed instrument-specifically, so the measurement basis is also determined instrument-specifically. In both insurance investment operations and the Group's other investment operations, debt instruments that do not pass the cash flow test are measured at fair value through profit or loss.

Changes in fair value from debt instruments measured at fair value through other comprehensive income are recognised in the fair value reserve. Interest income, impairment gains and losses as well as foreign exchange rate gains and losses are recognised in profit or loss. When a debt instrument is derecognised, the profit or loss in the fair value reserve is transferred, as an adjustment due to a change in the classification, from equity to profit or loss in the net gains from insurance investment operations, as the item belongs to the investment assets of insurance operations.

The carrying amount of debt instruments recognised at amortised cost includes the deductible item for expected credit losses, and interest income is recognised in interest income using the effective interest method. Sales gains and losses are recognised in profit or loss.

Debt instruments measured at fair value through profit or loss are measured at fair value, and any changes in fair value are recognised in profit or loss. Interest income, profits from funds, foreign exchange rate gains and losses as well as sales gains and losses are also recognised in profit or loss.

A business model indicates how financial assets are managed to achieve a certain business objective. In the "hold to collect" business model, the objective is to collect contractual cash flows; in the "hold to collect and sell" business model, the objective is achieved by both collecting contractual cash flows and selling financial assets; in the "trading" business model, the objective is achieved by actively trading in the financial assets. Determining the business model is based on estimating, for example, how the profitability of the financial assets is assessed, how the risks of the operations are managed and how often and to what extent the assets are traded in.

The characteristics of the cash flows of the debt instruments are evaluated in the cash flow test. If contractual cash flows do not consist solely of payments of principal and interest (basic lending arrangement), the instrument in question is measured at fair value through profit or loss. If the cash flows are subject to, for example, share prices or the debtor's financial situation, it is not a basic lending arrangement. At Taaleri, such debt instruments mainly consist of mutual fund investments, convertible bonds as well as profit-sharing and subordinated loans.

Investments in equity instruments are measured at fair value through profit or loss, meaning that changes in fair value, dividends, interest income, foreign exchange rate gains and losses as well as sales gains and losses are recognised in profit or loss. At the time of initial recognition, the management may make an irrevocable choice concerning a procedure according to which changes in fair value are recognised in other comprehensive income and will not later be recycled to profit or loss. In this case, dividend yields are recognised in profit or loss, but changes in fair value, foreign exchange rate gains and losses as well as sales gains and losses are recognised in other comprehensive income. Taaleri's non-strategic investments will be measured according to this procedure at fair value in other comprehensive income without recycling. Taaleri does not have significant non-strategic investments.

Investments in financial assets are originally recognised at fair value, to which transaction expenses are added, except if the financial asset in question is recognised at fair value through profit or loss, in which case the transaction expense is recognised in expenditure. When recognising financial instrument purchase and sales contracts, the date of the transaction is used as the basis for recognition.

Financial assets are derecognised when the Group has lost its contractual right to receive cash flows or moved the risks and profits outside the Group to a significant extent.

Cash and cash equivalents, which correspond to the "Receivables from credit institutions" item in the Group's balance sheet, comprise call deposits and fixed deposits.

FINANCIAL LIABILITIES

At the time of initial recognition, the Group's financial liabilities are classified into those measured at fair value through profit or loss and those measured at amortised cost. The Group has not had any financial liabilities measured at fair value through profit or loss in the 2018 financial period.

Other loans are originally recognised at fair value, to which transaction expenses are added. Later, other loans are recognised at amortised cost using the effective interest method. Other liabilities are derecognised when their obligations have been met and their validity has expired.

IMPAIRMENT

Impairments are based on an expected credit loss (ECL) model and impairments are recognised on all loans and debt instruments that are not measured at fair value through profit or loss, and on off-balance sheet liabilities.

Impairment is calculated using an individual credit risk calculation model based on the probability of default (PD), the loss given default (LGD), the exposure at default (EAD) and the maturity (M): ECL = PD * LGD * EAD * M(min 1 or M). [2]

For the purpose of impairment testing, assets to be tested are divided into three stages. On the first stage are instruments whose credit risk has not increased significantly; on the second stage are instruments whose credit risk has increased significantly; and on the third stage are instruments whose value has decreased. For instruments on the first stage, a loss allowance for 12 month expected credit losses is recorded. For instruments on the second and third stag-es, a loss allowance for lifetime expected credit losses is recognised. On every reporting date Taaleri estimates whether the credit risks of instruments has increased significantly compared to the credit risk at initial recognition, and based on this defines the expected credit loss.

A significant increase in credit risk is estimated based on changes (or expected changes) 3 in the credit rating. The credit rating is deemed to take into account sensible and reasonable information to the necessary extent. Additionally, the credit risk is estimated to have increased significantly if payments are over 30 days due.

The credit risk is deemed to have increased significantly if the counterparty's credit rating declines as follows:

- Investment grade, so from AAA – (BBB-) to (BB-) or less;
- from BB+ – (BB-) to (B-) or less:
- from B+ – (B-) to C rating or less.

[2] PD (probability of default) represents the other party's probability of becoming insolvent within the next 12 months, LGD (loss given default) represents the proportion of financial loss in a case of insolvency, and EAD (exposure at default) represents the amount of liability at the moment of insolvency.
[3] If it, due to recently received information, is deemed that the credit rating on the reporting date doesn't reflect all available information (i.e. the credit rating has not yet been updated), the increase in credit risk is estimated based on managements' judgement.

The expected credit loss for loans measured at amortised cost is recognised in the P/L line item “Expected credit loss from financial assets measured at amortised cost” and booked against the book value of the loan. The expected credit loss for financial assets measured at fair value through other comprehensive income is recognised in the P/L line item “Net income from insurance, investment operations”, when the asset is part of the insurance business’ investment portfolio, and booked against the fair value reserve in other comprehensive income.

2.8 VAKUUTUSTOIMINNAN VARAT JA VELAT (OTE)

Starting 1 January 2018 investment assets of insurance operations are measured either at fair value through other comprehensive income or at fair value through profit or loss, depending on the business model used for managing the financial assets and the characteristics of the cash flows of the financial assets in question. More detailed measurement principles are presented in Section 2.7 Financial assets and liabilities.

2.18 JOHDON HARKINTAA EDELLYTTÄVÄT LAATIMISPERIAATTEET JA ARVIOIHIN LIITTYVÄT KESKEISET EPÄVARMUUSTEKIJÄT (OTE)

When classifying and measuring financial assets managerial judgement is needed, i.e. when deciding whether an equity instrument is strategic or not, which affects whether the instrument is measured through profit or loss or other comprehensive income without recycling. Evaluating expected credit loss requires judgement, i.e. when choosing which credit loss models and parameters to use.

IFRS 15 Revenue from contracts with customers

The Group applies IFRS 15 *Revenue from contracts with customers* as of 1 January 2018. The new standard does not affect Taaleri’s revenue recognition principles. Revenue is recognised when (or as) the company transfers control of goods or services to a customer and the customer thus can control its use and receive benefit from it. IFRS 15 applies to different fee and commission income in the Group, but insurance income (to which IFRS 4 is applied) and financial instruments (to which IAS 39/IFRS 9 are applied) remain outside the scope of application. The Group does not have customer contracts, where the revenue recognition changes due to the implementation of the new standard. The new notes to the financial statements required in the standard are presented in the group financial statements.

IFRS 2 Share-based payments

Taaleri has applied amendments to IFRS 2 Share-based payments prospectively as of 1 January 2018. At Taaleri, as of 1 January 2018, all share-based bonuses are recognised in equity at fair value at the moment of granting, and the expense is not measured at market value during the earning period. When a bonus is paid, its actual cost is recognised by adjusting the amount recognised in equity.

In accordance with the amended standard, share bonus plans are treated as arrangements fully paid in equity, and the expense is amortised according to the gross shares granted, even though the employee receives a net payment and the Group pays withholding tax to the tax authorities as a monetary payment. The withholding tax paid by the Group to the tax authorities is recognised directly in equity. The adoption of the IFRS 2 amendments increased the equity in Taaleri’s opening balance 2018 by EUR 783,000. The change in the measurement bases for transactions paid in cash has no significant effect on personnel costs in the reporting period.

IFRS 2 – accounting policies

The section “Management long-term remuneration” in Chapter 2.12 “Employee benefits” of Taaleri’s accounting policies has changed as of 1 January 2018 as described below.

2.12 EMPLOYEE BENEFITS

MANAGEMENT LONG-TERM REMUNERATION

All full-time Taaleri Group employees in Finland (except for the Group CEO, the Deputy CEO and senior advisors, as well as employees of Taaleri Kapitaali Oy, Taaleri Energia Oy, Taaleri Energia Operations Oy and ClarkApps Oy) belong to Taaleri Group's remuneration fund (Taaleri Palkkiorahasto hr.). Part of the Group's annual remuneration is transferred to the remuneration fund according to predefined criteria.

The Group uses long-term remuneration systems for personnel based on which persons belonging to them may receive a bonus settled in Taaleri shares or cash for work performed during the vesting period. Depending on the payment method, these remuneration programs are recognised either in equity or as cash-settled share-based payment transactions.

Share-based employee benefits paid in equity are measured at fair value at the moment of granting. The amount recognised in expenditure is amortised in personnel costs and as an increase in equity during the vesting period. Also in arrangements settled in the net amount – in which the Group is obliged to pay withholding tax on the bonus to be paid, due to which part of the bonus earned is spent on paying taxes – the bonus earned is treated as an asset fully paid in equity instruments, despite the tax part paid in money.

The estimated number of shares to be implemented is checked quarterly. The possible effects of adjustments made to the original estimates are recognised in the income statement as personnel costs, and the corresponding adjustment is made in equity.

Conversion calculation for initial balances

Due to the adoption of the *IFRS 9 Financial Instruments* standard and amendments to the IFRS 2 *Share-based Payment* standard, Taaleri's opening balances for the reporting period have changed. The changes are presented hereunder.

Conversion calculation for opening balances 1 January 2018

CONSOLIDATED BALANCE SHEET

Assets, EUR 1,000	**1/1/2018**	**Changed 1/1/2018**	**Change**	
Receivables from credit institutions	34,567	34,567		
Receivables from the public and general government	6,598	6,527	-71	1)
Shares and units	25,883	25,883		
Participating interests	7,606	7,606		
Insurance assets	135,586	135,586		
Insurance receivables	3,268	3,268		
Investments	132,318	132,318		
Intangible assets	2,205	2,205		
Goodwill	627	627		
Other intangible assets	1,577	1,577		
Tangible assets	361	361		
Other assets	10,081	10,081		
Accrued income and prepayments	5,322	3,925	-1,397	2)
Deferred tax assets	1,113	1,127	14	3)
	229,322	**227,867**	**-1,454**	

Liabilities, EUR 1,000	**1/1/2018**	**Changed 1/1/2018**	**Change**	
LIABILITIES	**123,238**	**121,058**		
Liabilities to credit institutions	7,982	7,982		
Debt securities issued to the public	54,758	54,758		
Insurance liabilities	20,336	20,336		
Other liabilities	2,131	2,131		
Accrued expenses and deferred income	22,143	19,951	-2,192	4)
Deferred tax liabilities	15,887	15,899	12	5)
EQUITY CAPITAL	**106,084**	**106,809**	**726**	
Share capital	125	125		
Reserve for invested non-restricted equity	35,814	35,814		
Fair value reserve	-4,280	-1,036	3,244	6)
Retained earnings or loss	52,594	50,076	-2,518	7)
Profit or loss for the period	21,447	21,447		
Non-controlling interest	384	384		
	229,322	**227,867**	**-1,454**	

In item 1), the expected credit loss for receivables from the public and general government is recognised, mainly measured at amortised cost according to IFRS 9.

In item 2), accrued income relating to share-based payment is transferred to retained earnings in equity capital.

In item 3), the deferred tax asset from expected credit loss is recognised.

In item 4), EUR 2,180,000 of accrued expenses relating to share-based payments is transferred to retained earnings in equity capital and EUR 12,000 of tax liabilities is transferred to deferred tax liabilities.

In item 5), EUR 12,000 of tax liabilities relating to share-based payment is transferred to deferred tax liabilities.

In item 6), EUR 3,244,000 of cumulative changes in fair value from financial assets previously measured at fair value through other comprehensive income and measured at fair value through profit or loss according to IFRS 9, is transferred from the fair value reserve to retained earnings (item 7). In addition, a EUR –57,000 (net) deductible item for expected credit losses is recognised in retained earnings.

In item 7), EUR 783,000 (net) of accrued income and liabilities relating to share-based payment is transferred to equity, in addition to the IFRS 9 changes mentioned in item 6.

2 FEE AND COMMISSION INCOME

1/7-31/12/2018, EUR 1,000	WEALTH MANAGEMENT	FINANCING	ENERGY	OTHER	TOTAL
Continuing earnings	15,494	72	783	1,218	17,566
Performance fees	2,465	-	-	-	2,465
Total	**17,958**	**72**	**783**	**1,218**	**20,031**

1/7-31/12/2017, EUR 1,000	WEALTH MANAGEMENT	FINANCING	ENERGY	OTHER	TOTAL
Continuing earnings	17,381	-	805	299	18,486
Performance fees	10,061	-	-	-	10,061
Total	**27,443**	**-**	**805**	**299**	**28,547**

1/1-31/12/2018, EUR 1,000	WEALTH MANAGEMENT	FINANCING	ENERGY	OTHER	TOTAL
Continuing earnings	34,357	72	1,854	1,246	37,529
Performance fees	8,102	-	-	-	8,102
Total	**42,459**	**72**	**1,854**	**1,246**	**45,631**

1/1-31/12/2017, EUR 1,000	WEALTH MANAGEMENT	FINANCING	ENERGY	OTHER	TOTAL
Continuing earnings	35,266	-	1,581	362	37,209
Performance fees	15,806	-	-	-	15,806
Total	**51,071**	**-**	**1,581**	**362**	**53,015**

From 1/1/2018 all fee and commission income from trading are recognised in Fee and commission income. Previoulsy they were partly recognised in net gains or net losses on trading in securities and foreign currencies. Comparative figures have been amended accordingly.

3 NET INCOME FROM INSURANCE

EUR 1,000	1/7-31/12/2018	1/7-31/12/2017	1/1-31/12/2018	1/1-31/12/2017
Earned premiums, net				
Premiums written	9,682	7,882	17,377	15,235
Reinsurers' share	-513	-520	-1,035	-1,008
Change in provision for unearned premiums	-2,336	-2,102	-4,205	-3,669
Reinsurers' share	-44	-	140	79
Total	**6,790**	**5,260**	**12,277**	**10,638**
Claims incurred, net				
Claims paid	487	-45	147	-105
Reinsurers' share	-	-	241	21
Change in provision for outstanding claims	-24	-1,697	1,170	-1,754
Reinsurers' share	-18	1,019	-815	1,018
Total	**445**	**-724**	**744**	**-820**
Net income from investment operations				
Financial assets at fair value through other comprehensive income (Available for sale)	1,335	5,515	2,670	11,930
- of which change in expected credit loss	-65	-	-172	-
Financial assets at fair value through profit or loss	-2,461	-	-3,405	-
Total	**-1,126**	**5,515**	**-734**	**11,930**
Net income from insurance, total	**6,109**	**10,050**	**12,287**	**21,748**

4 NET GAINS OR NET LOSSES ON TRADING IN SECURITIES AND FOREIGN CURRENCIES

Net gains or net losses on trading in securities, EUR 1,000	**1/7-31/12/2018**	**1/7-31/12/2017**	**1/1-31/12/2018**	**1/1-31/12/2017**
From financial assets measured at fair value through profit or loss				
Financial assets that need to be measured at fair value through profit or loss	-3,746	-113	-3,125	146
Total	**-3,746**	**-113**	**-3,125**	**146**

Net gains or net losses on trading in securities and foreign currencies, EUR 1,000	**1/7-31/12/2018**	**1/7-31/12/2017**	**1/1-31/12/2018**	**1/1-31/12/2017**
Net gains or net losses on trading in securities by type				
From shares and units	-3,746	21	-3,125	146
Sales profit and loss	-	-29	28	229
Changes in fair value	-3,746	51	-3,153	-83
Net gains or let losses on trading in securities, total	-3,746	21	-3,125	146
Net gains or net losses on trading in foreign currencies	119	165	311	388
Total	**-3,628**	**187**	**-2,814**	**534**

From 1/1/2018 all fee and commission income from trading are recognised in Fee and commission income. Previoulsy they were partly recognised in net gains or net losses on trading in securities and foreign currencies. Comparative figures have been amended accordingly.

5 INCOME FROM EQUITY INVESTMENTS

EUR 1,000	**1/7-31/12/2018**	**1/7-31/12/2017**	**1/1-31/12/2018**	**1/1-31/12/2017**
From financial assets recognised at fair value in profit or loss	358	-	358	-
Profit or loss from divestments	358	-	358	-
From financial assets measured at fair value through other comprehensive income	-	134	-	1,875
Dividend income	-	-	-	80
Profit or loss from divestments	-	134	-	1,795
From associated companies	13,818	-	13,717	128
Change in classification to assets held for sale	8,662	-	8,662	-
Dividend income	-	-	-	128
Profit or loss from divestments	5,156	-	5,055	-
From group companies	-	-703	-2,240	-703
Impairment losses	-	-	-2,240	-
Profit or loss from divestments	-	-703	-	**-703**
Total	**14,176**	**-568**	**11,835**	**1,301**

6 INTEREST INCOME

EUR 1,000	**1/7-31/12/2018**	**1/7-31/12/2017**	**1/1-31/12/2018**	**1/1-31/12/2017**
Interest income from other loans and receivables				
From receivables from credit institutions	-	40	-	51
From receivables from the public and general government	293	194	670	510
Other interest income	7	1	8	1
Total	**300**	**234**	**678**	**562**

7 OTHER OPERATING INCOME

EUR 1,000	**1/7-31/12/2018**	**1/7-31/12/2017**	**1/1-31/12/2018**	**1/1-31/12/2017**
Rental income	2	2	4	5
Project sales	-	3,767	4,294	3,767
Other income	301	48	598	58
Total	**303**	**3,817**	**4,896**	**3,829**

8 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities 31 December 2018, EUR 1 000

		At fair value through other comprehensive income		At fair value through profit or loss			
Financial assets	Amortised cost	Equity instruments 3)	Others	Equity instruments	Others	Total	Fair value
Receivables from credit institutions 1)	26,133	-	-	-	-	26,133	26,133
Receivables from the public and general government 1)	3,425	-	-	-	5,953	9,379	9,379
Shares and units	-	478	-	5,580	6,367	12,424	12,424
Insurance assets	-	-	80,014	39,475	12,342	131,832	131,832
Other financial assets	10,537	-	-	-	-	10,537	
Financial assets total	**40,095**	**478**	**80,014**	**45,055**	**24,663**	**190,305**	
Participating interests						6,140	
Other than financial assets						41,564	
Assets in total 31 December 2018						**238,009**	

Financial liabilities	At fair value through profit or loss	Other liabilities	Yhteensä	Käypä arvo
Liabilities to credit institutions 1)		6,996	6,996	6,996
Debt securities issued to the public 2)		54,815	54,815	56,941
Other financial liabilities		13,991	13,991	
Financial liabilities total		**75,802**	**75,802**	
Other than financial liabilities			39,826	
Liabilities in total 31 December 2018			**115,628**	

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) At initial recognition the Group's non-strategic investments are specifically classified as measured at fair value through profit or loss. Thus, dividend yields are recognised in profit or loss, but changes in fair value, foreign exchange rate gains and losses as well as sales gains and losses are recognised in other comprehensive income. These are not later recycled to profit or loss. The classification as a non-strategic investment is made instrument-by-instrument by management. Non-strategic investments include small investments in limited partnerships associated to Taaleri's private equity funds and equity investments in private companies not directly associated to Taaleri's business strategy. On 31/12/2018 the fair value of non-strategic investments was 478 thousand euros, of which none paid dividends in 2018. No non-strategic investments were derecognised in 2018.

Financial assets and liabilities 31 December 2017, EUR 1 000

Financial assets	Loans and receivables	At fair value through profit	Available-for-sale	Total	Fair value
Receivables from credit institutions 1)	34,567			34,567	34,567
Receivables from the public and general government 1)	6,198		400	6,598	6,598
Shares and units		20,470	5,413	25,883	25,883
Insurance assets			132,318	132,318	132,318
Other financial assets	11,819			11,819	
Financial assets total	**52,583**	**20,470**	**138,132**	**211,185**	
Participating interests				7,606	
Other than financial assets				10,530	
Assets in total 31 December 2017				**229,322**	

Financial liabilities	At fair value through profit	Other liabilities	Total	Fair value
Liabilities to credit institutions 1)		7,982	7,982	7,982
Debt securities issued to the public 2)		54,758	54,758	57,605
Other financial liabilities		16,424	16,424	
Financial liabilities total		**79,164**	**79,164**	
Other than financial liabilities			44,074	
Liabilities in total 31 December 2017			**123,238**	

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.

9 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Fair value of assets 31 December 2018, EUR 1 000	Level 1	Level 2	Level 3	Fair value total
Receivables from credit institutions	-	26,133	**-**	26,133
Receivables from the public and general government	-	8,981	**398**	9,379
Shares and units	6,403	-	6,022	12,424
Insurance assets	127,290	-	4,542	131,832
Total	**133,692**	**35,114**	**10,961**	**179,768**

Fair value of liabilities 31 December 2018, EUR 1 000	Level 1	Level 2	Level 3	Fair value total
Liabilities to credit institutions	-	6,996	**-**	6,996
Debt securities issued to the public	-	54,815	-	54,815
Total	**-**	**61,811**	**-**	**61,811**

Fair value of assets 31 December 2017, EUR 1 000	Level 1	Level 2	Level 3	Fair value total
Receivables from credit institutions	-	34,567	**-**	34,567
Receivables from the public and general government	-	6,198	**400**	6,598
Shares and units	20,470	-	5,413	25,883
Insurance assets	128,058	-	4,261	132,318
Total	**148,527**	**40,764**	**10,074**	**199,366**

Fair value of liabilities 31 December 2017, EUR 1 000	Level 1	Level 2	Level 3	Fair value total
Liabilities to credit institutions	-	7,982	**-**	7,982
Debt securities issued to the public	-	57,605	-	57,605
Total	**-**	**65,588**	**-**	**65,588**

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.

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 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.

Reconciliation of assets categorised within level 3, EUR 1 000	**1.1.-31.12.2018**	**1.1.-31.12.2017**
Fair value January 1	10,074	7,641
Purchases	4,380	3,652
Sales and deductions	-1,269	-1,962
Change in fair value - income statement	-2,799	-3
Change in fair value - comprehensive income statement	-31	745
Change of associated company or subsidiary to an investment	607	-
Fair value at end of period	**10,961**	**10,074**

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.-31.12.2018**	**1.1.-31.12.2017**
Net income from insurance	229	-3
Net gains or net losses on trading in securities and foreign currencies	-3,028	-
Total	**-2,799**	**-3**

10 ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale, EUR 1,000	**31/12/2018**	**31/12/2017**
Investments in associates	12,007	-
Yhteensä	**12,007**	**-**

As Taaleri's associated company Fellow Finance Plc was listed on the First North exchange in October 2018 Taaleri Plc sold 813,262 shares in the company. Taaleri's share holding was thus reduced from 45.7 to 25.9 percent. Taaleri recognised a 5,156 thousand euro profit from the sale. After the IPO the Board of Directors of Taaleri Plc decided to sell the rest of the shares in Fellow Finance Plc held directly by Taaleri Plc and the holding was reclassified as an asset held for sale. The sale is expected to happen in 2019. In conjunction to the reclassification, a one-time mark-up of the shares amounting to 8,662 thousand euros was recognised. Fellow Finance Plc is part of Taaleri's Other operations.

11 TANGIBLE ASSETS

EUR 1 000	**31/12/2018**	**31/12/2017**
Other tangible assets	692	361
Total	**692**	**361**

	1.1.-31.12.2018	**1.1.-31.12.2017**
Acquisition cost January 1	1,962	1,888
Additions	619	81
Deductions	-	8
Acquisition cost at end of period	2,581	1,962
Accrued depreciation, amortisation and impairment January 1	1,601	1,385
Depreciation in the financial period	288	216
Accrued depreciation, amortisation and impairment at end of period	1,888	1,601
Book value on January 1	361	503
Book value at end of period	**692**	**361**

12 IMPAIRMENT LOSSES ON RECEIVABLES

1 000 euroa	Amortised cost	At fair value through other comprehensive income[1)]	Total
ECL 1/1/2018	71	204	275
Additions due to purchases	5	185	190
Deductions due to derecognitions	-56	-58	-114
Changes in risk parameters	-	44	44
Recognised in profit or loss	**-51**	**172**	**121**
Additions due to acquisition of subsidiaries	19	-	19
ECL 31/12/2018	**39**	**376**	**415**

All financial assets subject to ECL calculations are on level 1, i.e. the credit risk has not increased significantly. There are no realised credit losses recognised in the presented financial periods.

1) Expected credit losses from financial assets measured at fair value through other comprehensive income all pertain to the insurance business, and therefore the expected credit loss has been recognised in net income from insurance investment operations. See note 3.

EUR 1 000	31.12.2018	31.12.2017
Expected credit losses from financial assets measured at amortised cost	51	-
Recognised in profit or loss	**51**	**-**

13 DEBT SECURITIES ISSUED TO THE PUBLIC

EUR 1 000	31/12/2018	31/12/2017
Publicly issued bonds	54,815	54,758
Total	**54,815**	**54,758**

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. The bond 01/2014 with a capital of EUR 10,000,000 was repaid in April 2017.

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

14 EQUITY CAPITAL

Share capital

The company’s share capital on 31 December 2018 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 shares are traded on the Nasdaq Helsinki main market. 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.

15 INVESTMENTS IN SUBSIDIARIES

Changes in subsidiary shareholdings 2018

On 5 July 2018 Taaleri Wealth Management Ltd acquired the entire share capital of asset management company Evervest Oy, after approval by the Finnish Financial Supervisory Authority. Evervest is Finland's first robo-advisor, and its earnings in 2017 were 78 thousand euros. Evervest's functioning digital platform will extend Taaleri's service offering for customers and the service and its further development has a clear strategic position in the transformation of the wealth management sector. The acquisition price of 4,215 thousand euros was paid in cash and a contingent consideration is structured on the basis of an earn-out model. The range of the outcome of the contingent consideration is between zero and 1.6 million euros.

At the acquisition date Evervest Oy's assets amounted to 152 thousand euros, of which 86 thousand euros were receivables from credit institutions. The liabilities amounted to 60 thousand euros. Goodwill, based on the knowledge of Evervest Oy's personnel, amounting to 4,122 thousand euros was recognised.

Since the acquisition date income amounting to 20 thousand euros and a loss of 20 thousand euros have been included in the consolidated financial statement. Evervest's income for the whole 2018 accounting period was 88 thousand euros and the loss was 428 thousand euros. Evervest Oy is part of the Wealth Management Segment and the goodwill is tested yearly on a segment level.

On 31 August 2018 Garantia Insurance Company Ltd acquired the entire share capital of Suomen Vuokravastuu Oy (SVV) and at the end of the year the company was merged into Garantia. SVV was founded in 2015 and did guaranty business under two brands, Takaamo and Securent. In addition to this, SVV created customized solutions to satisfy customers' needs. The business complements Garantia's existing housing guaranty products and a successful growth scenario creates a new support leg for the business. Garantia's ownership gives SVV appropriate credibility to make use of the market opportunities. The acquisition price of 350 thousand euros was paid in cash and a contingent consideration is structured on the basis of an earn-out model. The range of the outcome of the contingent consideration is between zero and 0.8 million euros.

At the acquisition date SVV's assets amounted to 109 thousand euros, of which 13 thousand euros were receivables from credit institutions. The liabilities amounted to 106 thousand euros. Goodwill, based on the knowledge of SVV's personnel and on expected synergies, amounting to 347 thousand euros was recognised.

Since the acquisition date income amounting to 88 thousand euros and a profit of 36 thousand euros have been included in the consolidated financial statement. SVV's income for the whole 2018 accounting period was 318 thousand euros and the profit was 12 thousand euros. SVV is part of the Financing Segment and the goodwill is tested yearly on a segment level. SVV's former owner is a related party of Taaleri's (see note 19). A fair value estimation of SVV was made by an independent expert.

Taaleri Investments acquired an 82.47 percent stake in Erdwärme Oberland GmbH in March 2018. The acquisition price of 1,240 thousand euros was paid in cash. The company's net assets were 1,240 thousand euros on the acquisition date.

In March 2018 Taaleri reduced its ownership in Taaleri Energia by 19.4 percent to commit its Energia segment's key operative individuals. At the end of the financial period Taaleri had an 80.6 percent stake in the company. The effect on the equity attributable to owners of the parent company of the directed share issue is included in the table below.

In December Taaleri Wealth Management acquired a 20 percent minority shareholding in Taaleri Tax Services, giving Taaleri Wealth Management a 95 percent share in the company. The effect on the equity attributable to owners of the parent companyt is included in the table below.

Additionally, during the financial period, management and project companies were established under Taaleri Private Equity Funds and Taaleri Energia.

Changes in subsidiary shareholdings 2017

The group has on 31 December 2017 sold a 66 percent share of its former subsidiary Taaleri Portföy Yönetimi A.Ş. at a sales price of TRY 1.65 million (EUR 363 thousand). A loss of EUR 0.7 million was recognized in the income statement item "Income from equity investments". The group's shareholding after the sale is 18.83 percent. The shareholding is included in the balance sheet item "Shares and units".

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.

In August a 7 percent share of subsidiary Bonus Solutions Oy was sold after which the group's shareholding is 68 percent.

In May the subsidiary Taaleri Energia Funds Management Ltd, was established and in June the subsidiary TT Canada RE Holding Corporation was established in Canada.

In december the demerger of Taaleri Sijoitus Oy was completed, as a result of which the 100 % ownership of Taaleri Energia Operations Oy was transfered to Taaleri Energia Oy from Taaleri Sijoitus Oy. The demerger had no effect on the group's own capital.

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	1/1-30/6/2018	1/1-31/12/2017
From an addition to the share owned in subsidiaries	-291	147
From a reduction in the share owned in subsidiaries, without loss of control	397	53
Net effect on equity	**105**	**200**

There is not a material non-controlling interest in the group.

16 INVESTMENTS IN ASSOCIATED COMPANIES

On 31 December 2018 the group had four associated companies; Fellow Finance Plc, Ficolo Oy, Munkkiniemi Group Oy and Turun Toriparkki Oy. None of these is considered material to the group. The associated companies, except for Fellow Finance Plc, are consolidated using the equity method. A loss of 215 thousand euros from continuing operations of the associated companies has been recognised in the Group in the income statement item 'Share of associates' profit or loss'. The associated companies have neither discontinued operations nor comprehensive income items.

Taaleri sold part of its share in Inderes Oy on 6 March 2018 and the Groups ownership decreased from 40 percent to 15 percent. Inderes Oy has been consolidated as an associated company until this date and after this as a strategic equity investment. The Group purchased 47 percent of the shares in Munkkiniemi Group Oy established in March, and on 11 June 2018 the Group acquired 48.15 percent of the shares in Turun Toriparkki Oy in a directed share issue. Both are consolidated in the Group as associated companies from the acquisition date. In October, when Taaleri's associated company Fellow Finance Plc was listed on the Nasdaq First North marketplace, Taaleri Plc sold 813,262 of its shares. Taaleri's ownership share thus declined from 45.7 percent to 25.9 percent. The rest of the shares in Fellow Finance Plc in direct ownership of Taaleri Plc were classified as held for sale (see note 10). Until then Fellow Finance was consolidated as an associated company according to the equity method.

On 31 December 2017 the group had three associated companies; Fellow Finance Plc, Inderes Oy and Ficolo Oy. None of these is considered material to the group. All associated companies are consolidated using the equity method. A total of EUR 583 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.

The group has on 19 September 2017 acquired 38.85 percent of Ficolo Oy, which has since been consolidated as an associated company. There have been no other changes in investments in associated companies during 2017.

17 CONDITIONAL LIABILITIES AND CONTINGENT LIABILITIES

Commitments not recognised as liabilities, EUR 1 000	31/12/2018	31/12/2017
Total gross exposures of guarantee insurance	1,666,515	1,491,279
Guarantees	4,620	219
Investment commitments	6,111	14,874
Pledged securities	11,667	13,333
Credit limits (unused)	10,000	10,000
Total	**1,698,912**	**1,529,706**

Garantia has received information that a matter concerning a potential insurance event and a 5 million euro claim with penalty consequences and legal fees has become pending in the Helsinki District Court. The insurance claim concerns a pension fund which was a loan guaranty customer of Garantia in 2011, and was placed in liquidation in December 2011 under the Pension fund act (1164/1992, as amended) and filed for bankruptcy on 5 February 2018, related to which Garantia originally received a claim on 30 December 2011. Garantia still considers the claim to be unfounded, which is why it has not been entered in the profit and loss account as a provision for outstanding claims.

18 OPERATING LEASES

The group has leased the office premises it uses. The lengths of lease agreements vary from one to three years, and they normally include the possibility to extend the agreement after the original date of expiry. Some companies in the group have also leased cars and office machinery through leasing agreements. Of the above-mentioned items, EUR 2.1 million in leasing expenses was recorded in other operating costs in 2018 (EUR 1.9 million in 2017).

The total of future minimum lease payments under non-cancellable operating leases EUR 1,000	31/12/2018	31/12/2017
Within one year	1,730	1,616
In over one year and within five years maximum	4,290	5,766
Total	**6,019**	**7,382**

19 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.

On 31 August 2018 Garantia Insurance Company Ltd acquired the entire share capital of Suomen Vuokravastuu Oy (SVV). The former owner of SVV is an other related party of Taaleri. The transaction has been included in the table below on related party transactions. Further information on the acquisition can be found in note 15.

On 31 December 2018 board member Peter Fagernäs is among the 10 largest shareholders of the company through a company he owns. The company's CEO Juhani Elomaa, Deputy CEO Karri Haaparinne and member of the Executive Board Petri Lampinen were also amongst the company's 10 largest shareholders on 31 December 2018.

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

2018	**Sales**	**Purchases**	**Receivables**	**Liabilities**
Associated companies	1,588	13	7,981	-
Other related parties	295	315	4,471	-

2017	**Sales**	**Purchases**	**Receivables**	**Liabilities**
Associated companies	632	91	4,148	-
Other related parties	391	46	4,580	-

Garantia has, in the course of its normal business, granted a guarantee amounting to EUR 10 million to a related party. The guarantee was paid back during 2018.

TAALERI IN BRIEF

Taaleri is a Finnish financial service company, whose parent company Taaleri Plc is listed on Nasdaq Helsinki's, Finland, main market. The Taaleri Group comprises three business areas: Wealth Management, Financing, and Energy. In addition, the Group makes investments from its own balance sheet.

At the end of 2018, Taaleri had assets under management totalling EUR 5.7 billion and 5,400 wealth management customers. Taaleri Plc has some 4,100 shareholders. Taaleri's operations are supervised by the Finnish Financial Supervisory Authority.

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