

**TALERI**

# **FINANCIAL STATEMENTS BULLETIN**

JANUARY-DECEMBER 2019



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**TAALERI PLC: STRONG SECOND HALF YEAR - DIVIDEND PROPOSAL FOR 2019 IS EUR 0.32 PER SHARE****The Group in January-December 2019**

- Income was EUR 67.2 (72.5) million.
- Continuing earnings grew 6.3 per cent to EUR 55.3 (52.0) million.
- Performance fees totalled EUR 5.2 (8.1) million.
- Income from investment operations was EUR 6.7 (12.2) million.
- Operating profit was EUR 16.5 (23.9) million, or 25 (33) per cent of income.
- Earnings per share were EUR 0.39 (0.76).
- Assets under management grew 23 per cent to EUR 7.1 (5.7) billion.
- Insurance exposure grew 10.3 per cent and totalled EUR 1.8 (1.7) billion.
- The Board of Directors' proposes a dividend of EUR 0.32 per share.

**The Group in July-December 2019**

- Income was EUR 36.3 (37.3) million.
- Continuing earnings grew 22.2 per cent to EUR 30.7 (25.2) million.
- Performance fees were EUR 5.6 (2.5) million.
- Income from investment operations was EUR -0.1 (9.2) million.
- Operating profit was EUR 10.1 (11.5) million, or 28 (31) per cent of income.
- Earnings per share were EUR 0.21 (0.44).

Group key figures	2019	2018	H2/2019	H2/2018	Long-term target
<b>Earnings key figures</b>					
Continuing earnings, MEUR	55.3	52.0	30.7	25.2	
Growth in continuing earnings, %	6.3	6.3	22.2	5.4	> 15.0
Income, MEUR	67.2	72.5	36.3	37.3	
Operating profit, MEUR	16.5	23.9	10.1	11.5	
Operating profit, %	24.5	33.0	27.8	30.9	> 20.0
Profit for the period, MEUR	11.5	21.6	6.6	12.2	
Return on equity*, %	9.3	18.9	10.9	21.1	> 15.0
<b>Balance sheet key figures</b>					
Equity ratio, %	46.6	51.4			> 30.0
Group's capital adequacy ratio, %	207.4	186.0			
<b>Per share key figures</b>					
Earnings/share, EUR	0.39	0.76	0.21	0.44	
Equity/share, EUR	4.45	4.26			
Share closing price, EUR	8.42	7.10			
<b>Other key figures</b>					
Cost/income ratio	74.7	67.0	70.6	68.9	
Number of full-time Employees, average	186	183	183	187	
Market capitalization, MEUR	238.3	201.0			
Assets under management, BEUR	7.1	5.7			
Guaranty insurance portfolio, BEUR	1.8	1.7			

\* 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 2018, unless otherwise stated.

## CEO ROBIN LINDAHL

*"2019 was a record year for the stock markets both in Finland and internationally. The positive market development as well as an increase in assets under management also supported Taaleri's success in 2019. Assets under management grew by 23 per cent to EUR 7.1 billion from the beginning of the year. The development of continuing earnings in the Group was particularly strong in the second half of the year, growing by 22 per cent. The year-on-year growth was 6 per cent. Successful exits by private equity funds in the second half of the year increased performance fees to EUR 5.2 million for the full year. Income decreased to EUR 67.2 million, mainly due to the weak performance in Other Operations, which were particularly affected by the decline in the value of Fellow Finance shares. Operating profit in 2019 decreased to EUR 16.5 million, or 24.5 percent of income, while operating profit in the second half of the year was 27.8 per cent of income. Full-year earnings per share were EUR 0.39.*

*The wealth management business was particularly successful in the second half of the year: with increased continuing earnings, increased commissions and cost awareness, the second half operating profit totalled EUR 10 million. The challenging equity market at the end of 2018 had a negative impact on continuing earnings in early 2019, but during the second half of the year, performance returned to its growth path and continuing earnings increased by 20 per cent. Garantia's result, at fair value, was strong and totalled EUR 14.5 million: premiums written in in-surance operations grew by 14 per cent, claims ratio remained low at 12.1 per cent and investment return, at fair value, was 8.1 per cent. Taaleri Energia's continuing income doubled from last year, due to the successful fund raising of the Taaleri SolarWind II fund and good development of the projects in Taaleri SolarWind I projects. The delay in the 336 MW Truscott-Gilliland wind farm in Texas burdened earnings and Energia's operating profit was EUR -2.6 million. Overall, I am satisfied with Taaleri's second half of the year development, although the whole year's result remained satisfactory.*

*During the year, we established three private equity funds focusing on impact investments: Wind IV, SolarWind II and Päiväkotikiinteistöt (Daycare Properties), which were well received by our clients. The aim of impact investing is not only financial gain, but also significant social or environmental benefit. Other funds and investments provided by us also developed and successfully raised new capital. Our equity funds have again excelled in both domestic and international comparisons. At the end of the year, three wind farms managed by Taaleri Tuulitehdas I and Taaleri Tuulitehdas II and Taaleritehdas Asuntorahasto II were successfully exited, yielding performance fees of EUR 5.2 million during the year. On behalf of the new owners, Taaleri Energia will continue to operate the sold wind farms under a managed account agreement.*

*Year 2019 was also a significant milestone for Taaleri's internationalization. Taaleri Energia launched several international wind and solar power projects, and, for example, the European Investment Bank (EIB) has already invested in our SolarWind II fund. Internationalization in line with our strategy enables a new growth path for our company.*

*For Garantia Insurance Company, which forms our Financing segment, the year was characterized by the rollout of a new strategy focusing on dispersed consumer and business portfolios. Garantia's competitive advantage in the market is based on an extensive network of co-operation and partnerships, a customer-oriented approach, strong solvency and risk-selection expertise.*

*Taaleri's goal is strong but controlled growth and improving our profitability. We believe in the scalability of our business and the potential for faster-than-market growth. The constantly changing operating environment requires organizations to have increasingly more cross-sectoral expertise and ability to execute. To strengthen the synergy between Taaleri's segments and the realization of the company's growth targets, we expanded our Executive Management team membership with the appointment of Titta Elomaa, CEO of Garantia Insurance Company Ltd, Kai Rintala, Managing Director of Taaleri Energia Ltd. and Perttu Purhonen, who also was appointed as the new Head of Wealth Management.*

*It is estimated that climate change will create both business threats and opportunities for companies. Initiatives and actions to mitigate climate change and to adapt to it are becoming increasingly prevalent year after year also in the finance sector. In addition to responsible investing, our discussions with clients are more and more often about*

*impact investing. Already since 2010, Taaleri has invested in projects pursuing not only financial benefits, but also sizable social and environmental benefits. Taaleri's vision on how we can use capital and ownership to create a better future for us and for the next generations inspires us all and guides our activities.*

*We received excellent recognition from our clients in September when Taaleri was selected as Finland's best wealth manager in Arvopaperi business magazine's survey. I want to thank our clients for their trust, as well as our bankers, portfolio managers and other experts, and all our partners for their outstanding work and for the past year. Confidence in the future looks strong."*



## BOARD OF DIRECTORS' REPORT 1 JANUARY–31 DECEMBER 2019

### OPERATING ENVIRONMENT

Growth in the Finnish economy and imports slowed in 2019. Unemployment remained nearly unchanged compared to the previous year, even though development varied quite a lot on a monthly basis. Concerns about a trade war between the United States and China and the uncertainty of how Brexit would affect the markets had an impact on the EU economy and on general sentiments. Despite this, the Finnish stock markets did well, and 2019 proved to be a very good investment year, as investment returns were driven by the light central bank policy and the expectations of economic recovery in 2020.

In September 2019, the European Parliament declared a global climate emergency. Climate change mitigation and preparedness for the risks of change are the new normal that will change the rules of the game in all areas and sectors. Companies constantly declared their carbon-neutral goals and strengthening the EU position as a global climate leader was among the priorities of the EU Finnish Presidency. In an increasing number of countries, industrial-scale renewable energy is the cheapest way to build new energy production, will result in intensifying competition for high-quality impact investments, especially on the renewable energy front.

### FINANCIAL RESULT

#### Income and operating profit

#### Segment specific income and operating profit

	2019	2018	Change, %	H2/2019	H2/2018	Change, %
<b>EUR million</b>						
<b>Group income</b>	<b>67.2</b>	<b>72.3</b>	<b>-7.1</b>	<b>36.3</b>	<b>37.3</b>	<b>-2.5</b>
Wealth Management	42.9	48.7	-12.0	25.7	19.0	34.8
Financing	21.3	12.5	70.3	10.8	6.3	71.7
Energia	4.6	2.3	103.1	3.2	1.2	170.7
<b>Business segments, total</b>	<b>68.8</b>	<b>63.5</b>	<b>8.3</b>	<b>39.7</b>	<b>26.5</b>	<b>49.7</b>
Other operations	-1.6	8.8	-118.5	-3.4	10.3	-133.3
<b>Group operating profit/loss</b>	<b>16.5</b>	<b>23.9</b>	<b>-30.8</b>	<b>10.1</b>	<b>11.5</b>	<b>-12.1</b>
Wealth Management	11.8	16.8	-30.1	9.7	2.7	263.1
Financing	12.7	4.9	156.9	6.6	2.5	159.4
Energia	-2.6	-2.3	12.4	-1.0	-1.4	-30.4
<b>Business segments, total</b>	<b>21.9</b>	<b>19.5</b>	<b>12.4</b>	<b>15.4</b>	<b>3.8</b>	<b>302.6</b>
Other operations	-5.3	4.4	n.a.	-5.2	7.7	n.a.

*The Group's share of the result of associated companies is taken into account in the segment-specific income. Segment information is presented on page 41.*

## January–December 2019

The Group's income in January–December 2019 was EUR 67.2 (72.5) million. In the second half of the year, the Group's continuing earnings began to grow following the weak performance at the beginning of the year. Continuing earnings grew 6.3 percent and totalled EUR 55.3 (52.0) million in 2019. The Group's fee and commission income was EUR 46.1 (45.6) million, of which the performance fees accounted for EUR 5.2 (8.1) million. Net income from insurance operations was EUR 21.3 (12.3) million, of which net income from guaranty insurance operations totalled EUR 12.0 (13.0) million. The net return on investments in insurance operations totalled EUR 9.2 (-0.7) million, and the return on investments, at fair value, was 8.1 (-1.7) per cent. The income of Taaleri's business segments, Wealth management, Financing and Energia, grew by 8.3 per cent to EUR 68.8 (63.5) million and the operating profit grew by 12.4 per cent to EUR 21.9 (19.5) million.

Taaleri Group's investment operations without Garantia's investment operations yielded EUR -2.5 (12.9) million, which includes a fair value change of EUR -4.3 million from the Fellow Finance ownership. The comparison year, 2018, included profit of EUR 13.8 million from the Fellow Finance ownership, write-downs of EUR 5.4 million from geothermal projects in Germany, and the additional earn-out of EUR 4.9 million from a wind project.

The Group's operating profit was EUR 16.5 (23.9) million and represented 24.5 (33.0) per cent of the Group's income.

The administrative costs totalled EUR 33.7 (30.2) million. Personnel costs totalled EUR 24.2 (21.7) million, which included variable salaries of EUR 5.4 (2.5) million. Other administrative expenses totalled EUR 9.5 (8.4) million and other operating expenses EUR 5.2 (8.4) million. With the introduction of IFRS 16, other operating expenses decreased by EUR 1.6 million, and depreciation and amortization increased accordingly by EUR 1.4 million and interest expenses EUR 0.2 million,

Profit for the financial period 2019 amounted to EUR 11.5 (21.6) million and the comprehensive income EUR 13.2 (20.3) million.

## July–December 2019

The Group's income was EUR 36.3 (37.3) million. The Group's continuing earnings increased by 22.2 per cent to EUR 30.7 (25.2) million. The Group's fee and commission income was EUR 28.4 (20.0) million, of which the performance fees accounted for EUR 5.6 (2.5) million. Net income from insurance operations was EUR 10.8 (6.1) million, of which guaranty insurance operations totalled EUR 6.6 (7.2) million and net income from investment operations totalled EUR 4.2 (-1.1) million. The return on investments in insurance operations, at fair value, was 2.9 (-1.6) per cent. The income of Taaleri's business segments, Wealth management, Financing and Energia, grew by 49.7 per cent to EUR 39.7 (26.5) million and the operating profit quadrupled and was EUR 15.4 (3.8) million.

The Group's investment activity generated a total of EUR -0,1 (9.2) million during July–December 2019. Taaleri Group's investment operations without Garantia's investment operations yielded EUR -4.3 (10.3) million, which includes a fair value changes of EUR 5.5 million from the Fellow Finance ownership. The investment operations of the comparison period, July–December 2018, included profit of EUR 13.8 million from the Fellow Finance ownership and write-downs of EUR 3.1 million from geothermal projects in Germany.

The Group's operating profit was EUR 10.1 (11.5) million and represented 27.8 (30.9) per cent of the Group's income. The Group's administrative costs totalled EUR 16.7 (16.0) million, of which personnel costs amounted to EUR 11.9 (11.5) million. Other operating costs totalled EUR 2.8 (4.7) million.

Profit for the period amounted to EUR 6.6 (12.2) million and the comprehensive income was EUR 6.5 (11.3) million.



## Taaleri's balance sheet, investments and financing

The balance sheet total of the Taaleri Group was EUR 269.7 (238.0) million. The Group's investments were EUR 173.5 (162.2) million, corresponding to 64.3 (68.1) per cent of the Group's balance sheet total.

The Group's interest-bearing liabilities amounted to EUR 75.6 (61.8) million, which consisted of EUR 34.9 (54.8) million in Taaleri Plc bond programs, EUR 25.9 (7.0) million in liabilities to credit institutions and the ten-year Tier 2 bond at EUR 14.8 million issued by Taaleri Plc during the financial year. The bond strengthened Taaleri's solvency and the funds raised will be used for general business purposes. Liabilities totalled EUR 144.0 (115.6) million and equity stood at 125.7 (122.4) million.

The equity ratio of Taaleri Group remained strong and was 46.6 (51.4) per cent.

## BUSINESS SEGMENTS

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

## WEALTH MANAGEMENT

*Taaleri's Wealth Management segment offers wealth management services and investment solutions to private individuals, institutions and companies. 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. We also offer various opportunities for co-investment and private equity investments.*

Wealth Management	2019	2018	Change, %	H2/2019	H2/2018	Change, %
<b>EUR million</b>						
Wealth Management fees	37.1	35.8	3.7%	20.0	16.7	19.8%
Performance fees	5.2	8.1	-36.0%	5.6	2.5	129.1%
Investment operations	0.6	4.8	-88.1%	0.0	-0.1	-128.9%
<b>Total</b>	<b>42.9</b>	<b>48.7</b>	<b>-12.0%</b>	<b>25.7</b>	<b>19.0</b>	<b>34.8%</b>
<b>Operating profit</b>	<b>11.8</b>	<b>16.8</b>	<b>-30.1%</b>	<b>9.7</b>	<b>2.7</b>	<b>263.1%</b>
Full-time personnel, average	116	120		115	121	

### January-December 2019

Wealth Management's income totalled EUR 42.9 (48.7) million, in January-December 2019. After a weak start of the year, the continuing earnings turned strong in the second half of year 2019 and totalled EUR 37.1 (35.8) million. Performance fees totalled EUR 5.2 (8.1) million.

The profit from investment operations during January-December 2019 totalled EUR 0.6 (4.8) million. Costs declined by 2.6 per cent and totalled EUR 30.1 (30.9) million. Wealth Management's operating profit totalled EUR 11.8 (16.8) million, which corresponds to 27 (35) per cent of income.

Assets under management by Wealth Management grew by 20 per cent to EUR 6.7 (5.6) billion. Growth was strongest in the private equity funds.

Assets under management	31 December 2019	31 December 2018	Change, %
<b>EUR million</b>			
<b>Assets under management</b>	<b>6.715</b>	<b>5.612</b>	<b>19.7</b>
Mutual funds	1.023	911	12.3
Private equity funds	1.223	1.024	19.4
Wealth management	4.469	3.677	21.6

During 2019, impact investment commitments were raised for new private equity funds, Taaleri SolarWind II, Taaleri Daycare Properties and Taaleri Wind IV. In addition, two special investment funds, Taaleri Global Fixed Income and Taaleri Alternatives, as well as Taaleri Kasvurahastot I (an alternative growth fund) started their operations. Registration of the Taaleri Allocation 50 and Taaleri Rhein Value mutual funds was moved back to Finland from Luxembourg. Taaleri also signed a funds distribution agreement with Nordnet.

During the financial period, Taaleri Group's corporate finance arm, Taaleri Kapitaali received Certified Adviser status on the Nasdaq First North marketplace. In addition, Taaleri Kapitaali acted as financial advisor and Taaleri Wealth Management arranged of data centre services provider Ficolo's EUR 20 million first private company green bond green bond in Finland as well as the issue of refrigerator manufacturer Festivo Finland Oy's EUR 13 million secured senior bond.

Taaleri Wealth Management was selected as the best wealth manager in Finland, according to a survey published in the Arvopaperi magazine in October 2019. Taaleri scored above average on all questions and is also the most recommended wealth manager. Taaleri also received special commendation for its service level and product range.

### **July-December 2019**

Wealth Management's income totalled EUR 25.7 (19.0) million in July-December 2019. The continuing earnings of Wealth Management grew 19.8 per cent and totalled EUR 20.0 (16.7) million due to successful product and service sales. Exits from three wind farms managed by Tuulitehdas I and Tuulitehdas II as well as Taaleritehdas Asuntorahasto II at the end of the review period doubled performance fees to EUR 5.6 (2.5) million. Personnel costs decreased 5.4 per cent and totalled EUR 6.8 (7.2) million. Other administrative expenses totalled EUR 6.5 (6.8) million. Operating profit in the review period tripled and totalled EUR 9.7 (2.7) million; the operating profit margin strengthened to 38 (14) per cent.

## FINANCING

The Financing segment includes *Garantia Insurance Company Ltd.*, an insurance company specializing in guaranty insurance. The objective of *Garantia* is to modernize collateral practices and provide customers with easy and cost-effective guaranty solutions and new business opportunities through digital channels. The company's business is divided into guaranty insurance and investment operations.

Financing	2019	2018	Change, %	H2/2019	H1/2018	Change, %
EUR million						
Net income from guaranty insurance operations	12.1	13.2	8.8%	6.6	7.4	-11.3%
- of which Earned premiums, net	13.4	12.5	7.5%	6.7	7.0	-4.8%
- of which Claims incurred, net	-1.4	0.7	-	-0.1	0.4	-
Net income from investment operations	9.2	-0.7	-	4.2	-1.1	-
<b>Income</b>	<b>21.3</b>	<b>12.5</b>	<b>70.3%</b>	<b>10.8</b>	<b>6.3</b>	<b>71.7%</b>
Operating expenses	-6.4	-5.4	18.9%	-3.2	-2.7	17.6%
Allocation of financing expenses	-2.2	-2.2	0.0 %	-1.1	-1.1	0.0%
<b>Operating profit before valuations</b>	<b>12.7</b>	<b>4.9</b>	<b>156.8%</b>	<b>6.6</b>	<b>2.5</b>	<b>159.3%</b>
Change in fair value of investments	1.8	-1.7	-	-0.2	-1.1	-
Result at fair value before tax	14.5	3.3	346.3%	6.4	1.4	354.3%
Claims ratio, %	12.1%	-4.2%	16.2% pts	2.9%	-4.9%	7.8% pts
Expense ratio, %	43.0%	39.1 %	3.9% pts	42.9%	34.7%	8.2% pts
Combined ratio, %	55.1%	34.9 %	20.2% pts	45.9%	29.8%	16.0% pts
Return on investments at fair value, %	8.1%	-1.7%	9.8% pts	2.9%	-1.6%	4.5% pts
Number of full-time personnel, average	25	25		24	25	

	31 Dec. 2019	31 Dec. 2018	Change, %
Investment portfolio, fair value, MEUR	151	134	12.2%
Guaranty insurance portfolio, MEUR	1,837	1,667	10.2%
Solvency ratio, %	231.8%	233.4%	-1.6% pts
Credit rating	A-	A-	-

\* *Garantia's* EUR 48.6 (44.2) million solvency capital requirement includes a capital add-on of EUR 19.8 (17.8) million in capital requirements set by the Finnish Financial Supervisory Authority. Without the capital add-on, the solvency ratio would have been 391.9% (390.7)

## January-December 2019

In January-December 2019, the income of the Financing segment was EUR 21.3 (12.5) million. Net income from insurance operations decreased by 9 per cent to EUR 12.1 (13.2) million, despite higher premiums written. The decrease was due to higher claims incurred, and partly due to the exceptionally negative claims incurred during the comparison period. The insurance exposure grew 10 per cent and totalled EUR 1.8 (1.7) billion. Net income from investment operations increased to 9.2 (-0.7) million due to the improved market conditions.

Operating expenses totalled EUR 6.4 (5.4) million. The Financing segment's operating profit before valuations was EUR 12.7 (4.9) million. The result at fair value before tax was EUR 14.5 (3.3) million.

In September 2019, three Finnish companies issued a EUR 40 million five-year group bond guaranteed by Garantia. The fixed coupon rate of the loan was 0.75 per cent and the issue price was 99.673 per cent.

On 20 June 2019, Garantia Insurance Company Ltd's Board of Directors appointed Deputy CEO Titta Elomaa as the new CEO of Garantia, effective 1 July 2019. She has assumed responsibility for the duties of CEO since September 2018.

During the autumn 2019, Garantia's Board of Directors approved a new company strategy for the period 2020-2022. As part of the new strategy, Garantia decided to discontinue underwriting new construction sector-related commercial bonds as of January 1, 2020. On 31 December 2019, commercial bonds accounted for about 29 per cent of the gross liabilities of Garantia's total guaranty insurance portfolio. The majority of the commercial bonds are related to the construction industry. The objective of the arrangement and related cost savings measures is to improve Garantia's profitability.

## July-December 2019

In July-December 2019, income of the Financing segment was EUR 10.8 (6.3) million. The net income from insurance operations totalled EUR 6.6 (7.4) million. Net income from investment operations totalled 4.2 (-1.1) million, because of the strengthened global stock markets and the decrease in interest rates.

Operating expenses totalled EUR 3.2 (2.7) million. The operating profit before valuations was EUR 6.6 (2.5) million. The result at fair value before tax was EUR 6.4 (1.4) million.

## Insurance operations

In January-December 2019, gross premiums written (including the reinsurers' share) grew by 14 per cent to EUR 19.6 (17.4) million and earned premiums by 8 per cent to EUR 13.2 (12.3) million, mainly due to strong demand for mortgage guaranties. Premiums from commercial bonds written fell slightly short of the comparison period, due to the cooling of the construction business cycle. Demand for corporate pension loan guaranties remained low during the year.

The gross exposure of the guaranty insurance portfolio was EUR 1,837 (1,667) million at the end of 2019. Residential mortgage guaranties accounted for 45 (39) per cent of the gross exposure, commercial bonds 29 (31) per cent, corporate loan guaranties 20 (22) per cent and other guaranties 7 (8) per cent.

Claims incurred amounted to EUR 1.4 (-0.7) million during the financial year. Despite the increase in insurance claims, the claims ratio remained low at 12.1 (-4.2) per cent. The ratio of insurance claims as a percentage of the guaranty insurance portfolio was low at 0.09 (-0.05) per cent. Most insurance claims were related to commercial bonds in the construction sector, while insurance claims in other product groups remained low. The increase in insurance claims was partly explained by the exceptionally negative claims paid during the comparison period.

The expense ratio of insurance operations rose in 2019 to 43.0 (39.1) per cent, due to increased expenses. The increase in expenses was mainly due to investments made into developing the business. The combined ratio was 55.1 (34.9) per cent.

### Investment activity

Net income from investment operations in 2019 was EUR 9.2 (-0.7) million and consisted of interest income and clearly higher fair-value gains on equity and debt instruments, during the comparison period. In addition, the change in the fair-value investment assets recognised in the comprehensive income before taxes was EUR 1.8 (-1.7) million. As a result, the return on investment at fair value totalled EUR 11.0 (-2.4) million, or 8.1 (-1.7) per cent. The investment portfolio was valued at EUR 151 (134) million at the end of the financial year.

### Risk position

The principal risks associated with the Financing segment's business operations are credit risks arising from guaranty insurance operations and market risks regarding investments assets.

In January-December 2019, the risk position of guaranty insurance operations remained stable, although the outlook for the construction business sector weakened. The growth of the insurance exposure was mainly attributable to the highly diversified mortgage guaranty portfolio of Finnish households. At the end of the financial year, the guaranty insurance exposure stood at EUR 1,837 (1,667) million, of which consumer exposure was 45 (39) per cent and corporate exposure 55 (61) per cent. Investment-grade exposures, or exposures rated with AAA..BBB-, accounted for 13 (11) per cent of corporate guaranty portfolio. The insurance exposure rated BB- or above accounted for 72 (80) per cent. The share of the weak rating classes of C+ or lower remained unchanged at 2.0 (2.0) per cent. The principal sectors in the corporate guaranty insurance exposure were construction at 51 (52) per cent and manufacturing at 21 (22) per cent. A total of 55 (54) per cent construction guaranties are reinsured

As part of the Taaleri Group, Garantia falls within the sphere of regulation of large customer risks specified in the EU Capital Requirements Regulation. At the end of 2019, Garantia's largest single customer risk amounted to 21.2 (22.3) per cent of Taaleri Group's own funds.

In investment operations risk was kept at a moderate level throughout the year. Fixed income investments (incl. cash and bank balances) made up 84.4 (87.4) per cent, equity investments (incl. private equity investments) 14.4 (11.1) per cent, and real-estate investments 1.2 (1.4) 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 54.5 (51.2) per cent. The modified duration of fixed income investments was 3.3 (3.4).

### Credit rating

No changes took place in Garantia's credit rating or its outlook during 2019. Standard & Poor's Global Ratings Europe Limited (S&P) confirmed on 11 September 2019 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 stable outlook.



## ENERGIA

*Taaleri Energia is a renewable energy project developer and fund manager. Taaleri Energia has one of the largest dedicated wind and solar investment teams in Europe. Taaleri Energia currently manages a 1.6 GW international portfolio of wind and solar assets and is also the largest private equity owner-operator in the Finnish wind market, with 129 turbines producing about 1% of all the country's electricity.*

Energia segment	2019	2018	Change,%	H2/2019	H2/2018	Change,%
<b>EUR million</b>						
<b>Income</b>	<b>4.6</b>	<b>2.3</b>	<b>103,1 %</b>	<b>3.2</b>	<b>1.2</b>	<b>170,7 %</b>
<b>Operating profit</b>	<b>-2.6</b>	<b>-2.3</b>	<b>12,4 %</b>	<b>-1.0</b>	<b>-1.4</b>	<b>-30,4 %</b>
Full-time personnel, average	23	19		24	20	

### January-December 2019

Taaleri Energia's income in January-December 2019 doubled and totaled EUR 4.6 (2.3) million due to the successful first close of Taaleri SolarWind II fund and the good development of Taaleri SolarWind I projects. Delays in the 336 MW Truscott-Gilliland wind farm in Texas, as well as recruitment costs, burdened earnings, and Energia's operating profit was EUR -2.6 (-2.3) million.

Wind funds and their investments were all in production during the financial year. The projects of the SolarWind Fund, on the other hand, were mainly in the construction phase. During the financial year, the investment activity of the SolarWind II fund was started.

The SolarWind fund's investment period ended in January when the investment in the fund's fourth project, the 14.4 MW Måljord wind farm in Sweden, was secured - although construction is planned mainly for 2020 and 2021. The fund's third investment, the 23 MW Slageryd wind farm in Sweden, has been under construction since late 2018, and electricity production is expected to begin in the first half of 2020. The fund's second investment, the 200 MW Bay-nouna solar power project in Jordan, has advanced as planned towards the planned commissioning in the first half of 2020. The fund's first investment, the 158 MW Čibuk wind farm – the biggest in Serbia – has been producing electricity since the beginning of 2019. The plant was officially inaugurated in October 2019. In March 2019, the Čibuk wind farm investment was awarded with the 2018 European Onshore Wind Transaction of the Year.

Taaleri Energia's newest international renewable energy fund, Taaleri SolarWind II, raised commitments totalling EUR 220 million at its first closing in the summer of 2019. The fund's estimated final close size has been raised from its initial EUR 300 million to its maximum size of EUR 400 million. Investors in the fund include, among others, the European Investment Bank, Ilmarinen Mutual Pension Insurance Company, Varma Mutual Pension Insurance Company, the City of Espoo, the Finnish Construction Trade Union, and a wide range of pension funds, foundations and family-owned companies. A significant number of individuals have also invested in the feeder fund through a fund managed by Taaleri Private Equity Funds. At the end of the financial period, the fund had made investment decisions on wind farms in Finland and Norway. Construction of a 91 MW wind farm in Finland has begun and, when completed, will generate electricity for approximately 35,000 households, and the annual carbon offset for electricity production will be approximately 88,000 tonnes\*. Construction of the 34 MW wind farm in Norway is to start in early 2020 and it will generate electricity for about 7,000 households, and the annual carbon offset for electricity production will be about 14,000 tonnes\*.

In addition to Finland and the Nordic countries, the Taaleri SolarWind II fund will invest in wind and solar projects elsewhere in Europe and the United States.

Taaleri Energia's partner in the projects in Serbia and Jordan is Masdar, the Abu Dhabi Future Energy Company, that is one of the world's leading renewable energy players. The collaboration with Masdar deepened by the establishment of a joint venture to develop wind and solar projects in Eastern Europe.

Taaleri Energia expanded its operations in Spain in the second half of the year with the establishment of Taaleri Energia Iberia. The company will start its operations in the first half of 2020 and will focus primarily on solar projects in the Iberian Peninsula. In addition, Taaleri Energia is developing the 336 MW Truscott-Gilliland wind farm in Texas, which is set to advance to the construction phase in early 2020. The windfarm is expected to start producing electricity in the end of 2021.

At the end of the 2019 financial year, the Tuulitehdas I and Tuulitehdas II funds managed by Taaleri sold their stake in the Nyby and Myllykangas wind parks to a group of South Korean investors. Taaleri Energia manages the wind farms on behalf of the new owners and is also responsible for operational control. The wind farms are located close to Oulu in Finland and have a combined production capacity of 73.2 MW. They generate electricity for a total of 28,000 households and reduce carbon dioxide emissions by about 70,000 tonnes\* annually.

\* Taaleri uses EIB Project Carbon Footprint Methodologies.

### **July-December 2019**

Taaleri Energia's income in July-December 2019 tripled to EUR 3.2 (1.2) million and operating profit was EUR -1.0 (-1.4) million.

The SolarWind fund started construction of the Måljord wind farm in Sweden in December 2019. All the fund's projects are in now the construction or production phase. The opening of the Čibuk wind farm in Serbia was in early October. Construction of Jordan's 200 MW Baynouna solar power project and the 23 MW Slageryd wind farm in Sweden have progressed as planned and both are expected to be in production in the first half of 2020.

The Taaleri SolarWind II fund commenced operations during the summer and raised approximately EUR 220 million in investment commitments in its first closing. The fund made two investment decisions in wind farms in Finland and Norway. The 92 MW Oltava wind farm in Finland is under construction and is scheduled for completion in 2021. Construction of the 34 MW Haram wind farm in Norway will begin in the first half of 2020 and is expected to be completed in 2021.

At the end of the 2019 financial year, the Tuulitehdas I and Tuulitehdas II funds, managed by Taaleri, sold their stake in the Nyby and Myllykangas wind parks to a group of South Korean investors. On behalf of the new owners, Taaleri Energia manages a total of 73 MW of wind farms and is responsible for their operational control.

## 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 invests from its own balance sheet in unlisted and listed companies directly and on the principles of co-investment. Taaleri 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 increase the value of the target companies. Portfolio investments include shares in, e.g. Fellow Finance Plc, Inderes Oy, Invesdor Ltd, ClarkApps Oy, Turun Toriparkki Oy and Munkkiniemi Group Oy. The primary goal of co-investments is to create value for the target company. Co-investments include shares in, e.g. Rauma Marine Construction Oy, Ficolo Oy and Fintoil Oy. The Group's own investments include other listed and unlisted investments as well as granted loans.

Other Operations	2019	2018	Change, %	H2/2018	H2/2017	Change, %
<b>EUR million</b>						
Income	-1.6	8.8	n.a.	-3.4	10.3	n.a.
<b>Operating profit</b>	<b>-5.3</b>	<b>4.4</b>	<b>n.a.</b>	<b>-5.2</b>	<b>7.7</b>	<b>n.a.</b>
Number of full-time personnel, average	21	19		20	21	

	31 December 2019	31 December 2018	Change,%
<b>Investments and receivables, fair value</b>	<b>42.1</b>	<b>45.7</b>	<b>-8.0%</b>
- Portfolio investments	21.9	25.3	-13.6%
- Co-investments	9.5	4.8	97.0%
- Own investments	10.6	15.6	-31.6%

### January-December 2019

In January-December 2019, income from Other Operations amounted to EUR -1.6 (8.8) million and operating profit to EUR -5.3 (4.4). Income for the year was burdened by a change in the fair value of Fellow Finance totalling EUR -4.3 million. The comparison period was affected by EUR 13.8 million in profit from Fellow Finance and a EUR 5.4 million impairment of the German geothermal projects.

Investments and loan receivables totalled EUR 42.1 (45.7) million.

### July-December 2019

In July-December 2019, income from Other Operations amounted to EUR -3.4 (10.3) million and operating profit to EUR -5.2 (7.7) million. Income for the period under review was burdened by a change in the fair value of Fellow Finance totalling EUR -5.5 million. The comparison period was affected by EUR 13.8 million in profit from Fellow Finance and the EUR 3.1 million write-off of Taaleri investment in a geothermal project in Germany.

## OTHER GROUP EVENTS DURING THE FINANCIAL PERIOD

### CORPORATE RESPONSIBILITY

Taaleri's corporate responsibility is part of the company's strategy and to the company it means, first and foremost, making an impact and taking responsibility as part of the strategy implementation. Our goal is to work with our customers and partners to promote sustainability and to implement financially profitable projects that have a positive impact on the environment and stakeholders. We offer our employees a growth platform for development and an opportunity to be a social influencer. Responsibility and risk management are closely integrated with business.

We believe that operating responsibly is profitable and grows long-term shareholder value. Responsibility includes, e.g., financial accountability to shareholders, minimizing and managing environmental impacts, and advancing the wellbeing of employees and the broader community.

During the 2019 financial period, Taaleri published its corporate responsibility strategy and framework. As part of the framework, Taaleri has linked the impacts of its operations to the UN Sustainable Development Goals (SDGs). The Energia segment and Taaleri's Private Equity Funds published their own responsible investment policies.

Taaleri is committed to the UN Principles for Responsible Investment (PRI) and to CDP (Carbon Disclosure Project) reporting. We are a founding member of Finland's Sustainable Investment Forum (FINSIF), and we participate in Finnish Business & Society (FIBS), a network of Finnish companies promoting socially and economically sustainable business.

Taaleri has analyzed the impacts of its activities from a global and cross-sector and cross-business perspective by utilizing the framework of the UN Sustainable Development Goals. When examining the company's direct and indirect value chain impacts, we identified for the company three key goals that are strongly connected to Taaleri and which offer commercial opportunities. They are Affordable and Clean Energy (SDG 7), Decent Work and Economic Growth (SDG 8), and Industry, Innovation and Infrastructure (SDG 9).

Managing corporate responsibility is also part of Taaleri's day-to-day management and is the responsibility of operational management. Taaleri's business segments implement responsible practices, good corporate governance and responsible investment principles in all their operations. The Corporate Responsibility Committee, which started its operations at the end of 2019, monitors and coordinates the implementation of Taaleri's corporate responsibility strategy and framework in the organization. The Committee convenes monthly, and it reports and gives development suggestions to the Executive Management team. Several internal compliance and governance training events were also held during the financial period.

In portfolio management, the integration of ESG principles in the selection and monitoring of investments was further developed. On the product side, during the financial period Taaleri collected new impact investment commitments for the Taaleri SolarWind II, Taaleri Daycare Properties, Taaleri Growth Funds, and Taaleri Wind IV private equity funds. Additionally, Taaleri was an advisor in Finland's first private company Green Bond issue and introduced loan and lease guaranty products that secure housing between the different parties and increase financial equality.

More about corporate responsibility: <https://www.taaleri.com/en/corporate-responsibility>.

## CHANGES IN GROUP STRUCTURE

During 2019, TT Canada RE Holding (100.0) and its subsidiary Northern Lights Enterprises (85.0) were divested, and the ownership in Taaleri Datacenter was reduced to 31.2 (100.0) per cent. Taaleri Plc reduced its ownership also in Taaleri Energia to 78.6 (80.6) per cent during the financial year in order to commit its Energia segment's key operative individuals.

Taaleri Energia established Taaleri Energia Iberia SL in Spain and established Taaleri Solarwind II GP S.a.r.l. in Luxembourg during the financial year.

On December 31, 2019, Kultataaleri Oy, a wholly owned subsidiary of Taaleri Wealth Management Ltd, merged with its parent company. In 2019, management and project companies were established and acquired for Taaleri Private Equity Funds and for Taaleri Energia. In addition, the Group has merged project companies.

## CHANGES IN TAALERI'S EXECUTIVE MANAGEMENT TEAM

There were multiple changes in Taaleri's operational management team during 2019. On 14 February 2019, Taaleri Plc's Board of Directors appointed Robin Lindahl as the new CEO of the company; he assumed his responsibilities on 1 June 2019. Juhani Elomaa, CEO and co-founder transitioned during the first half of the year to Vice Chairman of Taaleri Plc's Board of Directors.

Petri Lampinen, Senior Vice President, Customer Relationships, left the company during the first half of the year and continued as a member of the Board of Directors of certain subsidiaries of the Group's. Samu Lang took over as Head of Investment Development and Strategy for the Wealth Management segment, and Deputy CEO Karri Haaparrinne, headed the Wealth Management segment until Perttu Purhonen took over as Head of Wealth Management and as a member of Taaleri Group Executive Management Team.

In addition, the Group's Executive Management Team was expanded during the financial period with the addition of Titta Elomaa, CEO of Garantia Insurance Company Ltd, and Kai Rintala, CEO of Taaleri Energia Oy.

Petri Lampinen and Samu Lang resigned from the Group Executive Management Team during the financial year.

## ANNUAL GENERAL MEETING 2019

Taaleri Plc's Annual General Meeting was held on 20 March 2019 in Helsinki. The General Meeting adopted the financial statements for the 2018 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 2018, a dividend of EUR 0.30 per share be distributed and the remaining part of the distributable funds be retained in shareholders' equity. The dividend payment record date was 22 March 2019 and the dividend was paid on 29 March 2019.

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:

- The annual remuneration will not be paid to members of the Board who are a part of the company's Executive Management team, and that Travel and accommodation expenses of the members of the Board and the Committees are paid against invoices for meetings that take 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 seven (7). Current members of the Board of Directors, Peter Fagernäs, Juha Laaksonen, Vesa Puttonen, Hanna Maria Sievinen and Tuomas Syrjänen, were re-elected to the Board. Further, Elina Björklund and Juhani Elomaa were elected as new members of 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 Peter Fagernäs as Chairman of the Board of Directors; Juha Laaksonen was elected as Vice Chairman along with Juhani Elomaa so that Juha Laaksonen would be the Vice Chairman of the Board of Directors until Juhani Elomaa left his position as CEO of Taaleri Plc. Juhani Elomaa assumed the role of Vice Chairman as of 1 June 2019.

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 incentive scheme, or to be cancelled if justified from the point of view of the company and its shareholders. The authorization issued 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 acquisition 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, and it cancelled the authorization issued at the previous General Meeting.

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 proportion 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 incentive 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 financial reason for it from the point of view of the company and considering 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 until the end of the next Annual General Meeting, but not beyond 30 June 2020. This authorization cancelled the authorization issued at the previous General Meeting.

The General Meeting decided to establish a permanent Shareholders' Nomination Board, the main duties of which shall include preparing and presenting proposals covering the election and remuneration of the members of the company's Board of Directors to an Annual General Meeting and where needed to an Extraordinary General Meeting as well as identifying successors for existing members of the Board.

The Nomination Board shall consist of three (3) members that represent the company's biggest shareholders.

The nomination right belongs to the three shareholders who hold the largest number of votes calculated of all shares in the company based on the registered holdings in the company's shareholders' register held by Euroclear Finland Ltd or based on information represented by the nominee registered shareholders as of the last weekday in August in the year preceding the next Annual General Meeting. Should a shareholder not wish to use its nomination right, the right may be transferred by the Chairman of the Board of Directors to the next largest shareholder who would otherwise not have a nomination right. In case two shareholders have an equal number of votes and the representatives of both such shareholders cannot be appointed to the Nomination Board, the decision between them shall be made by drawing lots. The Chairman of the company's Board of Directors shall request each of the three largest shareholders to appoint one member to the Nomination Board.

The Nomination Board shall serve until further notice unless otherwise decided by the General Meeting. Its members shall be elected annually and their term of office shall end when new members are elected to replace them.

In addition, the General Meeting approved the Charter of the Shareholders' Nomination Board, which regulates the nomination process and composition of the Nomination Board and defines the duties and responsibilities of the Nomination Board.

## **Organization of Taaleri Plc's Board of Directors**

In its organization held on 20 March 2019, Taaleri Plc's Board of Directors elected the following members and chairmen to its committees:

Audit Committee: Vesa Puttonen (Chairman), Hanna Maria Sievinen and Tuomas Syrjänen.

Remuneration Committee: Peter Fagernäs (Chairman), Juha Laaksonen and Elina Björklund.

At the Board of Director's meeting on 19 June 2019, member Tuomas Syrjänen was appointed as a new member of the Remuneration Committee, and at the same time, left the Audit Committee. Juhani Elomaa, Vice Chairman of the Board of Directors, was elected as a new member of the Audit Committee.

Consequently, after the changes, the Board of Directors' Audit Committee members will consist of Vesa Puttonen, Hanna Sievinen and Juhani Elomaa, Vesa Puttonen remains as Chairman of the Audit Committee. The Board of Directors' Remuneration Committee members consist of Peter Fagernäs, Juha Laaksonen, Elina Björklund and Tuomas Syrjänen. Peter Fagernäs remains as Chairman of the Remuneration Committee.

## TAALERI'S PERSONNEL

The Group employed an average of 186 (183) full-time people during the financial period. There were 116 (120) full-time employees in the Wealth Management segment, 25 (25) in the Financing segment and 23 (19) in the Energia segment. The full-time personnel of Other Operations averaged 21 (19), including five ClarkApps employees. Of the personnel, 99 (99) per cent were employed in Finland.

During January-December 2019, the personnel costs of the Taaleri Group totalled EUR 24.2 (21.7) million, of which fixed personnel costs totalled EUR 18.9 (19.2) million. Personnel costs increased due to increased variable personnel costs.

### Incentive schemes

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

The 2015 incentive scheme is based on synthetic option rights, the potential bonus will be paid in cash. By the end of December 2019, a total of 545,000 synthetic options were outstanding. Taaleri Plc's Board of Directors has the right to require key personnel to purchase company shares to a maximum of 50 per cent of the received bonus amount.

The 2017 incentive scheme has three earning periods lasting three years each. The Board of Directors will decide on the earning criteria and the targets to be set for each earning criterion at the beginning of each earning period. Any remuneration awarded under the scheme will be based on Taaleri Plc's total shareholder return. At the end of 2019, the bonuses paid correspond with the value of no more than 550,000 Taaleri Plc shares, including the part paid in cash. The bonus will be paid partly in company shares and partly in cash.

In addition, on 19 June 2019, Taaleri Plc's Board of Directors decided on the establishment of a new share-based incentive scheme for the company's CEO Robin Lindahl. In the scheme, the CEO will acquire a minimum of 200,000 euros worth of company shares. The share-based incentive scheme is a one-off, five-year scheme, and the earning period is 1 June 2019—15 June 2024. The earning period includes three measuring periods, which commence at the beginning of the earning period and end on 15 September in years 2022, 2023 and 2024. Any remuneration awarded under the scheme will be based on Taaleri Plc's total shareholder return. The remuneration paid will correspond to the value of no more than 249,000 Taaleri Plc shares, including the part paid in cash.

## SHARES AND SHARE CAPITAL

### Taaleri's share on Nasdaq Helsinki

January-December 2019	No. of shares traded	Total value EUR	High EUR	Low EUR	Average* EUR	Last EUR
TAALA	3,020,349	22,265,611	8.64	6.66	7.37	8.42

\* Volume weighted average

Taaleri's share has been listed on Nasdaq Helsinki, among mid-cap companies, since 2016. The trading code is TAALA. On 31 December 2019, the company possessed 45,000 (45,000) treasury shares.

On 31 December 2019, Taaleri Plc's shareholders' equity was EUR 125,000.00 and the company had 28,350,620 registered shares.

### Flaggings during the financial year 2019:

On 15 May 2019, Veikko Laine Oy's shareholding in Taaleri Plc increased above 10 per cent and was 2,841,430 shares representing 10.02 per cent of the shares and votes in the company. Pertti Laine holds 20 per cent of Veikko Laine Oy's shares representing 83.3 per cent of the votes in the company.

On 8 November 2019, Lombard International Assurance S.A.'s shareholding in Taaleri Plc decreased below the threshold of 5 per cent and was 1,411,252 shares, representing 4.98 per cent of the votes in the company.

On 11 December 2019, Swiss Life (Luxembourg) S.A.'s shareholding in Taaleri Plc increased above the threshold of 5 per cent and was 1,450,956 shares, representing 5.12 per cent of the votes in the company.

On 13 December 2019, Oy Hermitage Ab's shareholding in Taaleri Plc increased above the threshold of 10 per cent and was 2,840,308 shares, representing 10.02 per cent of the shares and votes in the company. Chairman of the Board Peter Fagernäs holds 10.23 per cent of Oy Hermitage Ab's shares, representing 51 per cent of the votes in the company.

On 16 December 2019, Fennia Life Insurance Company Ltd.'s shareholding in Taaleri Plc increased above the threshold of 5 per cent and was 1,469,208 shares, representing 5.18 per cent of the votes in the company.

### Share distribution, 31 December 2019

	31 Dec. 2019	%	31 Dec. 2018	%
Market capitalization, EUR million	238.3		201.0	
No. of shareholders	4,689	100.0	4,414	100.0
<b>Shareholding per group</b>				
- Private companies	10,004,585	35.3	9,449,145	33.4
- Financial and insurance corporations	2,082,873	7.3	4,169,016	14.7
- Public sector organizations	30,837	0.1	197,847	0.7
- Non-profit institutions	226,117	0.8	311,203	1.1
- Households	13,876,933	49.0	13,612,081	48.1
- Nominee registrations and direct foreign shareholders	2,129,275	7.5	575,266	2.0

**10 biggest shareholders, 31 December 2019**

	No.	% of shares
1. Veikko Laine Oy	2,904,466	10.24
2. Oy Hermitage Ab	2,840,308	10.02
3. Elomaa Juhani	1,721,272	6.07
4. Fennia Life Insurance Company Ltd	1,594,698	5.62
5. Swiss Life Luxembourg Sa	1,551,354	5.47
6. Haaparinne Karri Erik	1,451,521	5.12
7. Lampinen Petri Juhani	507,067	1.79
8. Berling Invest Ltd	450,000	1.59
9. Mathur Ranjit Juhani C.	430,000	1.52
10. Lehto Vesa	367,100	1.29
<b>Total,</b>	<b>13,817,786</b>	<b>48.74</b>
<b>of which Nominee registrations</b>	<b>491,408</b>	<b>1.73</b>

**Share distribution by number of shares, 31 December 2019**

No. of shares	Owners	% of owners	Shares	%
1-100	1,676	35.74	81,586	0.29
101-500	1,552	33.10	404,136	1.43
501-1,000	557	11.88	439,634	1.55
1,001-5,000	495	10.56	1,112,708	3.93
5,001-10,000	146	3.11	1,128,225	3.98
10,001-50,000	200	4.27	3,886,325	13.71
50,001-100,000	27	0.58	1,774,470	6.26
100,001-500,000	29	0.62	6,952,850	24.53
500,001-	7	0.15	12,570,686	44.34
<b>Total</b>	<b>4,689</b>	<b>100.0</b>	<b>28,350,620</b>	<b>100.0</b>

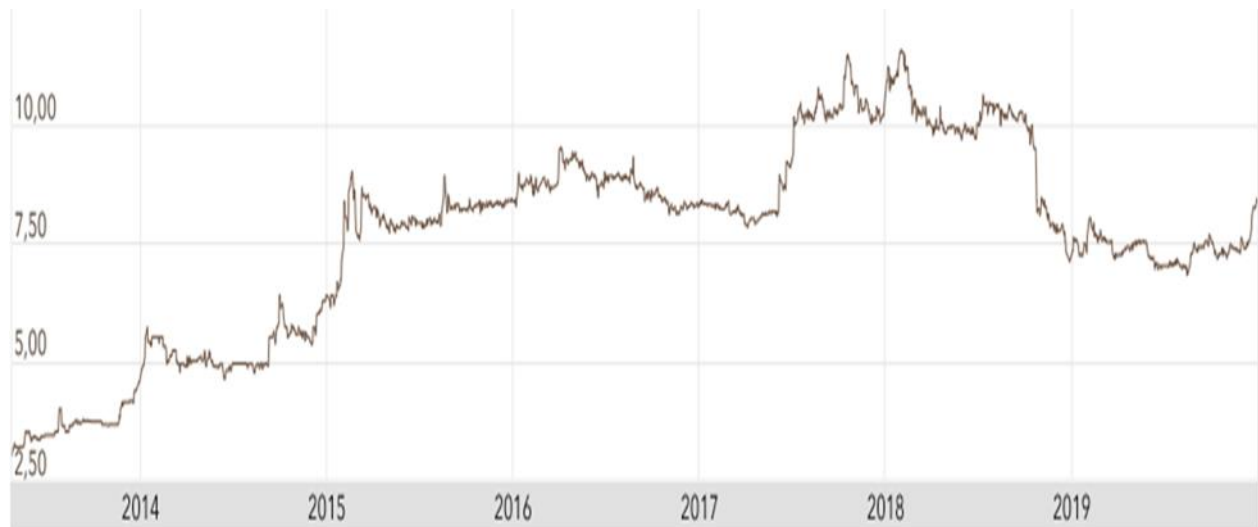
**Taaleri Plc's Board of Directors' ownership, 31 December 2019, including organizations with controlling interests**

<b>Board of Directors</b>		<b>No.</b>	<b>% of shares</b>
Chairman	Peter Fagernäs	2,840,308	10.01
Vice Chairman	Juhani Elomaa	1,987,928	7.01
Member	Elina Björklund	12,000	0.04
Member	Juha Laaksonen	0	0.00
Member	Vesa Puttonen	182,224	0.64
Member	Hanna Maria Sievinen	7,900	0.03
Member	Tuomas Syrjänen	7,782	0.03
<b>Total</b>		<b>5,030,569</b>	<b>17.76</b>

**Taaleri Executive Management Team ownership, 31 December 2019, including organizations with controlling interests**

		<b>No.</b>	<b>% of shares</b>
CEO	Robin Lindahl	30,000	0.11
Deputy CEO	Karri Haaparinne	1,619,204	5.71
Legal counsel	Janne Koikkalainen	0	0
Head of Wealth Management	Perttu Purhonen	0	0
Head of Financing	Titta Elomaa	20,854	0.07
Head of Energia	Kai Rintala	0	0
CFO	Minna Smedsten	17,792	0.06
<b>Total</b>		<b>1,687,850</b>	<b>5.95</b>

*Taaleri share price development since listing: 20 April 2013 – 31 December 2019*





## 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 125.1 (105,1) million, with the minimum requirement being EUR 60.3 (56.5) million. The conglomerate's capital adequacy is EUR 64.8 (48.6) million and the capital adequacy ratio is 207.4 (186.0) 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. The total solvency capital requirement (SCR) of the parent company Taaleri Plc and the subsidiary Garantia Insurance Company Ltd was EUR 29.5 (27.5) million. The Financial Supervisory Authority confirmed in June 2019 a capital add-on totalling EUR 19.8 (17.8) million. The total solvency requirement was hence EUR 49.3 (45.3) million for the insurance business. The add-on is implemented because the risk profile of Garantia's non-life underwriting risk module differs from the underlying assumptions in the standard formula for the solvency capital requirement calculation.

Taaleri's own funds fully comprise its own unrestricted Tier 1 basic funds and a EUR 15 million Tier 2 bond issued by Taaleri Plc, in October 2019. The loan has a ten-year maturity and a fixed coupon of 5 per cent until 18 October 2024, and thereafter a five-year average interest rate swap (EUR 5-year mid-swap) plus 5.33 percentage points.

Capital adequacy of RaVa conglomerate	31 Dec. 2019	31 Dec. 2018
<b>EUR thousand</b>		
<b>Shareholders' equity of the Taaleri Group</b>	<b>125,729</b>	<b>122,381</b>
Goodwill and other intangible assets	-6,533	-7,164
Non-controlling interests	182	-1,661
Planned distribution of profit	-9,072	-8,505
<b>Tier 2 Capital</b>	14,825	-
<b>Conglomerate's own funds, total</b>	<b>125,130</b>	<b>105,051</b>
Financing business' requirement for own funds	11,014	11,156
Insurance business' requirement for own funds	49,307	45,327
<b>Minimum amount of own funds of the conglomerate, total</b>	<b>60,321</b>	<b>56,483</b>
<b>Conglomerate's capital adequacy</b>	<b>64 809</b>	<b>48,567</b>
<b>Conglomerate's capital adequacy ratio</b>	<b>207.4%</b>	<b>186.0%</b>

## 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 standardized approach in the regulatory capital calculation of the credit risk capital requirement.

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 on 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 1 capital (CET1) of the investment services firm. Instead of deduction, investments in the 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 December 2020.

With the permission Garantia's 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. If the CRR 49 permission were not applied and using the alternative calculation method where the insurance company investment are deducted from the Common Equity Tier 1 and including the result of the review period, the consolidated Common Equity Tier 1 of the investment service company would be EUR 18.6 million on 30 December 2019

Taaleri's financing sector's Common Equity Tier 1 with the CRR 49 permission is EUR 70.9 (57.1) million and equity EUR 85.7 (57.1) million, of which the profit of January-December 2019, EUR 4.3 (21.3) million, is deducted. The risk-weighted commitments were EUR 242.6 (229.6) million, of which the share of credit risk was EUR 156.4 (150.0) million and the share of operational risk EUR 86.2 (79.6) million according to the standardized approach. The Financing sector's capital adequacy ratio was 35.3 (24.9) per cent.

**Financing sector's capital adequacy, EUR thousand  
(with the CRR 49 permission)**

31 Dec. 2019

31 Dec. 2018

	31 Dec. 2019	31 Dec. 2018
<b>Common Equity Tier 1 before deductions</b>	<b>81,228</b>	<b>86,321</b>
<b>Deductions from the Common Equity Tier 1</b>		
Goodwill and intangible assets	-6,184	-6,228
Non-controlling interests	182	-1,662
Profit of the review period	-4,330	-21,318
<b>Common Equity Tier 1 (CET1)</b>	<b>70,896</b>	<b>57,113</b>
Additional Tier 1 before deductions		-
Deductions from the Additional Tier 1		-
Additional Tier 1 (AT1)		-
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>70,896</b>	<b>57,113</b>
Tier 2 capital before deductions	14,825	-
Deductions from the Tier 2 capital		-
Tier 2 capital (T2)	14,825	-
<b>Total capital (TC = T1 + T2)</b>	<b>85,720</b>	<b>57,113</b>
<b>Total risk-weighted commitments (total risk)</b>	<b>242,584</b>	<b>229,622</b>
- of which the share of credit risk	156,380	150,023
- of which insurance company holdings	60,350	60,350
- of which the share of operational risk	86,204	79,599
- of which the share of other risks	-	-
Common Equity Tier 1 (CET1) in relation to the amount of total risk (%)	29.2%	24.9%
Tier 1 capital (T1) in relation to the amount of total risk (%)	29.2%	24.9%
Total capital (TC) in relation to the amount of total risk (%)	35.3%	24.9%

## Solvency according to the Insurance Companies Act (Solvency II)

Garantia continues to have strong capital adequacy. Garantia's basic own funds at the end of December 2019 were EUR 112.7 (103.3) million. The solvency capital requirement including the capital add-on was EUR 48.6 (44.2). Solvency ratio, or the ratio of basic own funds to the solvency capital requirement, including the capital add-on was 231.8 (233.4) per cent. The increase in basic own funds was mainly a result of the growth in the fair value of investment assets. Correspondingly, the increase in the value of investment assets increased the Solvency Capital Requirement for market risk.

Garantia's own funds are formed in full of unrestricted Tier 1 basic own funds. Garantia does not apply the transition arrangements in defining its basic own funds and Garantia's own funds do not include items classified as ancillary own funds. Garantia does not use the matching adjustment or the volatility adjustment in the calculation of technical provisions. Garantia applies the standard formula for the Solvency Capital Requirement calculation. Garantia does not use the simplified calculation in the standard formula's risk modules or sub-modules, or company-specific parameters instead of the parameters of the standard formula. Garantia does not apply the transition arrangements of technical provisions or market risk calculations.

Garantia's solvency capital requirement has included a capital-add on set by the Financial Supervisory Authority as of 30 June 2018. The Financial Supervisory Authority assesses the amount of the capital add-on at least once a year. On 17 June 2019, the Financial Supervisory Authority reviewed its decision to increase the capital add-on; the add-on was increased to EUR 19.8 (30 June 2018: 17.8) million. The updated increase was included in the Company's Solvency Capital Requirement as of 30 June 2019 and remains in effect until further notice.

In its decision concerning the capital requirement, the Financial Supervisory Authority states that the risk profile of Garantia's non-life insurance risk section differs from the basic assumptions of the Solvency Capital Requirement calculated using the standard formula. In addition, the Finnish Financial Supervisory Authority notes that the requirement to use an internal model is not appropriate for Garantia.

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, treat and control risks in all Taaleri Group's businesses that influence the realization of the Group's strategic and operative goals, as well as to oversee compliance with that the principles approved by the Taaleri Plc Board of Directors. 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 achievement of strategic goals by promoting better utilization of opportunities in all activities and more efficient distribution of risk-taking capacity to the different functions and projects within the defined risk appetite framework.

Taaleri Group's risks are divided into five main categories: strategic and business risk, credit risk, liquidity risk, market risk and operational 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 37 to the 2019 financial statements.

The risk capacity of the Taaleri Group consists of a properly optimized capital structure, profitability of business operations and qualitative factors, including good corporate governance, internal control, and proactive risk and capital adequacy management. Taaleri Group's attitude towards risk-taking is based on careful consideration of an adequate 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 main risks of Taaleri's Wealth Management segment consist mainly of operational 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 insurance and investment activities carried out by Garantia Insurance Company are central to Taaleri's risk position. The main risks associated with Garantia's business operations are credit risks arising from guaranty operations, and the market risk regarding investment assets. Garantia's capital adequacy is strong and its risk position has remained stable.

The Energia 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 the Energia segment's business operations considerably, which naturally increase risks relating to the growth and internationalization of the operations. The Energia 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 the internationalization of its operations. The Energia segment's earnings are also affected by the success of its own investments in energy projects.

The most significant risks of the Other Operations consist primarily of private investments and financing granted by Taaleri Investments Ltd as well as of credit risks related to Taaleri Plc's granted loans and receivables from credit institutions. The Other Operations' returns consist of the fair value changes in investments and of profits/losses gained in connection with the sales of its investments. The earnings and result of the Other Operations 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 January-December 2019 review period, Taaleri's largest single customer risk was 21.2 (22.3) 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 law.

## MATERIAL EVENTS AFTER THE FINANCIAL PERIOD

On 30 January 2020, Taaleri's Shareholders' Nomination Board published its proposals for the composition and remuneration of the Board of Directors the next Annual General Meeting, which is planned to be held on 18 March 2020.

Taaleri's Shareholders' Nomination Board proposes that the number of members of the Board of Directors is six, and that Juhani Elomaa, Juha Laaksonen, Hanna Maria Sievinen, Tuomas Syrjänen and Elina Björklund are re-elected as members of the Board of Directors and Petri Castrén is elected as a new member of the Board of Directors, and that Juhani Elomaa is elected as Chairman of the Board and Juha Laaksonen as Vice Chairman of the Board of Directors.

Peter Fagernäs, current Chairman of the Board, and Vesa Puttonen, Member of the Board, have announced that they will not be available for re-election at the 2020 Annual General Meeting.

The Nomination Board proposes that the annual remuneration is as follows: EUR 50,000 for the Chairman of the Board of Directors, EUR 36,000 for the Vice Chairman of the Board of Directors and EUR 30,000 for each member of the Board of Directors.

In addition, the Nomination Board proposes that a meeting-specific fee of EUR 1,000 be paid to the Chairman of the Audit Committee and EUR 500 be paid to each member of the Audit Committee.

## OUTLOOK

### Short-term risks and concerns

The most significant external uncertainties affecting the Group's operating profit are changes in the operating and regulatory environment and the development of the financial markets globally and especially in Finland.

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

The Financing segment's guaranty insurance business and investment activities have a major impact on Taaleri's operational income and capital adequacy.

The Other Operations returns consist of the market value changes in investments and of sales profits/losses gained as well as returns of loans granted. The earnings and results of the Other Operations may thus vary significantly between periods under review.

### Long-term financial targets

Taaleri's long-term operating profit target is at least 15 percent growth in continuing earnings, at least 20 per cent of income, its return-on-equity target is at least 15 per cent and its 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, with consideration to the company's financial and financing situation as well as the Group's capital adequacy requirement.

## BOARD OF DIRECTORS' DIVIDEND PROPOSAL

The Board of Directors proposes that a dividend of EUR 0.32 per share, a total of EUR 9,072,198.40 be paid for the financial year 2019. The parent company's distributable funds were EUR 52,548,478.35, which includes EUR 7,505,697.80 in net profit for the year. The dividend is to be paid in one instalment.

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 20 March 2020. The dividend payment date proposed by the Board is 27 March 2020.

The Board of Directors' report and financial statements will be available at [www.taaleri.com](http://www.taaleri.com) on 26 February 2020 at the latest.

Helsinki, 12 February 2020  
Taaleri Plc  
Board of Directors

### Additional info:

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### Web cast presentation in English

An English presentation will be available from 12 February 2020 at 15:00 EET 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 18 March 2020.

Taaleri Plc will release the January–June 2020 half-year financial report on 13 August 2020 at approx. 8:30 a.m.

## KEY FIGURES

GROUP	7-12/2019	7-12/2018	1-12/2019	1-12/2018
Income, EUR 1 000	36,346	37,292	67,208	72,513
Operating profit (-loss), EUR 1 000	10,094	11,518	16,458	23,895
- as percentage of turnover	27.8%	30.9%	24.5%	33.0%
Net profit for the period, EUR 1 000	6,643	12,241	11,479	21,637
- as percentage of turnover	18.3%	32.8%	17.1%	29.8%
Basic earnings per share, EUR	0.21	0.44	0.39	0.76
Diluted earnings per share, EUR	0.21	0.44	0.38	0.76
Return on equity % (ROE) <sup>1)</sup>	10.9%	21.1%	9.3%	18.9%
Return on equity at fair value % (ROE) <sup>1)</sup>	10.7%	19.5%	10.6%	17.8%
Return on assets % (ROA) <sup>1)</sup>	5.2%	10.5%	4.5%	9.3%
Cost/income ratio	70.6%	68.9%	74.7%	67.0%
Price/earnings (P/E) <sup>1)</sup>	19.6	8.0	21.5	9.3
Number of full-time employees, avg	183	187	186	183

1) Annualised.



<b>GROUP</b>	<b>7-12/2019</b>	<b>7-12/2018</b>	<b>1-12/2019</b>	<b>1-12/2018</b>
Equity ratio -%	46.6%	51.4%	46.6%	51.4%
Net gearing -%	37.6%	24.3%	37.6%	24.3%
Equity/share, EUR	4.45	4.26	4.45	4.26
Dividend/share, EUR <sup>1)</sup>	-	-	0.32	0.30
Dividend/earnings, % <sup>1)</sup>	-	-	81.8%	39.3%
Effective dividend yield, % <sup>1)</sup>	-	-	3.8%	4.2%
Loan receivables, EUR 1,000	8,294	9,379	8,294	9,379
Conglomerate's capital adequacy ratio, %	207.4%	186.0%	207.4%	186.0%
Financing sector capital adequacy ratio, %	35.3%	24.9%	35.3%	24.9%
Number of shares at the end of period <sup>2)</sup>	28,305,620	28,305,620	28,305,620	28,305,620
Average number of shares <sup>2)</sup>	28,305,620	28,305,620	28,305,620	28,305,620
Share average price, EUR	7.37	9.24	7.37	9.69
- highest price, EUR	8.64	10.60	8.64	11.80
- lowest price, EUR	6.66	7.08	6.66	7.08
- closing price, EUR	8.42	7.10	8.42	7.10
Market capitalization, EUR 1,000 <sup>2)</sup>	238,333	200,970	238,333	200,970
Shares traded, thousands	2,131	1,360	3,020	2,247
Shares traded, %	8%	5%	11%	8%

1) The Board's proposal for 2019 EUR 0.32 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	7-12/2019	7-12/2018	1-12/2019	1-12/2018
<b>Net income from insurance</b>	<b>6,584</b>	<b>7,235</b>	<b>12,045</b>	<b>13,021</b>
Earned premiums, net	6,650	6,790	13,406	12,277
Claims incurred, net	-65	445	-1,361	744
<b>Other income</b>	<b>10</b>	<b>202</b>	<b>14</b>	<b>202</b>
<b>Net income from investment operations</b>	<b>4,244</b>	<b>-1,126</b>	<b>9,208</b>	<b>-734</b>
<b>Operating expenses</b>	<b>-4,243</b>	<b>-3,768</b>	<b>-8,556</b>	<b>-7,540</b>
<b>Operating profit before valuations</b>	<b>6,596</b>	<b>2,543</b>	<b>12,712</b>	<b>4,949</b>
<b>Change in fair value of investments</b>	<b>-169</b>	<b>-1,128</b>	<b>1,837</b>	<b>-1,690</b>
<b>Profit before taxes and non-controlling interests</b>	<b>6,427</b>	<b>1,415</b>	<b>14,549</b>	<b>3,259</b>
Combined ratio, %	45.9%	29.8%	55.1%	34.9%
Claims ratio, %	2.9%	-4.9%	12.1%	-4.2%
Expense ratio %	42.9%	34.7%	43.0%	39.1%
Return on investments at fair value, %	2.9%	-1.6%	8.1%	-1.7%
Solvency ratio (S2), % <sup>1)</sup>	231.8%	233.4%	231.8%	233.4%
Insurance exposure, EUR billion	1.84	1.67	1.84	1.67
Number of employees, avg	24	26	25	26

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

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

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

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

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

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

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

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

Dividend/share, EUR 
$$\frac{\text{Dividend payable for the financial period} \times 100}{\text{Weighted average number of ordinary shares}}$$

Dividend/earnings, % 
$$\frac{\text{Dividend/share} \times 100}{\text{Basic earnings per share}}$$

Effective dividend yield, % 
$$\frac{\text{Dividend/share} \times 100}{\text{Price of series B share at the end of the period}}$$

Conglomerate's capital adequacy ratio, % 
$$\frac{\text{Conglomerate's total capital base}}{\text{Conglomerate's minimum requirement of total capital base}}$$

Total capital in relation to risk-weighted items 
$$\frac{\text{Total Capital (TC)}}{\text{Risk-weighted items (Total risk)}}$$

Common equity tier in relation to risk-weighted items 
$$\frac{\text{Common Equity Tier (CET1)}}{\text{Risk-weighted items (Total risk)}}$$

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

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

**KEY FIGURES FOR INSURANCE OPERATIONS**

Combined ratio, %

Claims ratio, % + Expense ratio, %

Claims ratio, %

$$\frac{\text{Claims incurred} + \text{operating expenses allocated to claims paid} \times 100}{\text{Insurance premium income}}$$

This key figure is calculated after the share of the reinsurers.

Expense ratio, %

$$\frac{(\text{Operating costs} - \text{Group's allocated overhead and financing expenses} + \text{operating expenses allocated to claims paid}) \times 100}{\text{Insurance premium income}}$$

This key figure is calculated after the share of the reinsurers.

Solvency ratio (S2), %

$$\frac{\text{Basic own funds} \times 100}{\text{Solvency capital requirement (SCR)}}$$

CONSOLIDATED INCOME STATEMENT

EUR 1 000	Note	7-12/2019	7-12/2018	1-12/2019	1-12/2018
Fee and commission income	2	28,441	20,031	46,052	45,631
Net income from insurance	3	10,829	6,109	21,253	12,287
From guaranty insurance operations		6,585	7,235	12,045	13,021
From investment operations		4,244	-1,126	9,208	-734
Net gains or net losses on trading in securities and foreign	4	457	-3,628	-139	-2,814
Income from equity investments	5	-4,579	14,176	-1,812	11,835
Interest income	6	844	300	1,235	678
Other operating income	7	354	303	619	4,896
<b>TOTAL INCOME</b>		<b>36,346</b>	<b>37,292</b>	<b>67,208</b>	<b>72,513</b>
Fee and commission expense		-3,166	-2,622	-5,401	-5,774
Interest expense		-1,603	-1,479	-3,142	-2,943
Administrative expenses		-	-	-	-
Personnel costs		-11,880	-11,517	-24,197	-21,735
Other administrative expenses		-4,784	-4,435	-9,523	-8,430
Depreciation, amortisation and impairment of tangible and intangible assets		-1,362	-573	-2,663	-1,181
Other operating expenses		-2,844	-4,729	-5,229	-8,390
Expected credit losses from financial assets measured at amortised cost		-	-	-	-
Share of associates' profit or loss	12	-583	55	-557	51
		-30	-475	-37	-215
<b>OPERATING PROFIT</b>		<b>10,094</b>	<b>11,518</b>	<b>16,458</b>	<b>23,895</b>
Income tax expense		-3,450	723	-4,979	-2,258
<b>PROFIT FOR THE PERIOD</b>		<b>6,643</b>	<b>12,241</b>	<b>11,479</b>	<b>21,637</b>
<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>		<b>7-12/2019</b>	<b>7-12/2018</b>	<b>1-12/2019</b>	<b>1-12/2018</b>
<b>Profit for the period</b>		6,643	12,241	11,479	21,637
<b>Items that may be reclassified to profit or loss</b>					
Translation differences		15	9	215	21
Changes in the fair value reserve		-168	-1,128	1,837	-1,690
Income tax		34	226	-367	338
<b>Items that may be reclassified to profit or loss in total</b>		<b>-120</b>	<b>-894</b>	<b>1,685</b>	<b>-1,330</b>
<b>Items that may not be reclassified to profit or loss</b>					
Changes in the fair value reserve		5	-30	10	-31
Income tax		1	5	-1	5
<b>Items that may not be reclassified to profit or loss in total</b>		<b>6</b>	<b>-25</b>	<b>9</b>	<b>-26</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>6,529</b>	<b>11,322</b>	<b>13,172</b>	<b>20,281</b>
<b>Profit for the period attributable to:</b>					
Owners of the parent company		6,075	12,510	11,078	21,626
Non-controlling interests		568	-269	401	12
<b>Total</b>		<b>6,643</b>	<b>12,241</b>	<b>11,479</b>	<b>21,637</b>
<b>Total comprehensive income for the period attributable to:</b>					
Owners of the parent company		5,961	11,592	12,772	20,269
Non-controlling interests		568	-269	401	12
<b>Total</b>		<b>6,529</b>	<b>11,322</b>	<b>13,172</b>	<b>20,281</b>
<b>Earnings per share for profit attributable</b>		<b>7-12/2019</b>	<b>7-12/2018</b>	<b>1-12/2019</b>	<b>1-12/2018</b>
Basic earnings per share, profit for the period		0.21	0.44	0.39	0.76
Diluted earnings per share, profit for the period		0.21	0.44	0.38	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**

<b>Assets, EUR 1 000</b>	<b>Note</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
Receivables from credit institutions	8, 9	29,102	26,133
Receivables from the public and general government	8, 9	8,294	9,379
Debt securities	8, 9	1,498	-
Shares and units	8, 9	9,232	12,424
Assets classified as held for sale	10	7,666	12,007
Participating interests	8, 9, 17	6,423	6,140
Insurance assets	8, 9	153,325	133,634
Insurance assets		4,663	1,802
Investments		148,662	131,832
Intangible assets		6,531	6,575
Goodwill		5,097	5,097
Other intangible assets		1,434	1,479
Tangible assets	11	4,435	692
Owner-occupied properties		3,622	-
Other tangible assets		812	692
Other assets		18,110	6,540
Accrued income and prepayments		22,851	22,163
Deferred tax assets		2,233	2,322
		<b>269,700</b>	<b>238,009</b>

<b>Liabilities, EUR 1 000</b>	<b>Note</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
<b>LIABILITIES</b>		<b>143,971</b>	<b>115,628</b>
Liabilities to credit institutions	8, 9	25,929	6,996
Debt securities issued to the public	8, 9, 13	34,875	54,815
Insurance liabilities		32,303	23,293
Other liabilities		6,509	2,882
Accrued expenses and deferred income		13,940	12,999
Subordinated debt	14	14,825	-
Deferred tax liabilities		15,591	14,643
<b>EQUITY CAPITAL</b>	15	<b>125,729</b>	<b>122,381</b>
Share capital		125	125
Reserve for invested non-restricted equity		35,814	35,814
Fair value reserve		-935	-2,414
Translation difference		236	21
Retained earnings or loss		79,592	65,547
Profit or loss for the period		11,078	21,626
Non-controlling interest		-182	1,662
		<b>269,700</b>	<b>238,009</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**

<b>EUR 1,000</b>	<b>1.1.-31.12.2019</b>	<b>1.1.-31.12.2018</b>
Cash flow from operating activities:		
Operating profit (loss)	16,458	23,895
Depreciation	2,663	1,181
Other adjustments		
Changes in fair value of investments		
- at fair value through profit or loss	359	-813
- at fair value through other comprehensive income	-1,470	1,522
Other adjustments	522	490
Cash flow before change in working capital	18,532	26,275
Change in working capital		
Increase (-)/decrease (+) in loan receivables	1,241	-2,830
Increase (-)/decrease (+) in current interest-free receivables	-15,654	-12,879
Increase (+)/decrease (-) in current interest-free liabilities	7,695	-1,589
Cash flow from operating activities before financial items and taxes	11,814	8,977
Direct taxes paid (-)	-3,121	-3,890
<b>Cash flow from operating activities (A)</b>	<b>8,693</b>	<b>5,087</b>
Cash flow from investing activities:		
Investments in tangible and intangible assets	-1,038	-1,376
net of cash acquired	-614	-9,918
Other investments	-9,895	5,235
<b>Cash flow from investing activities (B)</b>	<b>-11,546</b>	<b>-6,059</b>
Cash flow from financing activities:		
Changes in synthetic options	828	1,279
Transactions with non-controlling interests	-	23
Increase in subordinated debt	15,000	-
Decrease in debt securities issued to the public	-20,000	-
Increase in non-current liabilities	20,000	-
Decrease in non-current liabilities	-1,000	-1,000
Dividends paid and other distribution of profit		
To parent company shareholders	-8,492	-7,359
To non-controlling shareholders	-514	-404
<b>Cash flow from financing activities (C)</b>	<b>5,822</b>	<b>-7,461</b>
Increase/decrease in cash and cash equivalents (A+B+C)	2,969	-8,434
Cash and cash equivalents at beginning of period	26,133	34,567
Cash and cash equivalents at end of period	29,102	26,133
Net change in cash and cash equivalents	2,969	-8,434

CHANGES IN GROUP EQUITY CAPITAL

	Share capital	Fair value reserve	Reserve for invested non-restricted equity	Translation differences	Retained earnings	Total	Non-controlling interests	Equity total
<b>2019, EUR 1,000</b>								
<b>01/01/2019</b>	125	-2,414	35,814	21	87,173	120,720	1,662	122,381
Total comprehensive income for the financial period	-	1,478	-	215	11,078	12,772	401	13,172
Earnings for the period	-	-	-	-	11,078	11,078	401	11,479
Other comprehensive income items	-	1,478	-	215	-	1,693	-	1,693
Distribution of profit	-	-	-	-	-8,492	-8,492	-514	-9,006
Dividend EUR 0.30/share	-	-	-	-	-8,492	-8,492	-	-8,492
Distribution of profit for subgroup	-	-	-	-	-	-	-514	-514
Share-based payments payable as equity	-	-	-	-	828	828	-	828
Shares sold to non-controlling interests <sup>1)</sup>	-	-	-	-	80	80	-1,731	-1,651
Other	-	-	-	-	3	3	-	3
<b>31/12/2018</b>	<b>125</b>	<b>-935</b>	<b>35,814</b>	<b>236</b>	<b>90,671</b>	<b>125,911</b>	<b>-182</b>	<b>125,729</b>

CHANGES IN GROUP EQUITY CAPITAL

	Share capital	Fair value reserve	Reserve for invested non-restricted equity	Translation differences	Retained earnings	Total	Non-controlling interests	Equity total
<b>2018, EUR 1,000</b>								
<b>31/12/2017</b>	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
<b>01/01/2018</b>	125	-1,036	35,814	-	71,523	106,426	384	106,809
Total comprehensive income for the financial 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
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
Share-based payments payable as equity	-	-	-	-	1,279	1,279	-	1,279
Shares sold to non-controlling interests <sup>1)</sup>	-	-	-	-	397	397	1,647	2,044
Transactions with non-controlling interests <sup>1)</sup>	-	-	-	-	-291	-291	-8	-300
Other	-	-	-	-	-	-	32	32
<b>31/12/2018</b>	<b>125</b>	<b>-2,414</b>	<b>35,814</b>	<b>21</b>	<b>87,173</b>	<b>120,720</b>	<b>1,662</b>	<b>122,381</b>

1) See note 16.



SEGMENT INFORMATION - EARNINGS

1 January–31 December 2019, EUR 1,000	Continuing operations				TOTAL
	WEALTH MANAGEMENT	FINANCING	ENERGY	OTHER	
Continuing earnings	37,133	12,059	4,632	1,472	55,296
Performance fees	5,188	-	-	-	5,188
Investment operations	572	9,208	-	-3,093	6,687
<b>Total income</b>	<b>42,893</b>	<b>21,267</b>	<b>4,632</b>	<b>-1,621</b>	<b>67,171</b>
Fee and commission expense	-4,834	-279	-232	-57	-5,401
Interest expense	-33	-	-	-2,919	-2,953
Personnel costs	-13,985	-3,845	-2,705	-3,662	-24,197
Direct expenses	-8,904	-1,858	-2,141	-3,405	-16,308
Depreciation, amortisation and impairment	-1,076	-42	-43	-57	-1,218
Impairment losses on loans and other receivables	68	-	-469	-157	-557
<b>Operating profit before overhead costs</b>	<b>14,130</b>	<b>15,244</b>	<b>-959</b>	<b>-11,878</b>	<b>16,537</b>
Overhead costs	-2,361	-370	-488	3,219	-
Allocation of financing expenses	-	-2,163	-1,171	3,334	-
<b>Operating profit before valuations</b>	<b>11,769</b>	<b>12,712</b>	<b>-2,619</b>	<b>-5,325</b>	<b>16,537</b>
Change in fair value of investments	10	1,837	-	-	1,847
<b>Profit before taxes and non-controlling interests</b>	<b>11,778</b>	<b>14,549</b>	<b>-2,619</b>	<b>-5,325</b>	<b>18,384</b>

1 January–31 December 2018, EUR 1,000	Continuing operations				TOTAL
	WEALTH MANAGEMENT	FINANCING	ENERGY	OTHER	
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
<b>Total income</b>	<b>48,742</b>	<b>12,489</b>	<b>2,280</b>	<b>8,787</b>	<b>72,298</b>
Fee and commission expense	-5,517	-128	-20	-110	-5,774
Interest expense	-43	-	-	-2,900	-2,943
Personnel costs	-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
<b>Operating profit before overhead costs</b>	<b>18,938</b>	<b>7,459</b>	<b>-1,765</b>	<b>-736</b>	<b>23,895</b>
Overhead costs	-2,111	-348	-317	2,776	-
Allocation of financing expenses	-	-2,163	-247	2,410	-
<b>Operating profit before valuations</b>	<b>16,828</b>	<b>4,949</b>	<b>-2,330</b>	<b>4,449</b>	<b>23,895</b>
Change in fair value of investments	-31	-1,690	-	-	-1,721
<b>Profit before taxes and non-controlling interests</b>	<b>16,796</b>	<b>3,259</b>	<b>-2,330</b>	<b>4,449</b>	<b>22,174</b>

Reconciliations

Reconciliation of total income	2019	2018
Total income of segments	67,171	72,298
Share of associates' profit or loss allocated to total income of segments	37	215
<b>Consolidated total income</b>	<b>67,208</b>	<b>72,513</b>

Reconciliation of operating profit	2019	2018
Total earnings of segments before taxes and non-controlling interests	18,384	22,174
Change in fair value of investments	-1,847	1,721
IFRS 16 Leases <sup>1)</sup>	-79	-
<b>Consolidated operating profit</b>	<b>16,458</b>	<b>23,895</b>

1) The IFRS 16 Leases -standard is not applied in the segment reporting.

## NOTES TO THE FINANCIAL STATEMENTS BULLETIN 31 DECEMBER 2019

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## 1. ACCOUNTING POLICIES

The has been prepared in accordance with IAS 34 and with the accounting principles presented in the financial statements 2018, with exception of the changes described below.

The figures in the bulletin are based on the audited financial statements of 2019. The auditor's report has been given on 12 February 2020. 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 amended standards

The Group has applied the following new and amended standards, with an effect on the group financial statements, as of 1.1.2019.

#### IFRS 16 Leases

IFRS 16 Leases became applicable on 1 January 2019. The standard replaces the IAS 17 standard. The new standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for nearly all leases. For lessees there will no longer be a distinction between operative and financial leases. According to the new standard, an asset (the right to use the object leased) and the financial liability concerning the payment of leases will be recognised. The only exceptions are short-term lease agreements and those concerning low value assets.

Taaleri adopted the standard on 1 January 2019 using the modified retrospective method of adoption, without restating comparative figures. On 1 January 2019 a financial liability concerning the payment of leases was recognised for former operative lease agreements. The lease liability reflects the present value of future lease payments, discounted using Taaleri's rate of additional credit. The corresponding asset will be the same amount as the liability, adjusted for leases paid in advance.

On 1 January 2019 at the time of application Taaleri had a total of future minimum lease payments under non-cancellable operating leases amounting to 6,019 thousand euros. Of these 142 thousand euros were short term agreements and 89 thousand euros were agreements concerning low value assets. These will be recognised as expenses during the lease time. The remaining future minimum lease payments amounting to 5 788 thousand euros were discounted and Taaleri recognised right-of-use assets amounting 5 323 thousand euros and financial lease liabilities amounting to 5 323 thousand million euros on 1 January 2019. The right-of-use assets consist primarily of leased business premises. The discount rate used is 4.25%, which is Taaleri's incremental borrowing rate.

#### IFRS 16 accounting policies

Chapter 2.11 *Lease agreements* of Taaleri's accounting policies has changed as of 1 January 2019 as described below.

Taaleri recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are recognised in tangible assets and are depreciated on a straight-line basis over the lease term. The lease term used is the non-cancellable lease period. Any renewal options are included if management deems it reasonably certain that they will be exercised.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, and the exercise price of a purchase option reasonably certain to be exercised, and payments of penalties for terminating a lease, if the lease term reflects exercising the option to terminate. Lease liabilities are recognised in other liabilities and interest expenses in the interest expenses line item. In calculating the present value of lease payments, Taaleri uses its incremental borrowing rate, which management has defined as being the interest rate of the latest debt security issued to the public by Taaleri.

Taaleri applies an exemption on short-term leases (lease term less than one year) and on leases of low-value assets (below 5,000 euros). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

## Conversion calculation for initial balances

Due to the adoption of the IFRS 16 Leases standard Taaleri's opening balances for the reporting period have changed.

<b>Assets, EUR 1,000</b>	<b>31/12/2018</b>	<b>IFRS 16</b>	<b>1/1/2019</b>
Receivables from credit institutions	26,133		26,133
Receivables from the public and general government	9,379		9,379
Shares and units	12,424		12,424
Assets classified as held for sale	12,007		12,007
Participating interests	6,140		6,140
Insurance assets	133,634		133,634
Insurance assets	1,802		1,802
Investments	131,832		131,832
Intangible assets	6,575		6,575
Goodwill	5,097		5,097
Other intangible assets	1,479		1,479
Tangible assets	692	5,323	6,015
Owner-occupied properties	-	4,846	4,846
Other tangible assets	692	477	1,169
Other assets	6,540		6,540
Accrued income and prepayments	22,163		22,163
Deferred tax assets	2,322		2,322
	<b>238,009</b>	<b>5,323</b>	<b>243,333</b>

<b>Liabilities, EUR 1,000</b>	<b>31/12/2018</b>	<b>IFRS 16</b>	<b>1/1/2019</b>
<b>LIABILITIES</b>	<b>115,628</b>	<b>5,323</b>	<b>120,951</b>
Liabilities to credit institutions	6,996		6,996
Debt securities issued to the public	54,815		54,815
Insurance liabilities	23,293		23,293
Other liabilities	2,882	5,323	8,206
Accrued expenses and deferred income	12,999		12,999
Deferred tax liabilities	14,643		14,643
<b>EQUITY CAPITAL</b>	<b>122,381</b>		<b>122,381</b>
Share capital	125		125
Reserve for invested non-restricted equity	35,814		35,814
Fair value reserve	-2,414		-2,414
Translation difference	21		21
Retained earnings or loss	65,547		65,547
Profit or loss for the period	21,626		21,626
Non-controlling interest	1,662		1,662
	<b>238,009</b>	<b>5,323</b>	<b>243,333</b>

**2 FEE AND COMMISSION INCOME**

<b>Fee and commission income 1/7-31/12/2019, EUR 1,000</b>	<b>WEALTH MANAGEMENT</b>	<b>FINANCING</b>	<b>ENERGY</b>	<b>OTHER</b>	<b>TOTAL</b>
Wealth management fees and commissions	19,607	-	3,169	19	22,794
Performance fees	5,647	-	-	-	5,647
<b>Total</b>	<b>25,254</b>	<b>-</b>	<b>3,169</b>	<b>19</b>	<b>28,441</b>

<b>Fee and commission income 1/7-31/12/2018, EUR 1,000</b>	<b>WEALTH MANAGEMENT</b>	<b>FINANCING</b>	<b>ENERGY</b>	<b>OTHER</b>	<b>TOTAL</b>
Wealth management fees and commissions	15,494	72	783	1,218	17,566
Performance fees	2,465	-	-	-	2,465
<b>Total</b>	<b>17,958</b>	<b>72</b>	<b>783</b>	<b>1,218</b>	<b>20,031</b>

<b>Fee and commission income 1/1-31/12/2019, EUR 1,000</b>	<b>WEALTH MANAGEMENT</b>	<b>FINANCING</b>	<b>ENERGY</b>	<b>OTHER</b>	<b>TOTAL</b>
Wealth management fees and commissions	36,276	-	4,555	33	40,864
Performance fees	5,188	-	-	-	5,188
<b>Total</b>	<b>41,464</b>	<b>-</b>	<b>4,555</b>	<b>33</b>	<b>46,052</b>

<b>Fee and commission income 1/1-31/12/2018, EUR 1,000</b>	<b>WEALTH MANAGEMENT</b>	<b>FINANCING</b>	<b>ENERGY</b>	<b>OTHER</b>	<b>TOTAL</b>
Wealth management fees and commissions	34,357	72	1,854	1,246	37,529
Performance fees	8,102	-	-	-	8,102
<b>Total</b>	<b>42,459</b>	<b>72</b>	<b>1,854</b>	<b>1,246</b>	<b>45,631</b>

**3 NET INCOME FROM INSURANCE**

<b>EUR 1,000</b>	<b>1/7- 31/12/2019</b>	<b>1/7- 31/12/2018</b>	<b>1/1- 31/12/2019</b>	<b>1/1- 31/12/2018</b>
<b>Earned premiums, net</b>				
Premiums written	11,873	9,682	19,791	17,377
Reinsurers' share	-539	-513	-1,009	-1,035
Change in provision for unearned premiums	-4,700	-2,336	-5,629	-4,205
Reinsurers' share	16	-44	254	140
<b>Total</b>	<b>6,650</b>	<b>6,790</b>	<b>13,406</b>	<b>12,277</b>
<b>Claims incurred, net</b>				
Claims paid	-631	487	-482	147
Reinsurers' share	393	-	403	241
Change in provision for outstanding claims	548	-24	-3,084	1,170
Reinsurers' share	-375	-18	1,802	-815
<b>Total</b>	<b>-65</b>	<b>445</b>	<b>-1,361</b>	<b>744</b>
<b>Net income from investment operations</b>				
Financial assets at fair value through other comprehensive income (Available for sale)	1,775	1,335	2,366	2,670
- of which change in expected credit loss	5	-65	-58	-172
Financial assets at fair value through profit or loss	2,468	-2,461	6,842	-3,405
<b>Total</b>	<b>4,244</b>	<b>-1,126</b>	<b>9,208</b>	<b>-734</b>
<b>Net income from insurance, total</b>	<b>10,829</b>	<b>6,109</b>	<b>21,253</b>	<b>12,287</b>

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

	1/7- 31/12/2019	1/7- 31/12/2018	1/1- 31/12/2019	1/1- 31/12/2018
<b>Net gains or net losses on trading in securities, EUR 1,000</b>				
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	73	-3,746	-955	-3,125
<b>Total</b>	<b>73</b>	<b>-3,746</b>	<b>-955</b>	<b>-3,125</b>
<b>Net gains or net losses on trading in securities and foreign currencies, EUR 1,000</b>				
Net gains or net losses on trading in securities by type				
From shares and units	73	-3,746	-955	-3,125
Sales profit and loss	194	-	308	28
Changes in fair value	-121	-3,746	-1,263	-3,153
Net gains or net losses on trading in securities, total	73	-3,746	-955	-3,125
Net gains or net losses on trading in foreign currencies	384	119	816	311
<b>Total</b>	<b>457</b>	<b>-3,628</b>	<b>-139</b>	<b>-2,814</b>

**5 INCOME FROM EQUITY INVESTMENTS**

	1/7- 31/12/2019	1/7- 31/12/2018	1/1- 31/12/2019	1/1- 31/12/2018
<b>EUR 1,000</b>				
From financial assets recognised at fair value in profit or loss	-30	358	901	358
Dividend income	-	-	73	-
Profit or loss from divestments	-30	358	829	358
From assets classified as held for sale	-5,539	-	-4,267	-
Dividend income	-	-	74	-
Changes in fair value	-5,539	-	-4,341	-
From associated companies	-	13,818	508	13,717
Change in classification to assets held for sale	-	8,662	-	8,662
Profit or loss from divestments	-	5,156	508	5,055
From group companies	990	-	1,046	-2,240
Impairment losses	-	-	-	-2,240
Profit or loss from divestments	990	-	1,046	-
<b>Total</b>	<b>-4,579</b>	<b>14,176</b>	<b>-1,812</b>	<b>11,835</b>

**6 INTEREST INCOME**

	1/7- 31/12/2019	1/7- 31/12/2018	1/1- 31/12/2019	1/1- 31/12/2018
<b>EUR 1,000</b>				
Interest income from other loans and receivables				
From receivables from the public and general government	789	293	1,167	670
From Debt securities	51	-	51	-
Other interest income	3	7	17	8
<b>Total</b>	<b>844</b>	<b>300</b>	<b>1,235</b>	<b>678</b>

**7 OTHER OPERATING INCOME**

	1/7- 31/12/2019	1/7- 31/12/2018	1/1- 31/12/2019	1/1- 31/12/2018
<b>EUR 1,000</b>				
Rental income	5	2	8	4
Project sales	-	-	-	4,294
Other income	350	301	610	598
<b>Total</b>	<b>355</b>	<b>303</b>	<b>618</b>	<b>4,896</b>

8 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities 31 December 2019, EUR 1 000

Financial assets	Amortised cost	At fair value through other comprehensive income		At fair value through profit or loss		Total	Fair value
		Equity instruments <sup>3)</sup>	Others	Equity instruments	Others		
Receivables from credit institutions <sup>1)</sup>	29,102	-	-	-	-	29,102	29,102
Receivables from the public and general government	2,060	-	-	-	6,234	8,294	10,509
Debt securities	1,498	-	-	-	-	1,498	1,730
Shares and units	-	496	-	8,260	475	9,232	9,232
Insurance assets	-	-	76,992	52,642	19,028	148,662	148,662
Other financial assets	27,046	-	-	-	-	27,046	
<b>Financial assets total</b>	<b>59,706</b>	<b>496</b>	<b>76,992</b>	<b>60,902</b>	<b>25,738</b>	<b>223,835</b>	
Participating interests						6,423	
Other than financial assets						39,442	
<b>Assets in total 31 December 2019</b>						<b>269,700</b>	

Financial liabilities	At fair value through profit or loss	Other liabilities	Yhteensä	Käypä arvo
Liabilities to credit institutions		25,929	25,929	26,830
Debt securities issued to the public <sup>2)</sup>		34,875	34,875	35,967
Subordinated debt		14,825	14,825	15,154
Other financial liabilities		18,462	18,462	
<b>Financial liabilities total</b>		<b>94,090</b>	<b>94,090</b>	
Other than financial liabilities			49,881	
<b>Liabilities in total 31 December 2019</b>			<b>143,971</b>	

Financial assets and liabilities 31 December 2018, EUR 1 000

Financial assets	Amortised cost	At fair value through other comprehensive income		At fair value through profit or loss		Total	Fair value
		Equity instruments <sup>3)</sup>	Others	Equity instruments	Others		
Receivables from credit institutions <sup>1)</sup>	26,133	-	-	-	-	26,133	26,133
Receivables from the public and general government	3,425	-	-	-	5,953	9,379	12,346
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	
<b>Financial assets total</b>	<b>40,095</b>	<b>478</b>	<b>80,014</b>	<b>45,055</b>	<b>24,663</b>	<b>190,305</b>	
Participating interests						6,140	
Other than financial assets						41,564	
<b>Assets in total 31 December 2018</b>						<b>238,009</b>	

Financial liabilities	At fair value through profit or loss	Other liabilities	Yhteensä	Käypä arvo
Liabilities to credit institutions		6,996	6,996	7,153
Debt securities issued to the public <sup>2)</sup>		54,815	54,815	56,941
Other financial liabilities		13,991	13,991	
<b>Financial liabilities total</b>		<b>75,802</b>	<b>75,802</b>	
Other than financial liabilities			39,826	
<b>Liabilities in total 31 December 2018</b>			<b>115,628</b>	

1) The carrying amount of these receivables 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 31/12/2019 the fair value of non-strategic investments was 496 (478) thousand euros, of which none paid dividends in 2019 or 2018. No non-strategic investments were derecognised in 2019 or 2018.



9 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Fair value of assets 31 December 2019, EUR 1 000				Fair value
	Level 1	Level 2	Level 3	total
Receivables from credit institutions	-	29,102	-	29,102
Receivables from the public and general government	-	9,815	694	10,509
Debt securities	-	1,730	-	1,730
Shares and units	516	-	8,716	9,232
Insurance assets	144,166	-	4,496	148,662
<b>Total</b>	<b>144,682</b>	<b>40,647</b>	<b>13,907</b>	<b>199,235</b>

Fair value of liabilities 31 December 2019, EUR 1 000				Fair value
	Level 1	Level 2	Level 3	total
Liabilities to credit institutions	-	26,830	-	26,830
Debt securities issued to the public	-	35,967	-	35,967
Subordinated debt	-	15,154	-	15,154
<b>Total</b>	<b>-</b>	<b>77,951</b>	<b>-</b>	<b>77,951</b>

Fair value of assets 31 December 2018, EUR 1 000				Fair value
	Level 1	Level 2	Level 3	total
Receivables from credit institutions	-	26,133	-	26,133
Receivables from the public and general government	-	11,948	398	12,346
Shares and units	6,403	-	6,022	12,424
Insurance assets	127,290	-	4,542	131,832
<b>Total</b>	<b>133,692</b>	<b>38,081</b>	<b>10,961</b>	<b>182,735</b>

Fair value of liabilities 31 December 2018, EUR 1 000				Fair value
	Level 1	Level 2	Level 3	total
Liabilities to credit institutions	-	7,153	-	7,153
Debt securities issued to the public	-	56,941	-	56,941
<b>Total</b>	<b>-</b>	<b>64,094</b>	<b>-</b>	<b>64,094</b>

**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 measured at the latest fair value received from the management company. Unquoted shares are measured at fair value using discounted cash flow analysis or, if it is determined that fair value cannot be measured reliably, at acquisition cost.

Reconciliation of assets categorised within level 3, EUR 1 000	1/1-	1/1-
	31/12/2019	31/12/2018
Fair value January 1	10,961	10,074
Purchases	14,376	4,380
Sales and deductions	-10,073	-1,269
Change in fair value - income statement	-1,361	-2,799
Change in fair value - comprehensive income statement	4	-31
Change of associated company or subsidiary to an investment	-	607
<b>Fair value at end of period</b>	<b>13,907</b>	<b>10,961</b>

<b>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</b>	<b>1/1- 31/12/2019</b>	<b>1/1- 31/12/2018</b>
Net income from insurance	32	229
Net gains or net losses on trading in securities and foreign currencies	-1,394	-3,028
<b>Total</b>	<b>-1,361</b>	<b>-2,799</b>

## 10 ASSETS CLASSIFIED AS HELD FOR SALE

<b>Assets classified as held for sale, EUR 1,000</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
Investments in associates	7,666	12,007
<b>Yhteensä</b>	<b>7,666</b>	<b>12,007</b>

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. 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. Sales' efforts to decrease the shares are continued in 2020.

## 11 TANGIBLE ASSETS

<b>EUR 1 000</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
Other tangible assets	4,435	692
<b>Total</b>	<b>4,435</b>	<b>692</b>

	<b>1/1- 31/12/2019</b>	<b>1/1- 31/12/2018</b>
Acquisition cost 31 December	2,581	1,962
Increase due to adoption of IFRS 16	5,323	-
Acquisition cost January 1	7,904	1,962
Additions	104	619
Acquisition cost at end of period	8,008	2,581
Accrued depreciation, amortisation and impairment January 1	1,888	1,601
Depreciation in the financial period	1,685	288
Accrued depreciation, amortisation and impairment at end of period	3,573	1,888
Book value on January 1	692	361
<b>Book value at end of period</b>	<b>4,435</b>	<b>692</b>

## 12 IMPAIRMENT LOSSES ON RECEIVABLES

<b>EUR 1,000</b>	<b>Amortised cost</b>	<b>At fair value through other comprehensive income<sup>1)</sup></b>	<b>Total</b>
ECL 1/1/2019	39	376	415
Additions due to purchases	628	63	692
Deductions due to derecognitions	-3	-44	-47
Changes in risk parameters	-	40	40
<b>Recognised in profit or loss</b>	<b>626</b>	<b>58</b>	<b>684</b>
<b>ECL 31/12/2019</b>	<b>665</b>	<b>434</b>	<b>1,099</b>

<b>EUR 1,000</b>	<b>Amortised cost</b>	<b>At fair value through other comprehensive income<sup>1)</sup></b>	<b>Total</b>
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
<b>Recognised in profit or loss</b>	<b>-51</b>	<b>172</b>	<b>121</b>
Additions due to acquisition of subsidiaries	19	-	19
<b>ECL 31/12/2018</b>	<b>39</b>	<b>376</b>	<b>415</b>

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.

<b>EUR 1,000</b>	<b>1/1- 31/12/2019</b>	<b>1/1- 31/12/2018</b>
Received payments related to loans that have been written-off	68	-
Change in ECL	-626	51
<b>Expected credit losses from financial assets measured at amortised cost recognised in profit or loss</b>	<b>-557</b>	<b>51</b>

### 13 DEBT SECURITIES ISSUED TO THE PUBLIC

<b>EUR 1 000</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
Publicly issued bonds	34,875	54,815
<b>Total</b>	<b>34,875</b>	<b>54,815</b>

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 were listed on the Nasdaq First North Bond Market Finland. The bonds issued in 2014 were repaid in 2017 and 2019.

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

### 14 SUBORDINATED DEBTS

<b>EUR 1,000</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
Tier 2 bond	14,825	-
<b>Total</b>	<b>14,825</b>	<b>-</b>

On 18/10/2019 Taaleri Plc issued Tier 2 notes totalling EUR 15 million. The Tier 2 Notes constitute a subordinated debt instrument, which is included in the Tier 2 capital referred to in Article 63 of Regulation (EU) No 575/2013 of the European Parliament and of the Council. The notes mature in ten years and bear a fixed interest rate of 5.0 per cent until 18 October 2024 and then onwards EUR 5-year mid-swap rate plus 5.33 per cent. The terms and conditions of the Notes include a call option after five years from the issuance and the company is also entitled to an early repayment before the call option under certain preconditions provided in the terms and conditions of the Notes.

### 15 EQUITY CAPITAL

#### Share capital

The company's share capital on 31 December 2019 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.

16 INVESTMENTS IN SUBSIDIARIES

**Changes in subsidiary shareholdings 2019**

Taaleri Energia acquired Taaleri Energia Iberia SL in Spain and established Taaleri Solarwind II GP S.a.r.l. in Luxembourg during the financial period.

During the financial period Taaleri divested its holding in the property investment TT Canada RE Holding (100.0) and its subsidiary Norther Lights Enterprises (85.0), and reduced its holding in Taaleri Datacenter to 31.7 (100.0) per cent.

During the reporting period Taaleri reduced its ownership in Taaleri Energia by 2.0 percent to commit its Energia segment's key operative individuals. At the end of the financial period Taaleri had a 78.6 percent stake in the company. The effect of the sale is included in the table below.

Taaleri Wealth Management Ltd's wholly owned subsidiary Kultataaleri Oy was merged into its parent company on 31/12/2019.

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

**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 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 company 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.

**Effects on the equity attributable to owners of the parent of any changes in its ownership**

<b>interest in a subsidiary that do not result in a loss of control, EUR 1 000</b>	<b>2019</b>	<b>2018</b>
From an addition to the share owned in subsidiaries	-	-291
From a reduction in the share owned in subsidiaries, without loss of control	80	397
<b>Net effect on equity</b>	<b>80</b>	<b>105</b>

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

17 INVESTMENTS IN ASSOCIATED COMPANIES

On 31 December 2019 the group had eight associated companies; Fellow Finance Plc, Hernesaaren Kehitys Oy, Munkkiniemi Group Oy, Taaleri Datacenter Ky, Fintoil Oy, Taaleri SolarWind II SPV, Turun Toriparkki Oy and Masdar Taaleri Generation. None of these is considered material to the group. The associated companies, except for Fellow Finance Plc and Fintoil Oy, are consolidated using the equity method. Fellow Finance Plc is classified as held for sale (see note 10) and Fintoil as an investment that is valued at fair value. A loss of 37 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.

During the reporting period former subsidiary Taaleri Datacenter Ky had a capital call, after which Taaleri's share in the company is 31.17 percent and it became an associated company. At the same time Taaleri Datacenter Ky's subsidiary Ficolo Oy ceased to be Taaleri's associated company. Additionally Taaleri acquired a 33.32 percent share in Hernesaaren Kehitys Oy, a 50 percent share in Taaleri SolarWind II SPV, a 50 percent share in Masdar Taaleri Generation and 21.62 percent in Fintoil Oy after which they are consolidated as associated companies, except for Fintoil Oy.

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 First North market, 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.

18 CONDITIONAL LIABILITIES AND CONTINGENT LIABILITIES

<b>Commitments not recognised as liabilities, EUR 1,000</b>	<b>31/12/2019</b>	<b>31/12/2018</b>
Total gross exposures of guaranty insurance	1,837,468	1,666,515
Guarantees	2,000	4,620
Investment commitments	8,200	6,111
Pledged securities	10,000	11,667
Credit limits (unused)	10,000	10,000
<b>Total</b>	<b>1,867,668</b>	<b>1,698,912</b>

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.

**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 2019 board members Peter Fagernäs and Juhani Elomaa are among the 10 largest shareholders of the company through the companies they own. The company's Deputy CEO Karri Haaparinne was also amongst the company's 10 largest shareholders on 31 December 2019.

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

<b>2019</b>	<b>Sales</b>	<b>Purchases</b>	<b>Receivables</b>	<b>Liabilities</b>
Associated companies	1,206	-	7,410	-
Other related parties	177	-	5,265	-
<b>2018</b>	<b>Sales</b>	<b>Purchases</b>	<b>Receivables</b>	<b>Liabilities</b>
Associated companies	1,588	13	7,981	-
Other related parties	295	315	4,471	-

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 Investments Ltd has, in the course of its normal business, committed to finance its associated company up to the amount of EUR 2 million.

**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 2019, Taaleri had assets under management totaling EUR 7.1 billion and 5,500 wealth management customers. Taaleri Plc has some 4,700 shareholders. Taaleri's operations are supervised by the Finnish Financial Supervisory Authority.

More information about our company and services: [www.taaleri.com](http://www.taaleri.com)