

**TALERI**

# **TALERI PLC HALF-YEAR FINANCIAL REPORT**

JANUARY - JUNE 2020



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*Taaleri Plc Half-Year Financial Report January-June 2020*

## OPERATIVELY TAALERI'S DEVELOPMENT WAS GOOD BUT COVID-19 BURDENED EARNINGS FROM INVESTMENT OPERATIONS

### The Group Half-Year Financial Report January-June 2020

- Income was EUR 26.3 (30.9) million. Investment operations suffered due to changes in the stock and money market investment caused by the COVID-19 pandemic, resulting in fair value changes.
- Continuing earnings grew by 18.2 per cent to EUR 29.0 (24.5) million, growth especially in Energia and Insurance -segments.
- Performance fees accrued from several funds totalling EUR 2.2 (-0.5) million.
- Earnings from investment operations declined to EUR -5.1 (6.8) million, due to the market development during the period under review.
- Operating profit was EUR 2.8 (6.4) million, or 10.6 (20.6) per cent of income. Operating profit excluding investment income was MEUR 7.9. which corresponds to 25.0 percent of net sales.
- Earnings per share were EUR 0.04 (0.18).
- Assets under management recovered after the spring decline, and totaled EUR 7.1 (31 Dec. 2019: 7.1) billion.
- The Guaranty insurance portfolio totaled EUR 1.8 (31 Dec. 2019: 1.8) billion.
- Taaleri Energia successfully exited its first wind farm project in the United States. The profit impacts from the project will be gradually booked later.

Key figures	H1/2020	H1/2019	2019	Long-term target
<b>Earnings key figures</b>				
Continuing earnings, MEUR	29.0	24.5	55.3	
Growth in continuing earnings, %	18.2	-8.6	6.3	> 15.0
Income, MEUR	26.3	30.9	67.2	
Operating profit, MEUR	2.8	6.4	16.5	
Operating profit, %	10.6	20.6	24.5	> 20.0
Profit for the period, MEUR	1.4	4.8	11.5	
Return on equity*, %	2.4	8.0	9.3	> 15.0

	H1/2020	H2/2019	2019	Long-term target
<b>Balance sheet key figures</b>				
Equity ratio, %	46.0	48.9	46.6	> 30.0
Group's capital adequacy ratio, %	203.0	194.6	207.4	
<b>Per share key figures</b>				
Earnings/share, EUR	0.04	0.18	0.39	
Equity/share, EUR	4.24	4.22	4.45	
Share closing price, EUR	6.72	7.00	8.42	
<b>Other key figures</b>				
Cost/income ratio	89.1	79.5	74.7	
Cost/income ratio excluding investment operations	73.1	103.3	83.7	
Number of full-time employees, average	188	185	186	
Market capitalization, MEUR	190.2	198.1	238.3	
Assets under management, BEUR	7.1	6.6	7.1	
Guaranty insurance portfolio, BEUR	1.8	1.6	1.8	

\* 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 2019, unless otherwise stated.

## CEO ROBIN LINDAHL

*"Taaleri's business has developed very well, despite the challenging market conditions caused by the COVID-19 pandemic. Profitability based on commission income developed well – our Group's continuing income increased by 18 percent to EUR 29.0 million thanks to the active involvement of our personnel, and performance fees accrued from several funds totaled EUR 2.2 million during the review period. The pandemic had an impact particularly on changes in the fair value in the equity and money markets and hence on the result of Taaleri's own investments, but also on our clients' assets under management and, indirectly, on project development. Investment income fell sharply in the first quarter of the year, and although there were clear signs of improvement in the second quarter, the investment result stayed at -5.1 million euros. Taaleri's income in the review period was EUR 26.3 million, operating profit EUR 2.8 million and the operating margin was 11 per cent. Personnel expenses decreased mainly due to lower variable salaries and cost/income ratio excluding investment operations strengthened from previous period.*

*A significant milestone was reached when Taaleri Energia successfully exited its first wind farm project in the United States to Taaleri SolarWind II -fund, infrastructure fund AIP, Ilmarinen and a producer of renewable energy Akuo Energy. BHE Renewables (subsidiary of Berkshire Hathaway Energy), NORD/LB, Mizuho, Santander and Societe Generale act as project financiers, and the project is 336 megawatts in size and represents more than \$ 450 million in investment in the North American renewable energy sector. The profit impacts from the project will be gradually booked later. Taaleri Energia continued to raise funds for the international renewable energy fund Taaleri SolarWind II and commitments exceeded EUR 290 million at the end of the review period.*

*During January-June 2020, new investment commitments of EUR 100 million were collected in Taaleri Biojalostamo, Taaleri Velkarakastot I, Taaleri Kiinteistöt, Aurinkotuuli II and Taaleri Impakti -funds and EUR 25 million to several equity funds. In addition, Taaleri announced Finland's first digital asset management service specializing in impact investments.*

*Garantia's net income from guarantee insurance operations increased by 27 per cent to EUR 6.9 million and claims incurred remained low. Net investment income decreased significantly due to the market effects caused by COVID-19 and investment income at fair value ended at -4.5 per cent during the period under review.*

*The implementation of Taaleri's strategy proceeds well in all business segments and during the first half of 2020 Taaleri Group's Executive Management Team was strengthened, since Essi Sten was appointed Head of Taaleri Real Estate business as of 1 April 2020. During past few months we have executed several development projects, which support our growth strategy and help us in building even stronger Taaleri.*

*The COVID-19 pandemic is far from over and the level of uncertainty remains high. Our skilled and motivated personnel will continue creating interesting investment opportunities, and, in addition to economic returns, we want to offer our customers a way to positively impact the surrounding society and the environment also in the current business environment".*

## HALF-YEAR REVIEW 1 JANUARY–30 JUNE 2020

### Operating environment

The public health and economy were globally affected by the COVID-19 pandemic during the first half of 2020. The impact on financial markets was extreme, especially during the first quarter. Financial markets have since recovered faster than expected. While economic activity has started to recover, the pandemic will have long lasting effects on global economy.

The outlook for the Finnish property investment and rental markets deteriorated rapidly in the beginning of 2020, and in April, most of the property market indicators turned negative. The real estate transactions market remained active in the first quarter of the year, but volumes slowed down significantly during the second quarter.

Countries around the world are taking steps to support the energy sector and to mitigate the negative effects of the crisis, and measures have also been taken to support the renewables sector in EU. Countries around the world are also helped to accelerate the energy revolution as part of their pandemic relief efforts. In the EU, for example, the Green Deal and investment in renewable energy have been at the heart of stimulus measures.

The EU and the European Central Bank (ECB) have taken action to support the recovery and to mitigate a financial crisis. Early signs indicate that the EU was responding rapidly, as many European governments have been increasing their spending to compensate for the economic losses of lockdowns. Interest rates have stayed low, ECB has kept borrowing costs low for all eurozone countries. In March, the ECB created a Pandemic Emergency Purchase Programme, a temporary EUR 750 billion scheme involving both government and private debt. In June, the amount

of purchases was increased to a total of EUR 1,35 trillion. In July, European Commission put forward yet one proposition for an EUR 750 billion recovery plan to repair economic damages of pandemic.

## FINANCIAL RESULT

### Income and operating profit

#### *Segment-specific income and operating profit*

	H1/2020	H1/2019	Change, %	2019
<b>EUR million</b>				
<b>Group income</b>	<b>26.2</b>	<b>30.9</b>	<b>-15.2</b>	<b>67.2</b>
Wealth Management	20.2	17.2	17.3	42.9
Insurance	3.6	10.4	-65.8	21.3
Energia	4.2	1.4	197.1	4.6
<b>Business segments, total</b>	<b>28.0</b>	<b>29.1</b>	<b>-3.8</b>	<b>68.8</b>
Other Operations	-1.8	1.8	-198.8	-1.6
<b>Group operating profit/loss</b>	<b>2.8</b>	<b>6.4</b>	<b>-56.1</b>	<b>16.5</b>
Wealth Management	6.3	2.0	210.9	11.8
Insurance	0.8	6.1	-87.7	12.7
Energia	0.1	-1.6	na	-2.6
<b>Business segments, total</b>	<b>7.2</b>	<b>6.5</b>	<b>10.1</b>	<b>21.9</b>
Other Operations	-4.4	-0.1	na	-5.3

*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 31.*

### January–June 2020

All business segments developed operatively well in the first half of the year, regardless of challenging market conditions. The Group's income in January-June 2020 was EUR 26.3 (30.9) million, a decrease of 14.7 per cent compared to the same period in 2019. The decrease in income was due to the development of the investment market caused by COVID-19 in the first quarter of the year, which was directly reflected in changes in the fair value of investment activities.

Taaleri's continuing income, which considers all the Group's other income except income fees and investment income, increased by 18.2 percent to EUR 29.0 (24.5) million. The Group's commission income increased by 30.5 percent to EUR 23.0 (17.6) million, of which performance fees totaled EUR 2.2 (-0.5) million. Net income from insurance

operations grew 26.5 per cent to EUR 6.9 (5.5) million, of which investment operations generated EUR -3.4 (5.0) million. Net insurance income thus decreased by a total of EUR 3.5 (10.4) million. The Group's other investment operations and other earnings totaled EUR -0.2 (2.8) million.

The Group's operating profit was EUR 2.8 (6.4) million and represented 10.6 (20.6) per cent of the Group's income.

The Group's cost/income ratio excluding investment operations developed positively and was 73.1 (103.3) per cent in the period under review. The total administrative costs decreased to EUR 14.8 (17.1) million. Personnel costs totaled EUR 10.5 (12.3) million. The decrease in personnel costs was mainly due to changes in variable personnel costs. Other administrative expenses totaled EUR 4.3 (4.7) million and other operating expenses EUR 2.9 (2.4) million.

Profit for January-June 2020 amounted to EUR 1.4 (4.8) million. Comprehensive income was EUR -1.4 (6.6) million.

## Balance sheet, investments and financing

The Group's balance sheet totaled EUR 259.1 (31 Dec. 2019: 269.7) million. The Group's cash and cash equivalents totaled EUR 33.3 (29.1) million and investments EUR 172.3 (173.5) million, corresponding to 66.5 (64.3) per cent of the Group's balance sheet total.

The Group's interest-bearing liabilities amounted to EUR 75.7 (75.6) million, which consisted of EUR 34.9 (34.9) million in Taaleri Plc bond programmes, EUR 25.9 (25.9) million in liabilities to credit institutions and EUR 14.8 (14.8) million in Taaleri Plc Tier 2 bond. A 20 EUR million bank loan was also renegotiated during the period and loan repayments during 2020 were eased. Liabilities totaled EUR 140.0 (144.0) million and equity stood at 119.2 (124.7) million.

The dividend for the financial year 2019, totaling EUR 4.5 million, was paid in May 2020. In addition, the Annual General Meeting authorized Taaleri Corporation's Board of Directors to decide on a payment of a maximum dividend of EUR 0.16 per share for the financial year 2019 with a payment at one or more occasions, by the next Annual General Meeting.

The equity ratio remained strong and was 46.0 (46.6) per cent.

## BUSINESS SEGMENTS

Taaleri has three business segments: Wealth Management, Insurance (former 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 to our customers.*

Wealth Management	H1/2020	H1/2019	Change, %	2019
<b>EUR million</b>				
Wealth Management fees	17.2	17.1	0.2	37.1

Performance fees	2.2	-0.5	na	5.2
Investment operations	0.8	0.5	54.9	0.6
<b>Total</b>	<b>20.2</b>	<b>17.2</b>	<b>17.3</b>	<b>42.9</b>
<b>Operating profit</b>	<b>6.3</b>	<b>2.0</b>	<b>210.9</b>	<b>11.8</b>
<b>Operating profit %</b>	<b>31.3</b>	<b>11.8</b>		<b>27.4</b>
Full-time personnel. average	116	119		116

## January-June 2020

Wealth Management's income grew 17.3 percent and totaled EUR 20.2 (17.2) million, in January-June 2020, due to successful fund raising, regardless of the demanding market. Continuing earnings totaled EUR 17.2 (17.1) million and performance fees accrued from many funds totalling EUR 2.2 (-0.5) million. The income from investment operations totaled EUR 0.8 (0.5) million.

Costs declined 8.7 per cent and totaled EUR 13.4 (14.7) million, of which personnel expenses totaled EUR 6.1 (7.2) million. The decrease in personnel expenses was mainly due staff reductions and to the change in variable salaries.

Wealth Management's operating profit tripled during the period under review, and totaled EUR 6.3 (2.0) million, which corresponds to 31.3 (11.8) per cent of income. Assets under management recovered at EUR 6.6 (31 Dec. 2019: 6.7) billion, after the negative development due to the market change at the beginning of the year caused by COVID-19.

Assets under management	30 June 2020	31 Dec. 2019	Change, %
<b>EUR million</b>			
<b>Assets under management</b>	<b>6,627</b>	<b>6,715</b>	<b>-1.3</b>
Mutual funds	972	1,023	-5.1
Private equity funds	1,232	1,223	0.8
Wealth management	4,423	4,469	-1.0

During the period under review, new investment commitments of EUR 100 million were collected in the Taaleri Bi-ojalostamo, Taaleri Velkarakastot I, Taaleri Kiinteistöt and Taaleri Impakti. The Taaleri Mikro Markka and Mikro Rein funds were opened for new subscriptions, of which Taaleri Mikro Markka was returned to soft closed due to high demand immediately after the first subscription date. Taaleri also announced Finland's first digital asset management service specializing in impact investment.



## INSURANCE

The Insurance 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.

Insurance	H1/2020	H1/2019	Change, %	2019
<b>EUR million</b>				
<b>Net income from guaranty insurance operations</b>	6.9	5.5	26.5	12.1
of which Earned premium, net	7.1	6.8	5.0	13.4
of which Claims incurred, net	-0.2	-1.3	-85.9	-1.4
Net income from investment operations	-3.4	5.0	-167.9	9.2
<b>Income</b>	3.6	10.4	-65.8	21.3
Operating expenses	-1.7	-3.2	-47.9	-6.4
Allocation of financing expenses	-0.9	-1.1	-16.9	-2.2
<b>Operating profit before valuations</b>	0.8	6.1	-87.7	12.7
<b>Operating profit %</b>	21.2	58.6		59.8
Change in fair value of investments	-3.1	2.0	-255.7	1.8
Result at fair value before tax	-2.4	8.1	-129.2	14.5

	H1/2020	H1/2019	Change, %	2019
Claims ratio, %	4.4%	21.1%	-16.7% pts	12.1%
Expense ratio, %	23.3%	43.1%	-19.8% pts	43.0%
Combined ratio, %	27.7%	64.2%	-36.5% pts	55.1%
Return on investment at fair value, %	-4.5%	5.3%	-9.8% pts	8.1%
Full-time personnel, average	22	26		25

	30 June 2020	31 Dec. 2019	Change, %
Investment assets, fair value, MEUR	143	151	-9.7%
Guaranty insurance portfolio, MEUR	1.847	1.837	0.5%
Solvency ratio, %	232.4%	231.8%	0.6% pts
Credit rating	A-	A-	-

\* *Garantia's EUR 46.4 (48.6) million solvency capital requirement includes a capital add-on of EUR 15.3 (19.8) million in capital requirements set by the Finnish Financial Supervisory Authority.*

## January-June 2020

In January-June 2020, the Insurance segment's income was EUR 3.6 (10.4) million. Net income from insurance operations increased by 26.5 per cent to EUR 6.9 (5.5) million. The guaranty insurance portfolio remained stable and totaled to EUR 1.8 (31 Dec. 2019: 1.8) billion. Net income from investments diminished significantly compared to the corresponding period last year due to the adverse market conditions caused by the COVID-19 pandemic. Net income from investment operations decreased to -4.5 (5.3) million.

Operating expenses fell by 40.9 per cent to EUR 1.9 (3.2) million primarily due to lower personnel expenses. Operating profit before valuations was EUR 0.8 (6.1) million. The result at fair value before tax was EUR -2.4 (8.1) million.

## Insurance operations

In January-June 2020, gross premiums written (excluding reinsurers' share) totaled EUR 7.9 (7.9) million and earned premiums grew by 5.0 per cent to EUR 7.1 (6.8) million.

The gross exposure of the guaranty insurance portfolio was EUR 1.847 million at the end of June 2020 (31 Dec. 2019: 1.837), of which corporate exposures accounted for 53 (55) per cent and consumer exposure 47 (45) per cent.

Claims incurred decreased by 85.9 per cent to EUR 0.2 (1.3) million from the period of comparison and the overall level of claims remained low despite the exceptional circumstances. Claims ratio went down to 4.4 (21.1) per cent, as earned premiums increased and claims incurred decreased.

The expense ratio of insurance operations improved to 23.3 (43.1) per cent due to lower personnel expenses. The combined ratio was 27.7 (64.2) per cent.

## Investment activity

Net income from investment operations was EUR -3.4 (5.0) million and consisted of clearly higher recorded fair value changes in the profit and loss account. The change in the fair value investment assets recognised in the comprehensive income before taxes was EUR -3.1 (2.0) million. Return on investment at fair value thus totaled EUR -6.5 (7.0) million, or -4.5 (5.3) per cent. The investment portfolio was valued at EUR 143 (31 Dec. 2019: 151) million at the end of June 2020.

## Risk position

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

The risk position of guaranty insurance operations remained stable during January-June 2020, despite the exceptional circumstances set forth by the COVID-19 pandemic. Within total insurance exposure, consumer exposures displayed a modest growth and corporate exposures slightly decreased during the first half of the year. At the end of June corporate exposures made up 53 (55) per cent of total insurance exposure and consumer exposures made up 47 (45) per cent. Total insurance exposure was EUR 1,847 (31 Dec. 2019: 1,837) million.

At the end of June, the proportion of corporate exposures with investment grade ratings of AAA...BBB- was 14.7 (12.6) per cent. Exposures rated BB- or better comprised 72.4 (72.4) per cent of corporate exposures. The proportion of exposures with weak ratings of C+ or lower remained stable at 1.5 (1.7) per cent. The major industry sectors represented in the corporate portfolio were construction with a share of 42.1 (50.9) per cent and manufacturing with a share of 22.7 (21.0) per cent. Of the construction sector exposures 51.7 (55.3) per cent are reinsured.

As a part of Taaleri Group, Garantia falls within the sphere of regulation of large customer exposures determined in the EU Capital Requirements Regulation. At the end of June 2020 Garantia's largest single customer exposure amounted to 21.5 (31 Dec. 2019: 21.2) per cent of Taaleri Group's own funds.

The consumer exposures are mainly made up of residential mortgage guaranties. The residential mortgage guaranty portfolio is highly dispersed with regards to counterparties, geographical locations of loan collaterals, and underwriting year. No significant changes took place in the risk position of the residential mortgage portfolio during the first half of the year.

The risk level of investment operations was kept low, as in previous years. At the end of June, fixed income investments made up 88.5 (84.4) per cent, equity & private equity investments 10.2 (14.4) per cent and real estate investments 1.3 (1.2) per cent of the investment portfolio (incl. cash and cash equivalents). Fixed income investments mainly consist of investments in bonds of Finnish and Nordic companies and credit institutions with strong creditworthiness. The proportion of investment grade fixed income investments (excl. fixed income funds) was 63.1 (54.5) per cent. The modified duration of bond investments was 3.2 (3.3).

## Credit rating

No changes took place in Garantia's credit rating or its outlook during January-June 2020. Standard & Poor's Global Ratings Europe Limited (S&P) confirmed on 11 September 2019 Garantia Insurance Company Ltd.'s issuer rating, Financial Strength Rating (FSR) and the Financial Enhancement Rating (FER) reflecting the company's solvency and willingness to meet its financial commitments as A- with a stable outlook.

## ENERGIA

*Taaleri Energia is a renewable energy project developer and fund manager. Taaleri Energia has one of the most skilled team dedicated in wind and solar investments 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 per cent of all the country's electricity.*

Energia segment	H1/2020	H1/2019	Change, %	2019
<b>EUR million</b>				
Income	4.2	1.4	197.1	4.6
Operating profit	0.1	-1.6	106	-2.6
Average number of full-time personnel	27	22		23

Taaleri Energia's income in January-June 2020 tripled and totaled EUR 4.2 (1.4) million. Operating profit totaled EUR 0.1 (-1.6) million.

The prevailing uncertainties of the pandemic combined with travelling restrictions impacted on all operational business also in renewable energy. The impact on Taaleri Energia business was negligible in January-June 2020. So far, it has mainly impacted the international fundraising due to travelling restrictions.

Taaleri Energia successfully exited its first wind project in the U.S. in June. The ready to build project has been developed in-house by Taaleri Energia. Taaleri Energia sold 93 per cent of Truscott Gilliland East -wind project to the Taaleri SolarWind II fund, AIP, Mutual Pension Insurance Company Ilmarinen and Akuo Energy. Taaleri Energia will remain as a minority owner with a seven per cent equity stake in the project. The transaction had no result impact on the January-June 2020 result, as the profit impacts from the project will be gradually booked later.

The SolarWind fund's projects have been developing predominantly according to plan. The fund's first investment, the 158-MW Čibuk wind farm – the biggest in Serbia, received an interim Feed-in Tariff for two months as a result of local State of Emergency declared due to the COVID-19 pandemic. The fund's second investment, the 200-MW Baynouna solar power project in Jordan, has been delayed due to the COVID-19 pandemic restrictions on local labour movements and the commissioning is now planned by the end of September. The fund's third investment, the 23-MW Slageryd wind farm in Sweden, is already producing electricity and commissioning is expected by the end of August 2020. The fund's fourth investment, the 13.5-MW Mälajord wind farm project in Sweden, is currently under construction.

Taaleri Energia's newest international renewable energy fund, Taaleri SolarWind II, commitments amounted to EUR 291 million at the end of the period under review. The target size of the fund is EUR 300 million and the maximum size EUR 400 million. The second-close investors include the European Bank for Reconstruction and Development (EBRD). The fund has already made investment decisions on wind farms in Finland, Norway, Poland and the US, as well as PV solar plant in Spain.

## 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, Mobify 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	H1/2020	H1/2019	Change, %	2019
<b>EUR million</b>				
Income	-1.8	1.8	-198.8	-1.6
Operating profit	-4.4	-0.1	na	<b>-5.3</b>
Average number of full-time personnel	23	18		21

	30 June 2020	31 Dec. 2019	Change, %
<b>EUR million</b>			
<b>Investments and receivables, fair value</b>	<b>44.5</b>	<b>42.1</b>	<b>5.8</b>
- Portfolio investments	19.1	21.9	-12.8
- Co-investments	14.4	9.5	51.1
- Own investments	11.0	10.6	3.8

## January-June 2020

In January-June, income from Other Operations suffered due to changes in the stock market investment caused by the COVID-19 pandemic, resulting in fair value changes and totaled EUR -1.8 (1.8) million and operating profit to EUR -4.4 (-0.1) million. The fair value of Taaleri's holding in Fellow Finance decreased by EUR 2.9 million to EUR 4.8 million during January-June 2020.

## OTHER GROUP EVENTS DURING THE PERIOD UNDER REVIEW

### CORPORATE RESPONSIBILITY

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. Taaleri's business segments implements responsible ways of working, adhere to corporate governance and the principles of responsible investment in all the activities.

During January-June 2020, Taaleri launched a special investment fund Taaleri Impakti. Taaleri Impakti is Finland's first open-ended fund, which seeks not only economic returns but also measurable social and environmental benefits. The fund invests its assets directly or through other funds in the stock market, fixed income markets and alternative investments. In addition, Taaleri announced Finland's first digital asset management service specializing in impact investment, where investment portfolios focused on impact investment are built for clients. The portfolios consist of the best, cost-effective ETF funds on the market that meet strict sustainability criteria, and the Taaleri Impakti fund.

Other examples of Taaleri's impact investments are Vuokrakoti fund which offers affordable rental housing, Kierto-talous fund as well as wind- and forest funds, from which more information is available on Taaleri's website [www.taaleri.com/yrittysvastuu/vastuullisuus](http://www.taaleri.com/yrittysvastuu/vastuullisuus). In total, these funds have already made almost EUR 1 billion in impact investments.

### CHANGES IN GROUP STRUCTURE

During January-June 2020, Taaleri Energia exited the Truscott-Gilliland East wind farm project in Texas, USA, leaving Taaleri Energia with a seven per cent indirect holding in the project company TG East Wind Project LLC.

Additionally, during the first half of 2020, there were established and merged some management and project companies under Taaleri Pääomarahastot, Taaleri Sijoitus and Taaleri Energia.

## CHANGES IN TAALERI'S EXECUTIVE MANAGEMENT TEAM

During the review period, Essi Sten was appointed Head of Taaleri Real Estate business and a member of Taaleri Group's Executive Management Team. She began her position on 1 April 2020.

## ANNUAL GENERAL MEETING 2020

Taaleri Plc's Annual General Meeting was held on 18 May 2020 in Helsinki. The General Meeting adopted the financial statements for the 2019 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 2019, a dividend of EUR 0.16 per share be distributed and the remaining part of the distributable funds be retained in shareholders' equity. The dividend payment record date was 20 May 2020 and the dividend was paid on 28 May 2020.

In addition, the General Meeting authorised the Board of Directors to at a later date decide on a payment of a maximum dividend of EUR 0.16 per share for the financial year 2019 with a payment at one or more occasions. The authorisation is in force until the Annual General Meeting 2021. The Board was also authorised to decide on the record date and the date of payment of a possible dividend. Taaleri will notify of the decisions separately.

### Deciding on the remuneration of members of the Board of Directors

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 General Meeting decided that the members of the Audit Committee will be paid a meeting-specific fee of EUR 1,000 to the Chairman of the Audit Committee and EUR 500 to each other member of the Audit Committee.

The annual remuneration will cover the entire term of office and Committee work.

The Annual General Meeting decided additionally that travel, and accommodation expenses of the members are paid against invoices when the meeting of the Board of Directors and the Committees takes place outside members' domicile.

### Deciding on the number of members and the members of the Board of Directors and election of the chairman and deputy chairman of the Board of Directors

The General Meeting decided that the number of the members of the Board of Directors be set as six (6).

The current members of Board of Directors, Juhani Elomaa, Juha Laaksonen, Hanna Maria Sievinen, Elina Björklund and Tuomas Syrjänen. were re-elected to the Board of Directors. Further, Petri Castrén was elected as a new member of the Board.

The General Meeting decided to elect Juhani Elomaa as the chairman of the Board of Directors and Juha Laaksonen as a deputy chairman.

### **Selecting the auditor and deciding on the auditor's remuneration**

The General Meeting decided that Ernst & Young Oy, a firm of authorised public accounts, be re-elected as the company's auditor for a term ending at the close of the next Annual General Meeting. Ernst & Young Oy has announced that Ulla Nykky, Authorised Public Accountant, continues as the auditor with principal responsibility.

### **Authorising the Board of Directors to decide on the purchase of the company's own shares**

The General Meeting decided to authorize the Board of Directors' to decide on the repurchase of the company's own shares using assets belonging to unrestricted equity on the following conditions:

Up to 2,000,000 shares may be repurchased, corresponding to 7.05% of all the company's shares. The repurchase 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 repurchased 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 authorisation issued includes the right to decide whether the shares will be repurchased in a private placement or in proportion to the shares owned by shareholders. The repurchase 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 repurchase of shares.

This authorisation is valid for 18 months from the date of the close of the Annual General Meeting.

This authorisation cancels the authorisation to purchase the company's own shares issued at the General Meeting of 20 March 2019.

### **Authorising the Board of Directors to decide on share issue**

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

The Board of Directors may issue new shares and assign treasury shares in the possession of the company 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 taking into account the benefit of all its shareholders.

The Board of Directors will decide on all other factors related to share issues and the assignment of shares.

The authorisation is valid until the end of the next Annual General Meeting, however no longer than 30 June 2021.

This authorisation cancels the authorisation issued at the General Meeting on 20 March 2019.

## 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:

Hanna Maria Sievinen, Juhani Elomaa and Petri Castrén were elected as members of the Board of Directors' Audit Committee. The Board of Directors elected Hanna Maria Sievinen as Chairman of the Audit Committee.

Juhani Elomaa, Tuomas Syrjänen and Elina Björklund were elected as members of the Board of Directors' Remuneration Committee. The Board elected Juhani Elomaa as Chairman of the Remuneration Committee.

## TAALERI'S PERSONNEL

The Group employed an average of 188 (185) full-time people during the period under review. There were 116 (119) full-time personnel in the Wealth Management segment, 22 (26) in the Insurance segment and 27 (22) in the Energia segment. The full-time personnel of Other Operations averaged 23 (18). Of the personnel, 99 per cent were employed in Finland.

Taaleri Group's personnel costs during January-June 2020 totaled EUR 10.5 (12.3) million. Costs declined mainly due to decreased 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 June 2020, a total of 402,500 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 June 2020, 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, the company's CEO Robin Lindahl has a share-based incentive scheme. In the scheme, the CEO acquired 30 000 of company shares in 2019. The CEO's 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-June 2020	No. of shares traded	Total value EUR	Trading volume, %	High EUR	Low EUR	Average* EUR	Last EUR
TAALA	1,848,018	13,859,011	6.5	9.76	5.82	7.50	6.72

\* Volume weighted average

	30 June 2020	%	31 Dec. 2019	%
<b>Market capitalization, EUR million</b>	190.2		238.3	
<b>No. of shareholders</b>	5,234	100.0	4,689	100.0
<b>Shareholding per group</b>				
- Corporations	9,849,737	34.7	10,004,585	35.3
- Financial and insurance corporations	2,073,637	7.3	2,082,873	7.3
- Public institutions	30,837	0.1	30,837	0.1
- Non-profit institutions	298,509	1.1	226,117	0.8
- Households	13,945,610	49.2	13,876,933	49.0
- Nominee registrations and direct foreign shareholders	2,152,290	7.6	2,129,275	7.5

On 30 June 2020, Taaleri Plc's shareholders' equity was EUR 125,000,00. The company had 28,350,620 registered shares.

Taaleri's share has been listed on Nasdaq Helsinki, among mid-cap companies, since 2016. The trading code is TAALA. On 30 June 2020, the company possessed 45,000 (45,000) treasury shares.

## 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 122.1 (125.1) million, with the minimum requirement being EUR 60.1 (60.3) million. The conglomerate's capital adequacy is EUR 61.9 (64.8) million and the capital adequacy ratio is 203.0 (207.4) 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 31.5 (29.5) million. The Financial Supervisory Authority confirmed in June 2020 a capital add-on totaling EUR 15.3 (19.8) million. The total solvency requirement was hence EUR 46.8 (49.3) 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	30 June 2020	31 Dec. 2019
<b>EUR thousand</b>		
<b>Shareholders' equity of the Taaleri Group</b>	<b>119,152</b>	<b>125,729</b>
Goodwill and other intangible assets	-6,877	-6,533
Non-controlling interests	964	182
Planned distribution of profit	-4,536	-9,072
Deduction of financing sector's H1 profit	-1,455	-
Tier 2 Capital	14,832	14,825
<b>Conglomerate's own funds, total</b>	<b>122,077</b>	<b>125,130</b>
Financing business' requirement for own funds	13,348	11,014
Insurance business' requirement for own funds	46,790	49,307
<b>Minimum amount of own funds of the conglomerate, total</b>	<b>60,137</b>	<b>60,321</b>
<b>Conglomerate's capital adequacy</b>	<b>61,939</b>	<b>64,809</b>
<b>Conglomerate's capital adequacy ratio</b>	<b>203.0%</b>	<b>207.4%</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 and operational 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 4 June 2020 decided to prolong the permission to leave the insurance company holdings undeducted from the common equity Tier 1 capital (CET1) given to Taaleri Plc, pursuant to Article 49 (1) of the EU Capital Requirements Regulation (EU) 575/2013 (CRR), until 25 June 2021. The previous fixed term permit was valid until 31 December 2020 and was granted to Taaleri Plc 31 January 2019. The permission granted by the Finnish Financial Supervision Authority on 31 January 2019 was related to the reform of the capital requirements framework for investment firms that was pending in the European Union at that time and the understanding of the date of application of that new framework. The new framework was originally scheduled to come into effect on 31 December 2020, but the date has since been confirmed to 26 June 2021.

With the permission Garantia's acquisition expense of EUR 60.4 million can be left undeducted from the consolidated common equity Tier 1 capital of the investment services firm. 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 18.7 million and equity EUR 33.3 million on 30 June 2020.

Taaleri's financing sector's Common Equity Tier 1 with the CRR-49 permission was EUR 72.0 (31 Dec. 2019: 70.9) million and equity EUR 86.8 (85.7) million, without the profit for the period under review. The risk-weighted commitments were EUR 254.3 (242.6) million, of which the share of credit risk was EUR 168.0 (156.4) million and the share of operational risk EUR 86.3 (86.2) million according to the standardized approach. The Financing sector's capital adequacy ratio was 34.2 (35.3) per cent.

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

**30 June 2020**

**31 Dec. 2019**

	30 June 2020	31 Dec. 2019
<b>Common Equity Tier 1 before deductions</b>	<b>82,352</b>	<b>81,228</b>
<b>Deductions from the Common Equity Tier 1</b>		
Goodwill and intangible assets	-6,530	-6,184
Non-controlling interests	964	182
Unpaid dividend from previous year	-4,536	-
Profit of the review period	-246	-4,330
<b>Common Equity Tier 1 (CET1)</b>	<b>72,004</b>	<b>70,896</b>
Additional Tier 1 before deductions	-	-
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>72,004</b>	<b>70,896</b>
Tier 2 capital before deductions	14,832	14,825

Deductions from the Tier 2 capital	-	-
Tier 2 capital (T2)	14,832	14,825
<b>Total capital (TC = T1 + T2)</b>	<b>86,836</b>	<b>85,720</b>
<b>Total risk-weighted commitments (total risk)</b>	<b>254,263</b>	<b>242,584</b>
- of which the share of credit risk	167,976	156,380
- of which insurance company holdings	60,350	60,350
- of which the share of operational risk	86,287	86,204
- of which the share of other risks	-	-
Common Equity Tier 1 (CET1) in relation to the amount of total risk (%)	28.3%	29.2%
Tier 1 capital (T1) in relation to the amount of total risk (%)	28.3%	29.2%
Total capital (TC) in relation to the amount of total risk (%)	34.2%	35.3%

### 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 June 2020 were EUR 107.8 (31 Dec. 2019: 112.7) million. The solvency capital requirement including the capital add-on was EUR 46.4 (48.6). Solvency ratio, or the ratio of basic own funds to the solvency capital requirement, including the capital add-on was 232.4 (231.8) per cent.

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.

The Financial Supervisory Authority, through a decision made on 29 May 2020, reset the capital add-on imposed on Garantia Insurance Company Ltd. at EUR 15.3 (19.8) million. The new capital add-on has been applied from 30 June 2020 onwards. The main reason behind the reduction of the capital add-on was a change in calculation principles. The Financial Supervisory Authority for the first time utilised Garantia's own economic capital model while determining the amount of the capital add-on. Garantia's solvency capital requirement has included a capital add-on since 30 June 2018. The Financial Supervisory Authority reassesses the capital add-on at least annually.

On 23 March 2020, Garantia published its Solvency and Financial Condition Report for 2019. The Financial Supervisory Authority has subsequently informed insurance companies, that it considers the COVID-19 pandemic as a remarkable alteration as decreed by paragraph 2 of Section 8a of the Insurance Companies' Act, requiring that the effects of the crisis be included in the report. Garantia published an amendment to the Solvency and Financial Condition Report on 13 August 2020. The original report and the amendment are available on the company's website [www.garantia.fi](http://www.garantia.fi).

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 38 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-June 2020 review period, Taaleri's largest single customer risk was 21.2 (31 Dec.

2019: 21.2) 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 in the regulation.

## OUTLOOK

### COVID-19 pandemic

Taaleri reacted to Finnish Government's recommendations regarding COVID-19 pandemic measures and most of Taaleri's personnel was working remotely already in early March. Taaleri has prepared a plan to start normal operations at the offices in August if the situation of the epidemic allows it. Work related travel to foreign countries is restricted and no travelling is allowed to countries or areas that are not approved for travel by authorities.

### 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 negative effects of the COVID-19 pandemic on the development of the Finnish and the world economy are exceptionally challenging and this will directly and indirectly affect Taaleri's business. The new EU-level solvency regulation for investment firms will enter into force on 26 June 2021, and the preparation of lower-level regulations of the regulation package is still in progress. Therefore, it is not yet possible to assess the full impact of the new regulation on Taaleri and its business.

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 Insurance 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 targets are

- Continuing earnings growth at least 15 percent,
- Operating profit at least 20 per cent of income,
- Return-on-equity target at least 15 per cent and
- Equity ratio target 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.

**DIVIDEND PAYMENT FOR YEAR 2019**

The Annual General Meeting 2020 decided to pay a dividend of EUR 0.16 per share for the financial year that ended 31 December 2019. The record date for the dividend was 20 May 2020 and the dividend payment date was 28 May 2020. In addition, the General Meeting authorised the Board of Directors to at a later date decide on a payment of a maximum dividend of EUR 0.16 per share for the financial year 2019 with a payment at one or more occasions. The authorisation is in force until the Annual General Meeting 2021.

Helsinki, 13 August 2020

Taaleri Plc

Board of Directors

## KEY FIGURES

GROUP	1-6/2020	1-6/2019	1-12/2019
Income, EUR 1 000	26 337	30 862	67 208
Operating profit (-loss), EUR 1 000	2 795	6 365	16 458
- as percentage of turnover	10,6 %	20,6 %	24,5 %
Net profit for the period, EUR 1 000	1 443	4 836	11 479
- as percentage of turnover	5,5 %	15,7 %	17,1 %
Basic earnings per share, EUR	0,04	0,18	0,39
Diluted earnings per share, EUR	0,04	0,18	0,38
Return on equity % (ROE) <sup>1)</sup>	2,4 %	8,0 %	9,3 %
Return on equity at fair value % (ROE) <sup>1)</sup>	-2,3 %	11,0 %	10,6 %
Return on assets % (ROA) <sup>1)</sup>	1,1 %	4,0 %	4,5 %
Cost/income ratio	89,1 %	79,5 %	74,7 %
Cost/income ratio excluding investment operations	73,1 %	103,3 %	83,7 %
Price/earnings (P/E) <sup>1)</sup>	77,1	19,8	21,5
Number of full-time employees, avg	188	185	186

1) Annualised.



GROUP	1-6/2020	1-6/2019	1-12/2019
Equity ratio -%	46,0 %	48,9 %	46,6 %
Net gearing -%	35,5 %	39,1 %	37,6 %
Equity/share, EUR	4,24	4,22	4,45
Dividend/share, EUR	-	-	0,32 <sup>2)</sup>
Dividend/earnings, %	-	-	81,8 %
Effective dividend yield, %	-	-	3,8 %
Loan receivables, EUR 1,000	8 461	7 807	8 294
Conglomerate's capital adequacy ratio, %	203,0 %	194,6 %	207,4 %
Financing sector capital adequacy ratio, %	34,2 %	29,1 %	35,3 %
Number of shares at the end of period <sup>1)</sup>	28 305 620	28 305 620	28 305 620
Average number of shares <sup>1)</sup>	28 305 620	28 305 620	28 305 620
Share average price, EUR	7,50	7,38	7,37
- highest price, EUR	9,76	8,00	8,64
- lowest price, EUR	5,82	6,80	6,66
- closing price, EUR	6,72	7,00	8,42
Market capitalization, EUR 1,000 <sup>1)</sup>	190 214	198 139	238 333
Shares traded, thousands	1 848	890	3 020
Shares traded, %	7 %	3 %	11 %

1) Reduced by own shares acquired.

2) Paid 0.16 EUR per share and Board of Directors has an authorization to decide on a payment of 0.16 EUR per share by the next Annual General Meeting.

## 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	1-6/2020	1-6/2019	1-12/2019
<b>Net income from insurance</b>	<b>6 910</b>	<b>5 461</b>	<b>12 045</b>
Earned premiums, net	7 093	6 757	13 406
Claims incurred, net	-183	-1 296	-1 361
<b>Other income</b>	<b>24</b>	<b>4</b>	<b>14</b>
<b>Net income from investment operations</b>	<b>-3 371</b>	<b>4 964</b>	<b>9 208</b>
<b>Operating expenses</b>	<b>-1 911</b>	<b>-3 232</b>	<b>-6 393</b>
<b>Allocation of financing expenses</b>	<b>-899</b>	<b>-1 081</b>	<b>-2 163</b>
<b>Operating profit before valuations</b>	<b>753</b>	<b>6 116</b>	<b>12 712</b>
<b>Change in fair value of investments</b>	<b>-3 124</b>	<b>2 006</b>	<b>1 837</b>
<b>Profit before taxes and non-controlling interests</b>	<b>-2 370</b>	<b>8 122</b>	<b>14 549</b>
Combined ratio, %	27,7 %	64,2 %	55,1 %
Claims ratio, %	4,4 %	21,1 %	12,1 %
Expense ratio %	23,3 %	43,1 %	43,0 %
Return on investments at fair value, %	-4,5 %	5,3 %	8,1 %
Solvency ratio (S2), % <sup>1)</sup>	232,4 %	225 %	231,8 %
Insurance exposure, EUR billion	1,85	1,65	1,84
Number of employees, avg	22	26	25

1) The Solvency II figures do not fall within the sphere of statutory auditing under the Insurance Companies Act that entered into force on 1 January 2016. The Solvency II -figures have not been audited.

## KEY FIGURES ACCOUNTING PRINCIPLES

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

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

### Alternative performance measures

The Alternative Performance Measures (APMs) are presented to illustrate the financial performance of business operations and to improve comparability between reporting periods. They should not be considered to be replacements for the performance measures defined in IFRS -standards.

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

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, % 
$$\frac{\text{Fee and commission expense} + \text{interest expense} + \text{administrative expenses} + \dots}{\text{Total income} + \text{share of associates' profit or loss}}$$

Cost/income ratio, % excluding investment operations 
$$\frac{\text{Fee and commission expense} + \text{interest expense} + \text{administrative expenses} + \text{depreciation} + \text{other operating expenses}}{\text{Fee and commission income} + \text{net income from guaranty insurance operations operations} + \text{interest income} + \text{other operating income}}$$

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	1/1-30/6/2020	1/1-30/6/2019
Fee and commission income	2	22 980	17 610
Net income from insurance	3	3 539	10 425
From guaranty insurance operations		6 910	5 461
From investment operations		-3 371	4 964
Net gains or net losses on trading in securities and foreign currencies	4	483	-597
Income from equity investments	5	-2 648	2 767
Interest income	6	778	391
Other operating income	7	1 205	265
<b>TOTAL INCOME</b>		<b>26 337</b>	<b>30 862</b>
Fee and commission expense		-2 613	-2 235
Interest expense		-1 741	-1 539
Administrative expenses			
Personnel costs		-10 499	-12 317
Other administrative expenses		-4 332	-4 739
Depreciation, amortisation and impairment of tangible and intangible assets		-1 226	-1 301
Other operating expenses		-2 903	-2 385
Expected credit losses from financial assets measured at amortised cost	12	-65	26
Share of associates' profit or loss		-163	-7
<b>OPERATING PROFIT</b>		<b>2 795</b>	<b>6 365</b>
Income tax expense		-1 352	-1 529
<b>PROFIT FOR THE PERIOD</b>		<b>1 443</b>	<b>4 836</b>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	1/1-30/6/2020	1/1-30/6/2019
<b>Profit for the period</b>	1 443	4 836
<b>Items that may be reclassified to profit or loss</b>		
Translation differences	-266	200
Changes in the fair value reserve	-3 124	2 006
Income tax	513	-401
<b>Items that may be reclassified to profit or loss in total</b>	<b>-2 877</b>	<b>1 805</b>
<b>Items that may not be reclassified to profit or loss</b>		
Changes in the fair value reserve	35	4
Income tax	-8	-2
<b>Items that may not be reclassified to profit or loss in total</b>	<b>27</b>	<b>2</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-1 406</b>	<b>6 643</b>

<b>Profit for the period attributable to:</b>		
Owners of the parent company	1 233	5 003
Non-controlling interests	210	-167
<b>Total</b>	<b>1 443</b>	<b>4 836</b>

<b>Total comprehensive income for the period attributable to:</b>		
Owners of the parent company	-1 617	6 810
Non-controlling interests	210	-167
<b>Total</b>	<b>-1 406</b>	<b>6 643</b>

Earnings per share for profit attributable	1/1-30/6/2020	1/1-30/6/2019
Basic earnings per share, profit for the period	0,04	0,18
Diluted earnings per share, profit for the period	0,04	0,18

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>30.6.2020</b>	<b>31.12.2019</b>
Receivables from credit institutions	8, 9	33 341	29 102
Receivables from the public and general government	8, 9	8 461	8 294
Debt securities	8, 9	1 498	1 498
Shares and units	8, 9	22 412	9 232
Assets classified as held for sale	10	4 803	7 666
Participating interests	8, 9, 17	8 886	6 423
Insurance assets	8, 9	142 161	153 325
Insurance assets		7 477	4 663
Investments		134 683	148 662
Intangible assets		6 877	6 531
Goodwill		5 097	5 097
Other intangible assets		1 781	1 434
Tangible assets	11	3 641	4 435
Owner-occupied properties		3 017	3 622
Other tangible assets		624	812
Other assets		14 821	18 110
Accrued income and prepayments		9 676	22 851
Deferred tax assets		2 568	2 233
		<b>259 145</b>	<b>269 700</b>

<b>Liabilities, EUR 1 000</b>	<b>Note</b>	<b>30.6.2020</b>	<b>31.12.2019</b>
<b>LIABILITIES</b>		<b>139 993</b>	<b>143 971</b>
Liabilities to credit institutions	8, 9	25 917	25 929
Debt securities issued to the public	8, 9, 13	34 921	34 875
Insurance liabilities		31 652	32 303
Other liabilities		6 208	6 509
Accrued expenses and deferred income		11 649	13 940
Subordinated debt		14 832	14 825
Deferred tax liabilities		14 814	15 591
<b>EQUITY CAPITAL</b>	15	<b>119 152</b>	<b>125 729</b>
Share capital		125	125
Reserve for invested non-restricted equity		35 814	35 814
Fair value reserve		-3 519	-935
Translation difference		-30	236
Retained earnings or loss		86 493	79 592
Profit or loss for the period		1 233	11 078
Non-controlling interest		-964	-182
		<b>259 145</b>	<b>269 700</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**

<b>EUR 1,000</b>	<b>1/1-30/6/2020</b>	<b>1/1-30/6/2019</b>
Cash flow from operating activities:		
Operating profit (loss)	2 795	6 365
Depreciation	1 226	1 301
Other adjustments		
Changes in fair value of investments		
- at fair value through profit or loss	7 957	-2 947
- at fair value through other comprehensive income	2 611	-1 605
Other adjustments	-616	236
Cash flow before change in working capital	13 972	3 350
Change in working capital		
Increase (-)/decrease (+) in loan receivables	-96	1 564
Increase (-)/decrease (+) in current interest-free receivables	3 557	-8 066
Increase (+)/decrease (-) in current interest-free liabilities	-2 928	3 503
Cash flow from operating activities before financial items and taxes	14 504	350
Direct taxes paid (-)	-1 225	-2 654
<b>Cash flow from operating activities (A)</b>	<b>13 279</b>	<b>-2 304</b>
Cash flow from investing activities:		
Investments in tangible and intangible assets	-778	-526
Investments in subsidiaries and associated companies net of cash acquired	-2 625	-564
Other investments	-584	-1 737
<b>Cash flow from investing activities (B)</b>	<b>-3 988</b>	<b>-2 826</b>
Cash flow from financing activities:		
Changes in synthetic options	483	359
Increase in non-current liabilities	20 000	-
Decrease in non-current liabilities	-20 000	-500
Dividends paid and other distribution of profit		
To parent company shareholders	-4 529	-8 492
To non-controlling shareholders	-1 007	-514
<b>Cash flow from financing activities (C)</b>	<b>-5 052</b>	<b>-9 146</b>
Increase/decrease in cash and cash equivalents (A+B+C)	4 239	-14 276
Cash and cash equivalents at beginning of period	29 102	26 133
Cash and cash equivalents at end of period	33 341	11 857
Net change in cash and cash equivalents	4 239	-14 276

**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>1/1-30/6/2020, EUR 1,000</b>								
<b>31.12.2019</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>
Total comprehensive income for the financial period	-	-2 583	-	-266	1 233	-1 617	210	-1 406
Earnings for the period	-	-	-	-	1 233	1 233	210	1 443
Other comprehensive income items	-	-2 583	-	-266	-	-2 850	-	-2 850
Distribution of profit	-	-	-	-	-4 529	-4 529	-1 007	-5 536
Dividend EUR 0.16/share	-	-	-	-	-4 529	-4 529	-	-4 529
Distribution of profit for subgroup	-	-	-	-	-	-	-1 007	-1 007
Share-based payments payable as equity	-	-	-	-	483	483	-	483
Other	-	-	-	-	-132	-132	14	-118
<b>30.6.2020</b>	<b>125</b>	<b>-3 519</b>	<b>35 814</b>	<b>-30</b>	<b>87 726</b>	<b>120 116</b>	<b>-964</b>	<b>119 152</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>1/1-30/6/2019, EUR 1,000</b>								
<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>
Total comprehensive income for the financial period	-	1 607	-	200	5 003	6 810	-167	6 643
Earnings for the period	-	-	-	-	5 003	5 003	-167	4 836
Other comprehensive income items	-	1 607	-	200	-	1 807	-	1 807
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	-	-	-	-	359	359	-	359
Shares sold to non-controlling interests	-	-	-	-	73	73	-1 720	-1 646
<b>30.6.2019</b>	<b>125</b>	<b>-807</b>	<b>35 814</b>	<b>222</b>	<b>84 117</b>	<b>119 471</b>	<b>-739</b>	<b>118 732</b>



SEGMENT INFORMATION - EARNINGS

1 January–30 June 2020, EUR 1,000	Continuing operations				TOTAL
	WEALTH MANAGEMENT	INSURANCE	ENERGY	OTHER	
Continuing earnings	17 166	6 934	4 179	748	29 027
Performance fees	2 204	-	-	-	2 204
Investment operations	838	-3 371	-	-2 523	-5 056
<b>Total income</b>	<b>20 208</b>	<b>3 563</b>	<b>4 179</b>	<b>-1 775</b>	<b>26 175</b>
Fee and commission expense	-2 285	-	-243	-85	-2 613
Interest expense	-22	-	-1	-1 642	-1 665
Personnel costs	-6 123	-1 000	-1 713	-1 664	-10 499
Direct expenses	-4 153	-761	-1 118	-1 955	-7 987
Depreciation, amortisation and impairment	-472	-21	-21	-18	-531
Impairment losses on loans and other receivables	5	-	-	-71	-65
<b>Operating profit before overhead costs</b>	<b>7 159</b>	<b>1 782</b>	<b>1 082</b>	<b>-7 210</b>	<b>2 813</b>
Overhead costs	-843	-130	-194	1 167	-
Allocation of financing expenses	-	-899	-789	1 688	-
<b>Operating profit before valuations</b>	<b>6 316</b>	<b>753</b>	<b>99</b>	<b>-4 355</b>	<b>2 813</b>
Change in fair value of investments	35	-3 124	-	-	-3 089
<b>Profit before taxes and non-controlling interests</b>	<b>6 351</b>	<b>-2 370</b>	<b>99</b>	<b>-4 355</b>	<b>-275</b>

1 January–30 June 2019, EUR 1,000	Continuing operations				TOTAL
	WEALTH MANAGEMENT	INSURANCE	ENERGY	OTHER	
Continuing earnings	17 140	5 465	1 406	538	24 549
Performance fees	-459	-	-	-	-459
Investment operations	541	4 964	-	1 260	6 765
<b>Total income</b>	<b>17 222</b>	<b>10 429</b>	<b>1 406</b>	<b>1 798</b>	<b>30 855</b>
Fee and commission expense	-2 165	-	-49	-21	-2 235
Interest expense	-12	-	-	-1 425	-1 437
Personnel costs	-7 213	-2 174	-1 195	-1 734	-12 317
Direct expenses	-4 086	-848	-1 056	-1 918	-7 907
Depreciation, amortisation and impairment	-505	-18	-19	-31	-573
Impairment losses on loans and other receivables	18	-	-	7	26
<b>Operating profit before overhead costs</b>	<b>3 258</b>	<b>7 389</b>	<b>-912</b>	<b>-3 324</b>	<b>6 412</b>
Overhead costs	-1 227	-191	-234	1 652	-
Allocation of financing expenses	-	-1 081	-491	1 572	-
<b>Operating profit before valuations</b>	<b>2 032</b>	<b>6 116</b>	<b>-1 637</b>	<b>-99</b>	<b>6 412</b>
Change in fair value of investments	4	2 006	-	-	2 010
<b>Profit before taxes and non-controlling interests</b>	<b>2 036</b>	<b>8 122</b>	<b>-1 637</b>	<b>-99</b>	<b>8 422</b>

Reconciliations

Reconciliation of total income	1/1-30/6/2020	1/1-30/6/2019
Total income of segments	26 175	30 855
Share of associates' profit or loss allocated to total income of segments	163	7
<b>Consolidated total income</b>	<b>26 337</b>	<b>30 862</b>
Reconciliation of operating profit	1/1-30/6/2020	1.1.-30.6.2019
Total earnings of segments before taxes and non-controlling interests	-275	8 422
Change in fair value of investments	3 089	-2 010
IFRS 16 Leases <sup>1)</sup>	-18	-47
<b>Consolidated operating profit</b>	<b>2 795</b>	<b>6 365</b>

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

## NOTES TO THE HALF YEAR FINANCIAL REPORT 30 JUNE 2020

1	Accounting policies	34
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1 ACCOUNTING POLICIES

The half year financial report has been prepared in accordance with IAS 34 and with the accounting principles presented in the financial statements 2019, with exception of the amended IFRS standards mandatory as of 1 January 2020. The adoption of the amended standards and interpretations have no material impact on the reported results or financial position.

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

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

2 FEE AND COMMISSION INCOME

1/1-30/6/2020, EUR 1,000	WEALTH MANAGEMENT	INSURANCE	ENERGY	OTHER	TOTAL
Wealth management fees and commissions	16 561	-	4 132	83	20 776
Performance fees	2 204	-	-	-	2 204
<b>Total</b>	<b>18 765</b>	<b>-</b>	<b>4 132</b>	<b>83</b>	<b>22 980</b>

  

1/1-30/6/2019, EUR 1,000	WEALTH MANAGEMENT	INSURANCE	ENERGY	OTHER	TOTAL
Wealth management fees and commissions	16 669	-	1 386	14	18 069
Performance fees	-459	-	-	-	-459
<b>Total</b>	<b>16 210</b>	<b>-</b>	<b>1 386</b>	<b>14</b>	<b>17 610</b>

3 NET INCOME FROM INSURANCE

EUR 1,000	1/1-30/6/2020	1/1-30/6/2019
<b>Earned premiums, net</b>		
Premiums written	7 864	7 917
Reinsurers' share	-179	-470
Change in provision for unearned premiums	-341	-929
Reinsurers' share	-251	238
<b>Total</b>	<b>7 093</b>	<b>6 757</b>
<b>Claims incurred, net</b>		
Claims paid	-959	149
Reinsurers' share	517	10
Change in provision for outstanding claims	503	-3 632
Reinsurers' share	-245	2 177
<b>Total</b>	<b>-183</b>	<b>-1 296</b>
<b>Net income from investment operations</b>		
Financial assets at fair value through other comprehensive income (Available for sale)	1 318	590
Interest income	1 245	663
From dividends	-	-
Profit or loss from sales	54	-10
Others	19	-63
- of which change in expected credit loss	19	-63
Financial assets at fair value through profit or loss	-4 689	4 374
<b>Total</b>	<b>-3 371</b>	<b>4 964</b>
<b>Net income from insurance, total</b>	<b>3 539</b>	<b>10 425</b>

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

	1/1- 30/6/2020	1/1- 30/6/2019
<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	480	-1 028
<b>Total</b>	<b>480</b>	<b>-1 028</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	480	-1 028
Sales profit and loss	72	115
Changes in fair value	408	-1 143
Net gains or net losses on trading in securities, total	480	-1 028
Net gains or net losses on trading in foreign currencies	3	432
<b>Total</b>	<b>483</b>	<b>-597</b>

5 INCOME FROM EQUITY INVESTMENTS

	1/1- 30/6/2020	1/1- 30/6/2019
<b>EUR 1,000</b>		
From financial assets recognised at fair value in profit or loss	71	931
Dividend income	71	73
Profit or loss from divestments	-	859
From assets classified as held for sale	-2 863	1 272
Dividend income	-	74
Changes in fair value	-2 863	1 198
From associated companies	-	508
Profit or loss from divestments	-	508
From group companies	144	57
Profit or loss from divestments	144	57
<b>Total</b>	<b>-2 648</b>	<b>2 767</b>

6 INTEREST INCOME

	1/1- 30/6/2020	1/1- 30/6/2019
<b>EUR 1,000</b>		
Interest income from other loans and receivables		
From receivables from the public and general government	725	370
From Debt securities	43	8
Other interest income	10	14
<b>Total</b>	<b>778</b>	<b>391</b>

7 OTHER OPERATING INCOME

	1/1- 30/6/2020	1/1- 30/6/2019
<b>EUR 1,000</b>		
Rental income	3	4
Project sales	-	-
Other income	1 202	261
<b>Total</b>	<b>1 205</b>	<b>265</b>

8 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities 30 June 2020, 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>	33 341	-	-	-	-	33 341	33 341
Receivables from the public and general government	3 132	-	-	-	5 329	8 461	9 839
Debt securities	1 498	-	-	-	-	1 498	1 687
Shares and units	-	507	-	21 404	501	22 412	22 412
Insurance assets	-	-	77 459	45 614	11 610	134 683	134 683
Other financial assets	-	-	-	-	-	18 000	-
<b>Financial assets total</b>	<b>37 972</b>	<b>507</b>	<b>77 459</b>	<b>67 018</b>	<b>17 440</b>	<b>218 396</b>	
Participating interests						8 886	
Other than financial assets						31 863	
<b>Assets in total 30 June 2020</b>						<b>259 145</b>	

  

Financial liabilities	At fair value through profit or loss	Other liabilities	Total	Fair value
Liabilities to credit institutions		25 917	25 917	26 747
Debt securities issued to the public <sup>2)</sup>		34 921	34 921	36 023
Subordinated debt		14 832	14 832	15 529
Other financial liabilities		16 129	16 129	
<b>Financial liabilities total</b>		<b>91 800</b>	<b>91 800</b>	
Other than financial liabilities			48 193	
<b>Liabilities in total 30 June 2020</b>			<b>139 993</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 30 June 2020 the fair value of non-strategic investments was 507 (31 Dec. 2019 496) thousand euros, of which none paid dividends in 2020 or 2019. No non-strategic investments were derecognised in 2020 or 2019.

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	Total	Fair value
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>	

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 Dec. 2019 the fair value of non-strategic investments was 496 thousand euros, of which none paid dividends in 2019. No non-strategic investments were derecognised in 2019.

9 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Fair value of assets 30 June 2020, EUR 1 000	Level 1	Level 2	Level 3	Fair value
				total
Receivables from credit institutions	-	33 341	-	33 341
Receivables from the public and general government	-	9 050	789	9 839
Debt securities	-	1 687	-	1 687
Shares and units	533	-	21 880	22 412
Insurance assets	129 933	-	4 750	134 683
<b>Total</b>	<b>130 466</b>	<b>44 078</b>	<b>27 418</b>	<b>201 963</b>

Fair value of liabilities 30 June 2020, EUR 1 000	Level 1	Level 2	Level 3	Fair value
				total
Liabilities to credit institutions	-	26 747	-	26 747
Debt securities issued to the public	-	36 023	-	36 023
Subordinated debt	-	15 529	-	15 529
<b>Total</b>	<b>-</b>	<b>78 299</b>	<b>-</b>	<b>78 299</b>

Fair value of assets 31 December 2019, EUR 1 000	Level 1	Level 2	Level 3	Fair value
				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	Level 1	Level 2	Level 3	Fair value
				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 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.

	1/1- 30/6/2020	1/1- 31/12/2019
<b>Reconciliation of assets categorised within level 3, EUR 1 000</b>		
Fair value January 1	13 907	10 961
Purchases	3 164	14 376
Sales and deductions	-337	-10 073
Change in fair value - income statement	259	-1 361
Change in fair value - comprehensive income statement	27	4
Reclassifications from subsidiaries to assets	10 397	-
<b>Fair value at end of period</b>	<b>27 418</b>	<b>13 907</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>		
	1/1- 30/6/2020	1/1- 31/12/2019
Net income from insurance	-181	32
Net gains or net losses on trading in securities and foreign currencies	440	-1 394
<b>Total</b>	<b>259</b>	<b>-1 361</b>

## 10 ASSETS CLASSIFIED AS HELD FOR SALE

<b>Assets classified as held for sale, EUR 1,000</b>	<b>30.6.2020</b>	<b>31.12.2019</b>
Investments in associates	4 803	7 666
<b>Yhteensä</b>	<b>4 803</b>	<b>7 666</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>30.6.2020</b>	<b>31.12.2019</b>
Other tangible assets	3 641	4 435
<b>Total</b>	<b>3 641</b>	<b>4 435</b>
	1/1- 30/6/2020	1/1- 31/12/2019
Acquisition cost 31 December	8 008	2 581
Increase due to adoption of IFRS 16	-	5 323
Acquisition cost January 1	8 008	7 904
Additions	2	104
Acquisition cost at end of period	8 010	8 008
Accrued depreciation, amortisation and impairment January 1	3 573	1 888
Depreciation in the financial period	796	1 685
Accrued depreciation, amortisation and impairment at end of period	4 369	3 573
Book value on January 1	4 435	692
<b>Book value at end of period</b>	<b>3 641</b>	<b>4 435</b>



12 IMPAIRMENT LOSSES ON RECEIVABLES

EUR 1,000	Amortised cost	At fair value through other comprehensive income <sup>1)</sup>	Total
ECL 1/1/2020	665	434	1 099
Additions due to purchases	27	-	27
Deductions due to derecognitions	44	-19	25
Changes in risk parameters	-	-	-
<b>Recognised in profit or loss</b>	<b>71</b>	<b>-19</b>	<b>52</b>
<b>ECL 30/6/2020</b>	<b>735</b>	<b>415</b>	<b>1 151</b>

EUR 1,000	Amortised cost	At fair value through other comprehensive income <sup>1)</sup>	Total
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>

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

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

EUR 1,000	1/1-30/6/2020	1/1-31/12/2019
Received payments related to loans that have been written-off	5	68
Change in ECL	-71	-626
<b>Expected credit losses from financial assets measured at amortised cost recognised in profit or loss</b>	<b>-65</b>	<b>-626</b>

13 DEBT SECURITIES ISSUED TO THE PUBLIC

EUR 1 000	30.6.2020	31.12.2019
Publicly issued bonds	34 921	34 875
<b>Total</b>	<b>34 921</b>	<b>34 875</b>

Taaleri Plc has issued one bond in 2016 and the bond is listed on the Nasdaq HEL Corporate Bond market.

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

EUR 1,000	30.6.2020	31.12.2019
Tier 2 bond	14 832	14 825
<b>Total</b>	<b>14 832</b>	<b>14 825</b>

On 18 October 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 30 June 2020 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 1/1-30/6/2020

During the first half of 2020 Taaleri divested its holding in wind farm project located in Texas, USA, by reducing its holding in TGE Taaleri LLC and its subsidiary TG East Wind Project LLC to seven (100.0) per cent.

Additionally, during the first half of 2020, there were established and merged some management - and project companies under Taaleri Pääomarahastot, Taaleri Sijoitus and Taaleri Energia.

Changes in subsidiary shareholdings 1/1-31/12/2019

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.

Effects on the equity attributable to owners of the parent of any changes in its ownership interest in a subsidiary that do not result in a loss of control, EUR 1 000	1/1-30/6/2020	1/1-31/12/2019
From an addition to the share owned in subsidiaries	-	-
From a reduction in the share owned in subsidiaries, without loss of control	-	80
<b>Net effect on equity</b>	<b>-</b>	<b>80</b>

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

17 INVESTMENTS IN ASSOCIATED COMPANIES

**Changes in associated companies shareholdings 1/1-30/6/2020**

On 30 June 2020 the group had nine associated companies; Fellow Finance Plc, Hernesaaren Kehitys Oy, Munkkiniemi Group Oy, Taaleri Datacenter Ky, Fintoil Oy, Taaleri SolarWind II SPV, Turun Toriparkki Oy, Masdar Taaleri Generation and Sepos Oy. 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 163 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 Taaleri acquired a 30 percent share in Sepos Oy after which it is consolidated as associated company.

**Changes in associated companies shareholdings 1/1-31/12/2019**

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.

18 CONDITIONAL LIABILITIES AND CONTINGENT LIABILITIES

<b>Commitments not recognised as liabilities, EUR 1,000</b>	<b>30.6.2020</b>	<b>31.12.2019</b>
Total gross exposures of guaranty insurance	1 847 013	1 837 468
Guarantees	2 000	2 000
Investment commitments	5 055	8 200
Pledged securities	10 000	10 000
Credit limits (unused)	10 000	10 000
<b>Total</b>	<b>1 874 068</b>	<b>1 867 668</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 30 June 2020 board members during the financial period Peter Fagernäs and Juhani Elomaa are among the 10 largest shareholders of the company through the companies they own. The board membership of Peter Fagernäs ended May 18<sup>th</sup> 2020. The company's Deputy CEO Karri Haaparinne was also amongst the company's 10 largest shareholders on 30 June 2020.

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

<b>1/1-30/6/2020</b>	<b>Sales</b>	<b>Purchases</b>	<b>Receivables</b>	<b>Liabilities</b>
Associated companies	420	-	6 357	-
Other related parties	71	-	796	-
<b>1/1-30/6/2019</b>	<b>Sales</b>	<b>Purchases</b>	<b>Receivables</b>	<b>Liabilities</b>
Associated companies	562	-	7 762	-
Other related parties	95	-	4 691	-

## 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, Insurance, and Energy. In addition, the Group makes investments from its own balance sheet.

At the end of June 2020, Taaleri had assets under management totaling EUR 7.1 billion and 5,700 wealth management customers. Taaleri Plc has some 5,200 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)