TAALERI PLC
FINANCIAL STATEMENTS BULLETIN
2017

TAALERI

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- The Group's income grew by 33.7 per cent to EUR 81.0 million (1–12/2016: EUR 60.6 million)
- The Group's assets under management grew by 16.3 percent to EUR 5.6 (4.8) billion.
- The Group's operating profit increased by 69.0 per cent to EUR 27.6 (16.3) million.
- Earnings per share were EUR 0.76 (0.45).
- The Board of Directors proposes a dividend of EUR 0.26 (0.22) per share to be distributed.

TAALERI GROUP 1 JULY–31 DECEMBER 2017

- The Group's income grew by 57.1 per cent to EUR 42.3 million (7-12/2016: EUR 26.9 million)
- The Group's assets under management grew by 10.6 percent to EUR 5.6 billion (30 June 2017: 5.3).
- The Group's operating profit was EUR 12.0 million (4.6).
- Earnings per share were EUR 0.32 (0.12).

The Group's realised financial objectives	2017	2016	H2 2017	H2 2016	Objective
Operating profit, EUR million	27.6	16.3	12.0	4.6	-
Operating profit, %	34.1	27.0	28.4	17.1	> 20.0
Profit for the financial period, EUR million	21.8	12.8	9.3	3.6	-
Return on equity, %	21.8	13.4	18.2*	7.9*	> 15.0**
Equity ratio, %	46.3	44.0	46.3	44.0	> 30.0
Conglomerate's capital adequacy ratio, %	251.2	268.9	251.2	268.9	> 150.0
Financial targets of segments					
Growth in assets under management, %	16.5	23.1	10.7*	28.0*	> 15.0
Growth in gross premiums written, %	24.7	21.9	16.8	21.6	> 15.0

* annualised
** long term objective

BUSINESS DURING THE FINANCIAL YEAR

The income of the **Wealth Management segment** grew by 47.3 per cent to EUR 54.6 (37.1) million. The operating profit of Wealth Management grew by over ten million euros to EUR 16.6 (6.2) million, representing 30 (17) per cent of income. Wealth Management continued to invest in business growth and succeeded in raising more capital through various private equity fund projects and thanks to the success of investment operations. The number of customers increased during 2017 to a total of 4,400 (3,900), and assets under management by 17 (23) percent to EUR 5.5 (4.7) billion.

The insurance premium income of the **Financing segment** grew by 24.7 percent to EUR 15.2 (12.2) million. The income grew significantly to EUR 21.8 (12.3) million, consisting of net income from guaranty insurance operations of EUR 9.8 (8.7) million and realised net income from investment operations of EUR 11.9 (3.6) million. The return on investment at fair value was 6.6 (5.8) per cent. Garantia's insurance portfolio grew by 13 percent and was EUR 1.5 (1.3) billion at the end of 2017. Claims incurred remained low.

The Energy segment was established in summer 2016. Energy operates in international energy infrastructure markets seeking new investment opportunities. Over the year, Energy successfully launched the international Aurinkotuuli Fund. The Aurinkotuuli Fund raised over EUR 87 million capital and, at the end of the year, was able to make the first international investments in renewable energy. The Energy segment's result was a loss of EUR 1.5 million due to the start-up of business.

Other operations consist of Taaleri Plc, Taaleri Investments Ltd Group and associated companies Fellow Finance Plc, Inderes Oy and Ficolo Oy. During the first half of 2017, Taaleri Investments Ltd made an exit from its co-investment in Mattiovi Oy and decided on co-investments in geothermal energy and a data centre.

REVIEW BY THE CEO: PROFIT FOR THE FINANCIAL PERIOD GREW BY 70.6% AND EARNINGS PER SHARE WAS EUR 0.76

Taaleri's 2017 result was excellent. We succeeded in increasing our income by 33.7 per cent to EUR 81 million and increasing our operating profit by 69 per cent to EUR 27.6 million. Taaleri Group's profit for the period rose to EUR 21.8 million, an improvement of 70.6 per cent from last year. Earnings per share were EUR 0.76.

In 2017, the investment environment was favourable for our business. The low interest level, non-existent inflation and rising stock prices are a rare and optimal situation for an investor, which supported Taaleri's business throughout the year.

All business segments developed well, income of the Wealth Management segment grew by 47 per cent

The Wealth Management segment enjoyed excellent development in 2017, and the company has succeeded in raising more capital through various private equity fund projects as well as through the success of mutual funds. In Wealth Management, performance fees nearly tripled. The assets under management in Wealth Management grew by 17 per cent to EUR 5.5 (4.7) billion. The income of Wealth Management in the review period increased by 47 per cent to EUR 54.6 (37.1) million.

The Financing segment is comprised of Garantia Insurance Company Ltd. The development has been positive, both in relation to premiums written, low claims incurred and successful investment operations. The premiums written increased by 25 per cent to EUR 15.2 (12.2) million. The claims ratio representing claims incurred remained low at 10 (12) per cent, and the return on investment at fair value was excellent at 6.6 (5.8) per cent.

The Energy segment started operations on 1 July 2016 and is in a heavy investment phase, which is why the segment's result is still negative (EUR -1.5 million). The aim is to expand to international energy projects. The financial period gone by was a breakthrough year for the Energy segment, and we invested into several important projects for the future through our fund. Last year, we started significant cooperation activities with Masdar, an Abu Dhabi-based energy investor. In Finland, we are investing in the operative activities of ongoing wind power projects.

Taaleri invests into Finland

Taaleri's activities are guided by the intention and objective of creating a culture of ownership in Finland. This intention is supported by our large customer base. Working together with our customers, we have the opportunity to influence the Finnish economy through concrete measures. Taaleri has invested over EUR 1.3 billion in Finland, for example through our real estate, forest and wind funds.

Financial targets and dividend proposal

Taaleri's long-term operating profit target is at least 20 per cent of income, for return on equity in the long term at least 15 per cent, and the equity ratio target is at least 30 per cent. In addition to these, the company strives to increase the amount of dividend it distributes, and annually to distribute a competitive dividend, taking into account the company's financial and financing situation as well as the expiration of the special permission by the Finnish Financial Supervisory Authority regarding the capital adequacy requirement.

The Board of Directors proposes that a dividend of 0.26 euros per share be paid for the 2017 financial year.

The most significant factors affecting the Group's operating profits are changes in the external operating environment and changes in the financial situation in Finland.

Juhani Elomaa
CEO
Taaleri Plc

REVIEW BY THE BOARD OF DIRECTORS' 1 JANUARY–31 DECEMBER 2017

OPERATING ENVIRONMENT

2017 was an excellent investment year because the global economic growth was comprehensive and exceeded expectations. In the United States, stock indices broke records, and the rise in share prices brought valuation levels to historic heights. The strong growth of returns, in particular, and low return expectations in other asset categories contributed to the good profits from shares. Interest in alternative investments has also remained high. Early in the year, the investment market and operating environment were characterised by the increase in political risk in Europe and the Unites States, in particular. However, the tensions eased towards the end of the year and, in the Unites States, the Trump administration managed to get the long-awaited corporate tax reform through the Congress.

Growth of the Finnish economy continued in 2017. Domestic demand remained strong and private investments, in particular, increased. The growth of exports was supported by the continued positive development of key export markets and improvement of Finland's cost competitiveness. In services and construction, the improvement of the economic situation has been visible for longer, but now industrial companies' capacity utilisation rates also rose, profitability improved and investments took a clear upturn, supported by the low interest level. Domestic consumption increased due to the employment situation, and the low interest level improved consumers' purchasing power.

In addition to the favourable investment environment, the operational environment is influenced by the key change trends affecting the financial sector, of which the effects of some are clearer and some are harder to analyse. Such change trends that directly or indirectly affect our business are changes in customer behaviour, regulation, digitalisation, risks being redefined, and climate change. According to its original mission Taaleri is a wealth manager. As the world changes, the wealth management methods have changed. Companies can't be independent of their operating environments, but by creating flexible solutions and structures a company is far better equipped to handle big changes in the sector and can at best even benefit from them.

TAALERI'S BUSINESS DURING THE FINANCIAL PERIOD

Taaleri's profit development continued strong throughout the financial period. The development of continuous earnings can be considered an especially fine achievement resulting from successful private equity funds and strong development of mutual funds. The positive profit development of the Financing segment continued, thanks to the increase in premiums written, low claims incurred and successful investment operations. The successful funds also generated good performance fees. During the year, there was a successful exit from the Mattiovi co-investment, the sale of Forest Fund I, and the additional earn-out for the Ratiperä wind farm, which was sold in 2016, was received.

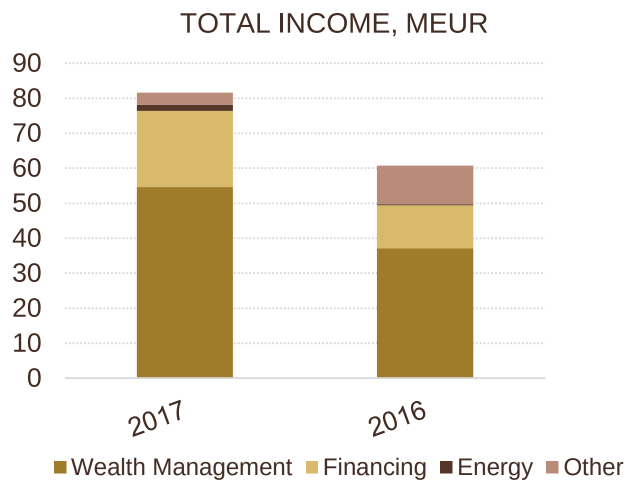
In the first half of the year, Taaleri raised EUR 87 million for the international renewable energy fund, Taaleri Aurinkotuuli. Taaleri's Aurinkotuuli Fund made its first international investments into renewable energy during the second half of the year and managed to form significant international partnerships. In accordance with its strategy, Taaleri invested in co-investments in 2017 and made several co-investments with its customers. During the year, a decision was made to finance a geothermal electricity production project in Germany and to develop a significant data centre in the Helsinki Metropolitan Area.

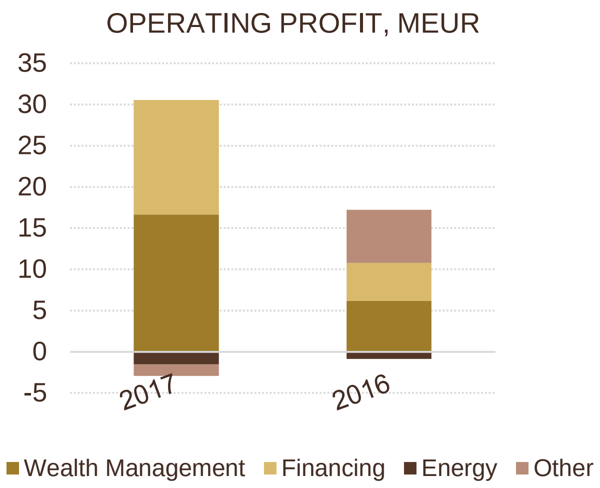
The company has invested strongly in profitability development, managing to keep administrative expenses under control, especially in the Wealth Management segment. The good income development raised though variable salaries. In December, Taaleri announced a management system reform aimed at enhancing the efficiency of operations and achieving an operating model that supports the core processes more strongly.

Taaleri Group

The Group's income grew by 33.7 per cent to EUR 81.0 (60.6) million. The Group's fee and commission income increased by 56.4 percent to EUR 52.0 million (33.2), of which performance fees amounted to EUR 15.8 million (5.8). Net income from insurance operations grew by 76.4 per cent to EUR 21.7 (12.3) million, of which guaranty insurance operations grew by 12.7 per cent to EUR 9.8 (8.7) million and realised net income from investment operations tripled to EUR 11.9 (3.6) million. Taaleri Group's investment operations without Garantia's investment operations yielded EUR 2.9 (11.2) million, where the comparison period 2016 included the Finsilva exit, which yielded a sales profit of EUR 8.5 million and dividend yields of EUR 1.3 million for the Group. In private equity fund projects, sales profits of EUR 3.8 (3.1) million were recorded. The return on investment in insurance operations at fair value was 6.6 (5.8) per cent.

The Group's operating profit increased by 69.0 per cent to EUR 27.6 (16.3) million and represented 34.1 (27.0) per cent of the Group's income. The Group's administrative and operating costs, with the exception of personnel costs, decreased by 2.0 per cent. Personnel costs increased by 30.9 per cent to EUR 29.3 (22.4) million due to the increase in variable salaries to EUR 11.2 (5.7) million, and the establishment of the Energy segment in August 2016.





Profit for the financial period increased by 70.6 per cent to EUR 21.8 (12.8) million. Comprehensive income for the financial period was EUR 19.0 (15.8) million.

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

Taaleri's business during the review period 1 July – 31 December 2017

The group's income increased by 57.1 per cent to EUR 42.3 (26.9) million. The Group's fee and commission income increased by 73.6 per cent to EUR 28.0 (16.1) million, of which performance fees amounted to EUR 10.1 (2.0) million. Net income from insurance increased by 54.0 per cent to 10.1 (6.5) million, of which net income from guaranty insurance operations were on par with the comparison period at EUR 4.5 (4.6) million and net income from investment operations increased considerably to EUR 5.5 (2.0) million. The Group's investment operations, excluding Garantia's investment operations, yielded EUR 3.2 (3.0) million. EUR 3.8 million in sales profits were recognised from private equity projects, whilst the corresponding figure for the second half of 2016 was EUR 3.0 million. The return on investment in insurance operations at fair value was 3.2 (4.2) per cent.

The Group's operating profit increased considerably to EUR 12.0 (4.6) million, an increase of 161.5 per cent. The profit for the period was strong and increased to EUR 9.3 (3.6) million and the total comprehensive income for the period increased to EUR 8.4 (6.5) million.

RESULT AND RISK POSITION OF THE WEALTH MANAGEMENT SEGMENT

Taaleri's Wealth Management segment comprises wealth management for private individuals and corporate customers as well as diversified investment products. Taaleri's own key investment products cover equity and fixed income funds as well as private equity funds, which invest in, among other things, forest, property, renewable energy and various industries.

The Wealth Management segment consists of the investment service company Taaleri Wealth Management Ltd and its subsidiaries, Taaleri Private Equity Funds Ltd Group and Taaleri Kapitaali Oy. During the financial period a decision was made to divest the Turkish operations and 66 percent of the holding in former subsidiary Taaleri Portföy Yönetimi A.S. was sold to its executive management. During the financial period, the segment's average number of full-time personnel was 119 (123).

Customers' investment yields were excellent in 2017, and the new product innovations were interesting, bringing growth to the level sought by Wealth Management. The combination of cost-efficiency and the factors listed above resulted in the best ever result of the Wealth Management segment.

The mutual funds managed by Taaleri did very well in the review period, and the assets under management in the funds increased by 26 per cent. Measured by returns in 2017, seven funds achieved first place in competitor comparisons, and over half of the funds were in the top three. Thanks to the success of the funds, performance fees also increased significantly. In June, the non-UCITS fund Micro Rhein achieved its target size and was subjected to a pre-planned size restriction, or soft closing. The offering of fixed income funds was supplemented with the new Taaleri Short Bond Fund.

In private equity funds, the most significant events of the review period included the sale of Taaleri's co-investment Mattiovi Oy and the Taaleri Forrest Fund I private equity fund. During the year private equity funds Africa II, Property Fund II and Aurinkotuuli achieved their target sizes and were closed. Co-investment item Taaleri Geothermal energy, implemented through Taaleri Investments Ltd, raised capital in the spring in record time and, during the latter part of the year, co-investment item Taaleri Varustamo started raising capital.

The development of business processes continued. The new MiFID II regulation introduced many new obligations for asset managers, and the company invested in their digital implementation. The objective of development is the best customer experience and enhancing the efficiency of operations.

The income of Wealth Management in the review period increased by 47 per cent to EUR 54.6 (37.1) million. The continuing fees of Wealth Management grew by 26 per cent to EUR 35.7 (28.3) million. The primary driver of the growth is the increase in the assets under management in private equity and mutual funds. The performance fees grew significantly to EUR 15.8 (5.8) million. Performance fees were recorded from mutual funds as well as from the sales of the Mattiovi Oy co-investment and Taaleri Forest Fund I private equity fund. Performance fees include a performance fee adjustment of EUR -0.9 million from the Biofactory exit.

The profit from investment operations remained at last year's level at approximately three million euros. The profits from investment operations mainly consist of exits from projects developed by the private equity funds and also includes a loss of EUR 0.7 million recorded from the sale of subsidiary Taaleri Portföy Yönetimi A.S. The administrative expenses increased from last year, mainly due to increased variable personnel costs. Wealth Management's operating profit grew by 170 per cent to EUR 16.6 (6.2) million.

Wealth Management	**1–12/2017**	**1–12/2016**	**Change, %**	**7–12/2017**	**7–12/2016**	**Change, %**
EUR million						
Wealth Management fees	35.7	28.3	26.1	17.6	14.6	20.8
Performance fees	15.8	5.8	173.4	10.1	2.0	407.4
Investment operations	3.1	3.0	3.4	3.1	3.0	3.4
Total	**54.6**	**37.1**	**47.3**	**30.7**	**19.5**	**57.5**
Operating profit	**16.6**	**6.2**	**169.8**	**8.8**	**4.1**	**113.0**
Average full-time personnel	119	123	-3.6	119	127	-7.1

The assets under management by Wealth Management grew by 17 percent to EUR 5.5 billion (4.7). Assets under management grew strongly in discretionary wealth management and in funds. The assets under management in our own mutual funds grew by 26.4 per cent to EUR 1.1 (0.9) billion. The assets under management in our own private equity funds and co-investments grew by 19.6 per cent to EUR 1.1 (0.9) billion. Assets under management in discretionary wealth management grew by 23.8 per cent to EUR 1.8 (1.4) billion, while assets in consultative wealth management remained at last year’s level at EUR 1.5 billion.

Assets under management	31 December 2017	31 December 2016	Change, %
EUR million			
Assets under management	**5,451**	**4,678**	**16.5**
Mutual funds	1,083	857	26.4
Private equity funds	1,052	880	19.6
Discretionary wealth management	1,772	1,431	23.8
Consultative wealth management	1,544	1,511	2.2

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 private equity markets. The profit development is also influenced by the realisation 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.

Result of the Wealth Management segment during the review period 1 July – 31 December 2017

The income of the Wealth Management segment increased by 57 per cent during the review period to EUR 30.7 (19.5) million. Wealth Management’s continuing fee income increased by 21 percent to EUR 17.6 (14.6) million. Performance fees were EUR 10.1 (2.0) million and include a performance fee adjustment of EUR -0.9 million from the Biofactory exit. Income from investment operations, mainly consisting of divestments of projects developed by the private equity funds, increased by 3 per cent to EUR 3.1 (3.0) million. Income from investment operations include a loss of EUR 0.7 million recorded from the sale of subsidiary Taaleri Portföy Yönetimi A.S. Wealth Management’s operating profit doubled, and was EUR 8.8 (4.1) million corresponding to 29 (21) percent of income.

RESULT AND RISK POSITION OF THE FINANCING SEGMENT

The Financing segment includes Garantia Insurance Company Ltd, an insurance company specialising in guaranty insurance. Through its solutions, Garantia helps its customers promote their sales, secure their financing and improve their capital efficiency. The company’s main products are loan guaranties and commercial bonds offered to Finnish companies and residential mortgage guaranties offered through partners. Garantia is actively involved in various financing arrangements and develops new solutions for its customers’ needs. The company’s business is divided into insurance operations and investment operations.

Financing, EUR million	1-12/2017	1-12/2016	Change, %	7-12/2017	7-12/2016	Change, %
Net income from guaranty insurance operations	9.8	8.7	12.7	4.5	4.6	-0.6
Net income from investment operations	11.9	3.6	230.1	5.5	2.0	180.9
Income	**21.8**	**12.3**	**76.4**	**10.1**	**6.5**	**54.0**
Operating expenses	-7.8	-7.7	1.9	-4.1	-4.3	-4.8
Operating profit before valuations	**13.9**	**4.6**	**200.5**	**6.0**	**2.3**	**165.4**
Change in fair value of investments	**-3.6**	**3.1**	**-217.6**	**-1.4**	**3.0**	**-145.1**
Result at fair value before tax	**10.3**	**7.7**	**33.9**	**4.6**	**5.3**	**-11.7**

Claims ratio, %	10.1	12.4	-2.3 % pts.	16.4	14.8	1.6 % pts.
Expense ratio, %	50.1	51.7	-1.6 % pts.	51.9	54.7	-2.8 % pts.
Combined ratio, %	60.3	64.1	-3.8 % pts.	68.4	69.5	-1.1 % pts.
Return on investment at fair value, %	6.6	5.8	0.8 % pts.	3.2	4.2	-1.0 % pts.
Average full-time personnel	25	21		24	22	

	31 December 2017	31 December 2016	Change, %
Investment assets, fair value	134	127	7.2
Guaranty insurance portfolio	1,491	1,320	13.0
Credit rating	A-	A-	

The income of the Financing segment grew significantly to EUR 21.8 (12.3) million. The net income from insurance operations grew by 12.7 per cent to EUR 9.8 (8.7) million due to the strong growth of premiums written and continued low claims incurred. Net income from investment operations grew to EUR 11.9 (3.6) million as a result of sales profits recorded in the income statement, which were much greater than in the comparison period.

Operating expenses remained at the level of the comparison period at EUR 7.8 (7.7) million. The operating profit of the Financing segment before valuations tripled from the level of 2016 to EUR 13.9 (4.6) million. The result at fair value before tax was EUR 10.3 (7.7) million.

Insurance operations

Premiums written (gross, or before reinsurers' share) grew by 25 per cent to EUR 15.2 (12.2) million and premiums earned (net, or after reinsurers' share) by 12 per cent to EUR 10.6 (9.5) million. Strong growth in the construction sector and the brisk housing market increased guaranty fees, especially in commercial bonds and residential mortgage guaranties. New business in corporate loan guaranties continued to grow, but despite low interest rates, demand for corporate loan guaranties remained low.

The gross exposure of the guaranty insurance portfolio increased by 13 percent and was EUR 1,491 (1,320) million at the end of the year. Residential mortgage guaranties accounted for 39 (35) per cent of the gross exposure, commercial bonds 31 (27) per cent, loan guaranties 24 (31) per cent and other guaranties 6 (7) per cent.

Insurance claims paid remained exceptionally low. The claims ratio was 10.1 (12.4) per cent and insurance claims paid (less reinsurers' share and including the share of actual operating expenses allocated to claims handling) in respect to the guaranty insurance portfolio 0.07 (0.09) per cent. In 2017, EUR 0.6 (1.2) was paid in claims, of which approximately 85 per cent was due to residential mortgage guaranties, 10 per cent to loan guaranties and the rest to commercial bonds. Of that sum, EUR 0.0 (0.2) million was recorded in claims of recourse. Of claims paid during and before the financial period, EUR 0.9 (0.6) was recovered. Of that sum, EUR 0.3 (0.2) million was allocated to claims of recourse. The net provision for claims outstanding (or less reinsurers' share) grew to EUR 1.6 (0.9) million, which increased claims paid by EUR 0.7 million.

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

The expense ratio of insurance operations strengthened to 50.1 (51.7) per cent and the combined ratio to 60.3 (64.1) per cent due to the strong growth of premiums earned (net).

Investment activity

Net income from investment operations was EUR 11.9 (3.6) million and consisted of interest income and investment sales profits, which were considerably greater than in the comparison period. As a result of the sales, the change in the fair value of investment assets before taxes was EUR -3.6 (+3.1) million. Return on investment at fair value thus totalled EUR 8.3 (6.7) million, or 6.6 (5.8) per cent. The investment portfolio (including cash and bank balances) was worth EUR 134 (127) million.

Risk position

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

The risk position of guaranty insurance operations remained stable in 2017. The growth of insurance exposures took place in the well diversified residential mortgage guaranties and in short term commercial bonds covered by comprehensive reinsurance. The share of the insurance exposure classified as investment grade, i.e. with a rating between AAA- and BBB-, excluding residential mortgage guaranties, residual value guaranties and assumed reinsurance was 21 (21) per cent. The share of those with lower credit ratings of C+ or lower remained low and was 2.7 (2.8) per cent. The principal sectors in the insurance exposure were construction at 44 (37) per cent and manufacturing at 25 (26) per cent. 55 (52) per cent of construction guaranties are reinsured.

As a part of Taaleri Group, Garantia falls within the sphere of regulation of large customer risks determined in the EU Capital Requirements Regulation. At the end of the year, Garantia's largest single customer risk amounted to 20.8 (38.9) per cent of Taaleri Group's own funds.

The risk level of investment activities was raised moderately when the share of finance sector fixed income investments was reduced and the share of corporate sector fixed income investments was increased to secure the return level. Fixed income investments (incl. cash and bank balances) made up 76 (79) per cent, and equity investments (incl. private equity investments) 23 (20) per cent of the investment portfolio. Fixed income investments mainly consist of investments in the bonds of Finnish and Nordic companies and credit institutions with strong creditworthiness. The share of investment grade fixed income investments (excl. fixed income funds) was 54 (70) per cent. The modified duration of fixed income investments was 3.7 (3.0).

For a while now, the Bank of Finland and the Financial Supervisory Authority have been concerned about the level of incurred debts of Finnish households and have thus justified the need for an earnings-related debt ceiling and for limiting the guaranties accepted in the calculation of maximum credit ratio. For this part, the possible change in regulation may have a significant impact on Garantia's ability to offer residential mortgage guaranties in the future.

Credit rating

No changes took place in Garantia's credit rating or its outlook during the year. On 19 December 2017 Standard & Poor's Credit Market Services Ltd (S&P) confirmed Garantia Insurance Company Ltd.'s financial strength rating as A- with a stable rating outlook.

Result of the Financing segment during the review period 1 July – 31 December 2017

The income of the Financing segment increased significantly to EUR 10.1 (6.5) million and the operating profit increased to EUR 6.0 (2.3) million, corresponding to 60 (35) per cent of income.

Net income from guaranty insurance operations were on par with the comparison period at EUR 4.5 (4.6) million. Gross premiums written (or before reinsurers' share) grew by 17 per cent to EUR 7.9 (6.7) million and net premiums earned (or after reinsurers' share) by 3 per cent to EUR 5.3 (5.0) million. Net income from investment operations increased to EUR 5.5 (2.0) million as a result of interest income and sales profits recorded in the income statement, which were much greater than in the comparison period.

The result at fair value before tax of the Financing segment was EUR 4.6 (5.3) million. As a result of the sales, the change in the fair value of investment assets before taxes was EUR -1.4 (+3.0) million. Return on investment at fair value thus totalled EUR 4.3 (5.2) million, or 3.2 (4.2) per cent.

RESULT AND RISK POSITION OF THE ENERGY SEGMENT

The Energy segment is a new business area for Taaleri, and it began its operations in the second half of 2016. The Group's existing expertise in renewable energy is being utilised in the new business. Energy operates on international energy infrastructure markets seeking new investment opportunities. Its operations are based on the life-cycle model: Energy is responsible for seeking and selecting targets to develop, and of project development, construction and operation all the way to the controlled shutdown of energy plants.

Taaleri has considerable expertise in the implementation and financing of both solar energy and wind power projects. Seventeen people work in the Energy segment in various tasks related to business operations and technology. The Energy segment comprises Taaleri Energia Oy, Taaleri Energia Operations Oy and Taaleri Energia Funds Management Ltd.

The Energy segment makes investments in the different stages of energy projects in Finland and internationally, mainly in industrial-scale projects. The objective is to observe a wide diversification in the selection of investment items. Energy invests particularly in wind and solar power but also in more traditional energy sources and networks. The energy business also includes control activities of energy production plants, which is intended to bring to the company a steady and long-term cash flow. The Energy segment operates in close cooperation with Wealth Management. The capital is primarily committed to new investments through funds.

In the first half of 2017, Taaleri Aurinkotuuli, an international renewable energy fund that mainly invests in solar and wind power, was launched successfully. Taaleri Private Equity Funds serves as the alternative investment fund manager. At the end of the year, Taaleri Aurinkotuuli made its first investments as it acquired 30 per cent shares of Serbia's largest 158 MW Čibuk wind power project and Jordan's largest 248 MW Baynouna solar energy project. In both projects, Taaleri is partnered with Masdar, one of the world leaders in renewable energy. Masdar is owned by Abu Dhabi Emirate's Investment Company Mubadala.

In addition, indicative offers have been made throughout the year for projects in North America, Europe, Africa, the Middle East and India. The Energy segment currently has exclusive rights to negotiate about an investment to be made by Taaleri Aurinkotuuli in Eastern Europe.

Energy segment, EUR million	1–12/2017	1–12/2016	Change, %	7–12/2017	7–12/2016	Change, %
Income	1.8	0.3	430.8	1.0	0.3	200.2
Operating profit	-1.5	-0.9	78.1	-0.9	-0.9	0.1
Average full-time personnel	16	4	267.4	16	9	83.9

Result of the Energy segment during the review period 1 July – 31 December 2017

The Energy segment's income tripled and was EUR 1.0 (0.3) million in the review period. The growth was due to growing management fees from the private equity fund Taaleri Aurinkotuuli and growing operations of Taaleri Energia Operations. Due to the business being in a start-up phase the operating loss was on the same level as in the comparison period EUR 0.9 (0.9) million.

OTHER OPERATIONS

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

The Group's investment company Taaleri Investments Ltd invests from its own balance sheet in unlisted and listed companies directly and on the principles of co-investment. Taaleri Investments Ltd aims to make longer-term investments where value is created for Taaleri through ownership and combining entrepreneurship, ideas and capital.

Taaleri Investments Ltd.'s returns consist of the changes in value of investments and of sales profits/losses gained in connection with investment sales. The returns and income of Taaleri Investments Ltd may thus vary significantly between periods under review. During the financial period, Taaleri Investments Ltd sold its co-investment item Mattiovi Oy and recorded a profit of EUR 1.8 million. The reference period includes a sales profit of EUR 8.5 million from the sale of Finsilva Oyj. During the financial period, a decision was made to finance a geothermal electricity production project in Germany and to develop a significant data centre in the Helsinki Metropolitan Area.

Associated company Fellow Finance Plc offers an online peer-to-peer lending service, and its returns consist of fee and commission income from loans transmitted between lenders and financiers. In December, Fellow Finance Plc became the first company offering crowdfunding and peer-to-peer lending services to be authorised as a payment institution by the Financial Supervisory Authority. Associated company Inderes Oy is an analytics company specialising in stock research and Ficolo Oy develops data centres in Finland. Taaleri Investments Ltd.'s subsidiary Bonus Solutions Oy is developing a new kind of invoice payment service for Finns, attempting to utilise the change in the regulation of payment services.

Income from other operations amounted to EUR 3.4 (11.0) million. Investments in other operations totalled 26.9 (10.3) million and loan receivables were EUR 6.5 (6.8) million.

Other operations, EUR million	1–12/2017	1–12/2016	Change, %	7-12/2017	7-12/2016	Change, %
Income	3.4	11.0	-68.8	0.9	0.6	47.7
Operating profit	-1.4	6.4	-121.7	-1.9	-0.9	105.7
Investments, fair value	26.9	10.3	162.2	26.9	10.3	162.2
Average full-time personnel	16	18	-15.3	16	17	-4.8

Result of other operations in the review period 1 July – 31 December 2017

During the review period the income increased by 47.7 per cent to EUR 0.9 (0.6) million. The operating loss amounted to EUR 1.9 (0.9) million, due to greater interest costs and consulting fees.

TAALERI'S BALANCE SHEET AND FINANCING

The balance sheet total of the Taaleri Group was EUR 229.3 (213.3) million. The Group's investments were EUR 165.8 (135.1) million, corresponding to 72.3 (63.4) per cent of the Group's balance sheet total.

The Group's interest-bearing liabilities amounted to EUR 62.7 (73.7) million, which consisted of the bond programme of Taaleri Plc of EUR 54.8 (64.7) million and liabilities to credit institutions of EUR 8.0 (9.0) million. Liabilities totalled EUR 123.2 (119.4) million and equity stood at 106.1 (93.8) million.

The equity ratio of Taaleri Group remained strong and was 46.3 (44.0) per cent.

TAALERI'S RISK MANAGEMENT AND RISK POSITION

The task of risk management is to identify, assess, measure, mitigate and monitor risks caused by business operations that influence the implementation of the Group's strategy. Risk management aims to mitigate the likelihood of unforeseeable risks being realised, their influence on and the threat they present to the business operations of the Taaleri Group, as well as to support the achievement of the objectives set in the strategy by ensuring that the principles set by the Taaleri Plc Board of Directors are complied with in the company's operations. Taaleri Group's risks are divided into five main categories: strategic and business operations risk, credit risk, liquidity risk, market risk and operative risk (including compliance risk). The principles of Taaleri's risk and capital adequacy management are described in note 37 to the financial statements.

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

The business operations of Garantia Insurance Company Ltd in the insurance sector and the company's investment operations play a key role in Taaleri's risk position. Garantia's capital adequacy is strong and its risk position has remained stable. Garantia's claims ratio was 10.1 percent and the claims incurred in relation to gross exposure remained low at 0.07 percent. The share of fixed income investments in Garantia's investments was 76.0 per cent. Standard & Poor's Credit Market Services Ltd.'s (S&P) credit rating for Garantia is A- with stable prospects.

The greatest risks of Taaleri's Wealth Management segment mainly consist of operative risks and, to a slight extent, credit risks. In the future, Taaleri will also be exposed to international risks mainly through the Energy segment. The most significant risks of other business operations consist of private equity investments made by Taaleri Investments Ltd, and of credit risks related to Taaleri Plc's granted loans and receivables from credit institutions.

Taaleri falls within the sphere of regulation of large customer risks determined in the EU Capital Requirements Regulation. At the end of 2017, Taaleri's largest single customer risk was 20.8 (38.9) percent of the Group's own funds and the liabilities of any (single) customer entity did not exceed the 25 percent limit set by the law.

CAPITAL ADEQUACY OF TAALERI

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

Taaleri Group forms a financing and insurance conglomerate according to the Act on the Supervision of Financial and Insurance Conglomerates (RaVa) (2004/699) as a result of the ownership of Garantia Insurance Company Ltd.

As a RaVa conglomerate, Taaleri Group publishes its own funds and capital adequacy in accordance with the capital adequacy regulations for financial and insurance conglomerates. Taaleri RaVa conglomerate's own funds amounted to EUR 96.1 (84.7) million, with the minimum requirement being EUR 38.3 (31.5) million. The conglomerate's capital adequacy is EUR 57.9 (53.2) million and the capital adequacy ratio is 251.2 (268.9) per cent, with the minimum requirement being 100 per cent.

Within the Taaleri Group, the regulatory capital according to Solvency II is determined and reported not only for Garantia Insurance Company Ltd, but also for Taaleri Plc as a part of the RaVa conglomerate. Taaleri applies the standard approach in its regulatory capital calculation. The solvency capital requirement (SCR) of the parent company Taaleri Plc and the subsidiary Garantia Insurance Company Ltd was EUR 28.5 (24.4) million. Taaleri's own funds fully comprise its own unrestricted Tier 1 basic funds. The final amount of the requirements of the insurance business' own funds is still being assessed by the Financial Supervisory Authority. The executive management expects the conglomerate's capital adequacy to remain strong, in spite of a possible increase in the capital requirement for insurance risk.

Capital adequacy of RaVa conglomerate, EUR thousand		
	31 December 2017	**31 December 2016**
Shareholders' equity of the Taaleri Group	**106,084**	**93,850**
Goodwill and other intangible assets	-2,205	-2,513
Non-controlling interests	-384	-354
Planned distribution of profit	-7,371	-6,237
Total of conglomerate's own funds	**96,124**	**84,746**
Financing business' requirement for own funds	9,781	7,163
Insurance business' requirement for own funds	28,484	24,357
Minimum amount of own funds of the Conglomerate total	**38,265**	**31,520**
Conglomerate's capital adequacy	**57,859**	**53,226**
Conglomerate's capital adequacy ratio	**251.2%**	**268.9%**

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) (Regulation (EU) No 575/2013 of the European Parliament and of the Council) is determined and reported to the supervised parties operating in the Financing sector. Taaleri applies the standard approach in the regulatory capital calculation of the credit risk capital requirement and the basic approach in the calculation of the operative risk capital requirement. The Taaleri Group's objective for the capital adequacy of the Financing sector is 12 per cent.

Starting from 1 January 2017, the internal insurance company investment of the financing and insurance group will be processed as a risk-weighted item instead of deduction as laid down in Capital Requirements Regulation (CRR) Article 49 (4) in accordance with a special permission granted by the Finnish Financial Supervisory Authority on 29 November 2016. Taaleri's Financing sector's Common Equity Tier with the CRR 49 special permission is EUR 48.8 million, of which the profit of the review period, EUR 19.2 million, is deducted. The risk-weighted commitments were EUR 217.2 million, of which the share of credit risk was EUR 145.6 million and the share of operational risk EUR 71.6 million. The Financing sector's capital adequacy was 22.5 per cent.

The CRR 49 special permission is valid until 31 December 2018, assuming that the company continuously meets the conditions for the special permission. Garantia's book acquisition expense of EUR 60 million can be left undeducted. Neither is the impact on the result accumulated by the insurance company investment included in the consolidated Common Equity Tier of the investment service company. Equity investments include the Group's internal insurance company investment of EUR 60.0 million with a risk-weight of 100 per cent. With the result of the review period, the consolidated Common Equity Tier of the investment service company would be EUR 6.7 million on 31 December 2017 if the special permission were not applied, and the insurance company investment would be deducted from the Common Equity Tier. The company meets the requirements for the special permission according to the situation on 31 December 2017, and it considers that it does not need new special permission after this special permission.

Financing sector's capital adequacy (with the CRR 49 special permission)	**31 December 2017**
Common Equity Tier before deductions	**70,554**
Deductions from the Common Equity Tier	
Goodwill and intangible assets	-2,173
Non-controlling interests	-384
Profit of the review period	-19,172
Common Equity Tier (CET1)	**48,825**
Additional Tier 1 before deductions	-
Deductions from the Additional Tier 1	-
Additional Tier 1 (AT1)	-
Tier 1 capital (T1 = CET1 + AT1)	**48,825**
Tier 2 capital before deductions	**-**
Deductions from the Tier 2 capital	-
Tier 2 capital (T2)	**-**
Total capital (TC = T1 + T2)	**48,825**
Total risk-weighted commitments (total risk)	**217,201**
- of which the share of credit risk	145,560
- of which the share of operative risk	71,641
- of which the share of other risks	-
Common Equity Tier (CET1) in relation to the amount of total risk (%)	22.5%
Tier 1 capital (T1) in relation to the amount of total risk (%)	22.5%
Total capital (TC) in relation to the amount of total risk (%)	22.5%

Solvency according to the Insurance Companies Act (Solvency II)

Garantia continues to have strong capital adequacy. Garantia's own assets were EUR 106.8 (100.9) million, clearly exceeding the solvency capital requirement of EUR 27.1 (23.2) million. Garantia's solvency ratio, or the ratio of basic own funds to the solvency capital requirement, was 393.6 (435.4) per cent. The growth in the solvency capital requirement was the result of growth in the insurance risk and in the market risk related to investments.

Garantia's own funds fully comprise its own unrestricted Tier 1 basic funds. Garantia uses neither correlation correction nor volatility correction in the calculation of technical reserves. In the calculation of the solvency capital requirement, Garantia applies a standard formula. Garantia does not apply technical reserve or market risk calculation transitional provisions. On 27 November 2017, the Financial Supervisory Authority announced it was starting a proceeding for the increase of Garantia's capital requirement. The final amount of Garantia's solvency capital requirement is thus still being assessed by the Financial Supervisory Authority. The executive management expects Garantia's capital adequacy to remain strong, in spite of a possible increase in the capital requirement of insurance risk.

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

DECISIONS MADE AT THE GENERAL MEETING

The Annual General Meeting was held on 29 March 2017. It decided to adopt the financial statements for 2016 and discharge the Board of Directors and the CEO from liability for 2016. The general meeting decided to distribute dividend of EUR 0.22 per share and leave the remaining share of distributable assets as equity. Members of the Board of Directors Peter Fagernäs, Esa Kiiskinen, Juha Laaksonen, Vesa Puttonen and Hanna Maria Sievinen were re-elected as members, and Tuomas Syrjänen was elected as a new member. Ernst & Young Oy, Authorised Public Accountants, was re-elected as the company's auditor, with Ulla Nykky, Authorised Public Accountant, as auditor-in-charge.

The Annual General Meeting authorised the Board of Directors to decide on the acquisition of no more than 2,000,000 of the company's treasury shares with non-restricted equity. The authorisation will remain valid for

18 months after the decision of the extraordinary general meeting, and it revokes the authorisation to acquire the company's treasury shares granted at the AGM of 8 January 2016. The shares may be acquired to develop the company's capital structure, to finance or implement corporate acquisitions, investments or other arrangements related to the company's business operations, to be used as part of the company's reward scheme, or to be cancelled if justified from the point of view of the company and its shareholders.

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

- The Board of Directors may issue new shares and assign treasury shares in the possession of the company to a maximum of 2,500,000 shares.
- The new shares may be issued and the treasury shares possessed by the company may be assigned to the company's shareholders in relation to their ownership of shares or deviating from the shareholder's pre-emptive subscription right in a private placement, if there is a weighty financial reason for it from the point of view of the company, such as using the shares as consideration in potential corporate acquisitions or other arrangements that are part of the company's business operations, or to finance investments or as part of the company's reward scheme.
- The Board of Directors may also decide on a free-of-charge share issue to the company itself.
- The new shares may be issued and the shares possessed by the company may be assigned either against payment or without payment. A private placement may only be without payment if there is an especially weighty reason for it from the point of view of the company and taking into account the benefit of all its shareholders.
- The Board of Directors will decide on all other factors related to share issues and the assignment of shares.
- The authorisation is valid for one year from the close of the General Meeting, but no later than until 30 June 2018.

Peter Fagernäs was re-elected as Chairman of the Board, and Juha Laaksonen was elected as Vice Chairman. The Board has three committees: the Audit Committee, Remuneration Committee and Nomination Committee. Vesa Puttonen was elected as Chairman of the Audit Committee and Hanna Maria Sievinen and Tuomas Syrjänen were elected as its other members. Peter Fagernäs was elected as Chairman of the Remuneration Committee, and Juha Laaksonen and Esa Kiiskinen were elected as its other members. Peter Fagernäs and Juha Laaksonen were elected as members of the Board's Nomination Committee, as was Pertti Laine as an external member. The Board of Directors elected Peter Fagernäs as Chairman of the Nomination Committee.

In accordance with a proposal by the Board of Directors, the General Meeting decided to increase the maximum amount of annual variable remuneration from 100% to 200%, so that the amount of a person's variable remuneration can be up to 200% of their fixed salary. The increase of the maximum amount applies to all personnel, excluding members of the Board of Directors of Taaleri Plc.

The General Meeting decided to revise Section 7 of the Articles of Association as follows: "Section 7 Auditor – The company has one (1) auditor that must be an auditing organisation referred to in the Auditing Act. The term of office of the auditor ends at the close of the first Annual General Meeting following the election."

Shares and share capital

Taaleri has a total of 28,350,620 shares. The company's share capital is EUR 125,000.00.

Since 2016, Taaleri's shares have been listed on the Helsinki Stock Exchange among the medium-sized companies. The closing price of Taaleri Plc's share on 31 December 2017 was EUR 10.35 (31 December 2016: 8.24), and the company's market value at the end of the review period was thus EUR 293 (233) million. The highest share price during the review period was EUR 11.50 and the lowest EUR 7.78. In total, 2.5 million shares were traded on Nasdaq Helsinki during the review period.

Taaleri shareholders and treasury shares

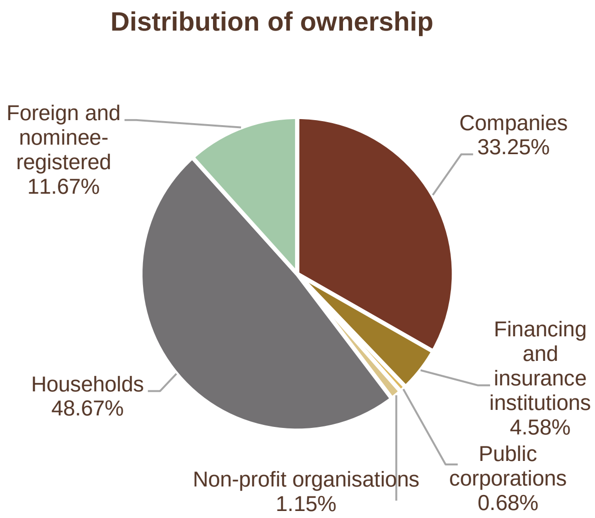
The number of the company's shareholders has increased by 1,224 owners during the financial period. At the end of 2017, the company had 3,928 shareholders, whereas the corresponding figure at the end of 2016 was 2,704. On 31 December 2017, the company possessed 45,000 (45,000) treasury shares. The company's 10 largest shareholders on 31 December 2017 are presented in the table below, as well as additional information about the division of holdings.

10 largest shareholders 31 December 2017	Percentage of shares and votes
1. Oy Hermitage Ab	8.83
2. Veikko Laine Oy	8.57
3. Elomaa Juhani	7.30
4. Haaparinne Karri	5.89
5. Lombard International Assurance S.A.	5.26
6. Fennia Life Insurance Company Ltd	4.02
7. Swiss Life (Luxembourg) S.A.	3.81
8. Berling Capital Oy	2.63
9. Petri Lampinen	1.79
10. Capercaillie Capital Oy	1.63

Distribution of shareholders 31 December 2017

Lower limit	Share-holders no.	Sharehold-ers %	Book-entry amount no.	Book-entry amount %	Number of votes no.	Number of votes %
1–100	1,388	35.34	69,855	0.25	69,855	0.25
101–500	1,255	31.95	317,392	1.12	317,392	1.12
501–1,000	470	11.97	374,114	1.32	374,114	1.32
1,001–5,000	396	10.08	885,673	3.12	885,673	3.12
5,001–10,000	167	4.25	1,305,006	4.60	1,305,006	4.60
10,001–50,000	188	4.79	3,554,018	12.54	3,554,018	12.54
50,001–100,000	26	0.66	1,730,468	6.10	1,730,468	6.10
100,001–500,000	29	0.74	6,909,065	24.37	6,909,065	24.37
500,001–1,000,000	2	0.05	1,254,170	4.42	1,254,170	4.42
1,000,001–10,000,000	7	0.18	11,950,859	42.15	11,950,859	42.15
Total	**3,928**	**100.00**	**28,350,620**	**100**	**28,350,620**	**100.00**
of which nominee-registered	6		605,691	2.14	605,691	2.14
Total on waiting list	0		0	0	0	0
In joint account			0	0	0	0
Total in special accounts			0	0	0	0
No. issued			28,350,620	100.00	28,350,620	100.00

Sector	Shareholders	Shares total	%
Companies	319	9,426,857	33.25
Financing and insurance institutions	16	1,299,162	4.58
Public corporations	3	191,447	0.68
Non-profit organisations	19	326,399	1.15
Households	3,554	13,799,115	48.67
Foreign and nominee-registered	23	3,307,640	11.67
Total	**3,928**	**28,350,620**	**100.00**



Name	Position	Number of shares
Board of Directors		**31 December 2017**
Peter Fagernäs	Chairman of the Board of Directors	2,503,128
Juha Laaksonen	Vice Chairman of the Board of Directors	-
Esa Kiiskinen	Member of the Board of Directors	232,496
Vesa Puttonen	Member of the Board of Directors	182,224
Hanna Maria Sievinen	Member of the Board of Directors	3,000
Tuomas Syrjänen	Member of the Board of Directors	2,500
Total		**2,923,348**
Board of Directors' share of shares and votes, %		10.3%
Executive Management Team		**31 December 2017**
Juhani Elomaa	CEO of Taaleri Plc	2,070,831
Karri Haaparinne	Deputy CEO of Taaleri Plc	1,669,775
Vesa Aho	Managing Director of Garantia Insurance Company Ltd	-
Jorma Alanne	Head of Wealth Management	1,000
Janne Koikkalainen	Head of Legal of Taaleri Plc	10,000
Petri Lampinen	Managing Director of Taaleri Wealth Management Ltd	508,328
Minna Smedsten	CFO of Taaleri Plc	7,500
Total		**4,267,434**
Executive Management Team's share of shares and votes, %		15.1%

Personnel

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

The Group employed an average of 175 (167) full-time personnel during the period under review. There were 119 (123) full-time people in the Wealth Management segment, 25 (21) in the Financing segment and 16 (4) in the Energy segment. The full-time personnel of other business operations averaged 16 (18). Of the personnel, 95 per cent were employed in Finland and 5 per cent abroad.

The personnel costs of the Taaleri Group totalled EUR 29.3 (22.4) million during the period under review. In comparison to the previous year, personnel costs increased as a result of larger variable remuneration of EUR 11.2 (5.7) million due to positive income development, and the establishment of the Energy segment in August 2016.

Company administration and management during the financial period

The composition of the Board of Directors in the period 1 January–29 March 2017 was Peter Fagernäs, Juha Laaksonen, Esa Kiiskinen, Pertti Laine, Vesa Puttonen and Hanna Maria Sievinen. Composition of the Board of Directors starting from 29 March 2017:

- Peter Fagernäs, Chairman
- Juha Laaksonen, Vice Chairman
- Esa Kiiskinen
- Vesa Puttonen
- Hanna Maria Sievinen
- Tuomas Syrjänen

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

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

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

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

Incentive schemes

Taaleri has three share-based incentive schemes. On 4 December 2013, the Board of Directors of Taaleri Plc decided on a share-based incentive scheme for the Group's key persons. Under the incentive scheme, key persons were issued synthetic option rights, and a potential bonus will be paid in 2017–2018 partly in the company's shares and partly in cash. On 19 February 2015, the Board decided that, in terms of the number of shares in the synthetic option programme, the effect of the share issue decided upon by the extraordinary general meeting on 12 February 2015 would be taken into account, so that it would have no impact on the value of the synthetic option rights. Based on the synthetic option programme of 2013, 584,000 new rights based on share value increase were granted, including a part paid in cash, and new rights are no longer available. On 16 December 2016 and 27 February 2017, the Board of Directors of Taaleri Plc decided that the bonus will be paid to the receiver fully in cash and that synthetic option recipients are obligated to acquire Taaleri shares with half of the bonus and keep the shares for one year (so-called waiting period). By the end of the review period, 252,000 rights had been exercised, and the number of outstanding synthetic options was 332,000.

On 28 October 2015, the Board of Directors of Taaleri Plc decided on a share-based incentive scheme for the Group's key persons. Under the incentive scheme, key persons were issued synthetic option rights, and a potential bonus will be paid in 2019–2020 in cash. At the moment of granting, the bonuses paid based on the incentive scheme will correspond to the value of a total of no more than about 800,000 rights based on the value increase of Taaleri Plc shares, including the part paid in cash. Based on the synthetic option programme of 2015, 760,000 new rights based on share value increase have been granted, including a portion paid in cash. At the end of the review period, the number of outstanding synthetic options was 685,000.

On 30 October 2017, the Board of Directors of Taaleri Plc decided on an incentive scheme for the Group's key persons. The share bonus plan has three earning periods lasting three years each: 1 November 2017–31 October 2020, 1 November 2018–31 October 2021 and 1 November 2019–31 October 2022. The Board of Directors will decide on the earning criteria and the targets set for each earning criterion at the beginning of each earning period. For the 2017–2020 earning period, the scheme's target group includes approximately 10 key persons, including the members of the Group's Executive Management Team. Any bonuses awarded under the scheme for the 2017–2020 earning period will be based on the gross yield of Taaleri Plc's share. The bonuses paid for the 2017–2020 earning period will correspond with the value of no more than 180,000 Taaleri Plc shares, including the part paid in cash. The bonus will be paid partly in the company's shares and partly in cash. The cash part is intended to cover the taxes and tax-like charges incurred from the bonus to the key personnel.

Changes in Group structure

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

On 31 December 2017, Taaleri Investments Ltd was divided so that is ownership in Taaleri Energia Operations Oy was transferred to Taaleri Energia Oy and the rest of its operations are maintained within Taaleri Investments Ltd. During the financial period, Taaleri Energia Oy established Taaleri Energia Funds Management Ltd. On 31 December 2017, Taaleri Wealth Management Ltd withdrew from its subsidiary Taaleri Portföy Yönetimi A.S. by selling 66 per cent of the company to its executive management. At the end of the financial period, the Group owned 18.83 per cent of the company. The sale of the company still requires the approval of the Turkish authorities. During the financial period, 7 per cent of Taaleri Investment Ltd.'s subsidiary Bonus Solutions was sold and at the end of the financial period, the Group's ownership share of the company was 68 per cent. During the review period, Taaleri Group's subsidiaries closed down and established administrative subsidiaries and subscribed to 100% of their shares.

Board's proposal for measures concerning profit and unrestricted capital

The parent company's result for the financial period 1 January–31 December 2017 amounted to EUR 12,815,142.32, and the parent company's distributable assets on 31 December 2017 were EUR 49.4 million. The Board proposes to the Annual General Meeting to be held on 21 March 2018 that EUR 0.26 per share of dividend be distributed based on the balance sheet adopted for the financial period ending on 31 December 2017, making total dividends EUR 7,371,161.20. The dividend record date will be 23 March 2018, and the dividend payment date will be 3 April 2018. No material changes have taken place in the company's financial position since the end of the financial period. The proposed distribution of dividends does not jeopardise the company's solvency.

Comment on the scope of research and development activity

During 2016, Taaleri established the new Energy segment, and mostly personnel and administrative costs have been allocated to its development. Development work for ICT systems and administrative processes has been targeted at the operations of Taaleri Group subsidiaries in 2017, aiming to boost Group operations. During the financial period, the product range of the Group's business areas has been purposefully expanded.

Material events after the financial period

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

Samu Lang, Taaleri's CIO, Director, Markets and Portfolio Management, was appointed Head of the Wealth Management segment and a member of the Group's Executive Management Team. Petri Lampinen, Head of Customer Relationships in Taaleri's Wealth Management segment, will continue in his current position and as a member of the Executive Management Team. Heikki Nystedt was appointed Taaleri's Head of Product and Service Development.

Since the end of the financial period, the business of Taaleri Group has continued as planned. Taaleri's operations are becoming increasingly international and at the beginning of the year, the Company announced it was developing a major residential project in Canada as well as a wind farm in the United States. Taaleri has also succeeded, among other things, in collecting EUR 31.5 million for its Taaleri Varustamo co-investment.

Estimate of likely future development

The most significant factors affecting the Group's operating profits are changes in the external operating environment and changes in the financial situation in Finland.

Taaleri's long-term operating profit target is at least 20 per cent of income, for return on equity in the long term at least 15 per cent, and the equity ratio target is at least 30 per cent. In addition to these, the company strives to increase the amount of dividend it distributes, and annually to distribute a competitive dividend, taking into account the company's financial and financing situation as well as the expiration of the special permission by the Finnish Financial Supervisory Authority regarding the capital adequacy requirement.

KEY FIGURES

GROUP	7-12/2017 IFRS	7-12/2016 IFRS	1-12/2017 IFRS	1-12/2016 IFRS
Income, EUR 1,000	42,267	26,900	80,989	60,569
Operating profit (-loss), EUR 1,000	12,008	4,591	27,611	16,340
- as percentage of turnover	28.4 %	17.1 %	34.1 %	27.0 %
Net profit for the period, EUR 1,000	9,253	3,586	21,787	12,771
- as percentage of turnover	21.9 %	13.3 %	26.9 %	21.1 %
Basic earnings per share, EUR	0.32	0.12	0.76	0.45
Diluted earnings per share, EUR	0.32	0.12	0.76	0.45
Return on equity % (ROE) 1)	18.2 %	7.9 %	21.8 %	13.4 %
Return on equity at fair value % (ROE) 1)	16.6 %	14.4 %	19.1 %	16.5 %
Return on assets % (ROA) 1)	8.4 %	3.7 %	9.8 %	5.9 %
Cost/income ratio	71.8 %	83.0 %	66.2 %	73.2 %
Price/earnings (P/E) 1)	16.1	33.1	13.7	18.4
Number of employees, avg	183	184	184	179

1) Annualized.

GROUP	7-12/2017 IFRS	7-12/2016 IFRS	1-12/2017 IFRS	1-12/2016 IFRS
Equity ratio -%			46.3 %	44.0 %
Modified equity ratio % [1)]			46.3 %	44.0 %
Gearing -%			8%	17%
Equity/share, EUR			3.73	3.30
Dividend/share, EUR [2)]			0.26	0.22
Dividend/earnings, % [2)]			34.3 %	49.2 %
Effective dividend yield, % [2)]			2.5 %	2.7 %
Loan receivables, EUR 1,000			6,598	6,919
Conglomerate's capital adequacy ratio, %			251.2 %	268.9 %
Financing sector capital adequacy ratio, %			22.5 %	-
Number of shares at the end of period [3)]	28,305,620	28,305,620	28,305,620	28,305,620
Average number of shares [3)]	28,305,620	28,305,620	28,305,620	28,305,620
Share average price, EUR	10.36	8.49	9.30	8.73
- highest price, EUR	11.50	9.45	11.50	9.50
- lowest price, EUR	9.25	8.00	7.78	8.00
- closing price, EUR	10.35	8.24	10.35	8.24
Market capitalization, EUR 1,000 [4)]	292,963	233,238	292,963	233,238
Shares traded, thousands	1,183	1,039	2,487	2,719
Shares traded, %	4%	4%	9%	10%

1) Modified equity ratio relates to a covenant term of a bond issued by the Group, which is presented according to FAS up to 2014. From 2015 it equals the equity ratio, because Lainaamo Plc is no longer consolidated into the Group, and therefore the equity ratio does not need to be modified. See calculation formula on page 26.
2) The Board's proposal for 2017 EUR 0.26 dividend/share.
3) Adjusted for share issues and reduced by own shares acquired
4) Reduced by own shares acquired.

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

EUR 1,000	7-12/2017	7-12/2016	1-12/2017	1-12/2016
Net income from insurance	**4,535**	**4,563**	**9,818**	**8,714**
Earned premiums, net	**5,260**	**5,093**	10,638	9,467
Claims incurred, net	**-724**	**-530**	-820	-753
Net income from investment operations	**5,518**	**1,964**	**11,933**	**3,614**
Operating expenses	**-4,064**	**-4,271**	**-7,849**	**-7,702**
Operating profit before valuations	**5,989**	**2,257**	**13,902**	**4,626**
Change in fair value of investments	**-1,350**	**2,995**	**-3,604**	**3,064**
Profit before taxes and non-controlling interests	**4,640**	**5,252**	**10,298**	**7,690**
Combined ratio, %	68%	69%	60%	64%
Claims ratio, %	16%	15%	10%	12%
Expense ratio %	52%	55%	50%	52%
Return on investments at fair value, %	3.2 %	4.2 %	6.6 %	5.8 %
Solvency ratio (S2), % [1)]	391%	435%	391%	435%
Insurance exposure, EUR billion	1.49	1.32	1.49	1.32
Number of employees, avg	24	22	25	22

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

KEY FIGURES ACCOUNTING PRINCIPLES

Basic earnings per share, EUR	Profit or loss attributable to ordinary share holders of the parent company / Weighted average number of ordinary shares outstanding - repurchased own shares
Diluted earnings per share, EUR	Profit or loss attributable to ordinary share holders of the parent company / Weighted average number of ordinary shares outstanding + dilutive potential ordinary shares - repurchased own shares

Alternative performance measures

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

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

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

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

Items affecting comparability, EUR 1,000	H2 2017	H1 2017	H2 2016	H1 2016
Total items affecting comparability in income	-	-	-	-
Total items affecting comparability in operating profit	-	-	-	-
Total items affecting comparability in net profit for the period	-	-	-	-

Return on equity (ROE), %	Profit for the period x 100 / Total equity (average of the beginning and end of the year)
Return on equity at fair value % (ROE)	Total comprehensive income for the period x 100 / Total equity (average of the beginning and end of the year)
Return on assets (ROA), %	Profit for the period x 100 / Balance sheet total (average of the beginning and end of the year)
Cost/income ratio, %	fee and commission expense + interest expense + administrative expenses + depreciation + other operating expenses / total income + share of associates' profit or loss
Price/Earnings (P/E)	Price of series B share at the end of the period / Earnings/share
Equity ratio, %	Total equity x 100 / Balance sheet total
Modified equity ratio, %	(total equity + minority interest + voluntary provisions less deferred tax liability excluding Lainaamo consolidation) x 100 / balance sheet total excluding Lainaamo consolidation
Gearing ratio, %	(Interest-bearing liabilities - cash and cash equivalents) x 100 / Total equity
Equity/share, EUR	Equity attributable to ordinary share holders of the parent company / Number of shares at end of period - repurchased own shares

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

KEY FIGURES FOR INSURANCE OPERATIONS

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

CONSOLIDATED INCOME STATEMENT

EUR 1,000	Note	7-12/2017	7-12/2016	1-12/2017	1-12/2016
Fee and commission income		28,006	16,130	51,983	33,238
Net income from insurance		10,050	6,528	21,748	12,328
From guaranty insurance operations		4,535	4,563	9,818	8,714
From investment operations		5,515	1,964	11,930	3,614
Net gains or net losses on trading in securities and foreign currencies		728	898	1,565	9,898
Income from equity investments		-568		1,301	1,334
Interest income		234	295	562	700
Other operating income		3,817	3,048	3,829	3,071
TOTAL INCOME		**42,267**	**26,900**	**80,989**	**60,569**
Fee and commission expense		-3,852	-2,191	-6,391	-4,326
Interest expense		-1,519	-1,100	-3,133	-2,313
Administrative expenses					
Personnel costs		-16,886	-11,778	-29,304	-22,383
Other administrative expenses		-3,713	-3,171	-7,079	-7,179
Depreciation, amortisation and impairment of tangible and intangible assets		-746	-812	-1,316	-1,388
Other operating expenses		-3,921	-3,313	-6,738	-6,870
Impairment losses on loans and other receivables	4	-	-	-	60
Share of associates' profit or loss		378	56	583	169
OPERATING PROFIT		**12,008**	**4,591**	**27,611**	**16,340**
Income tax expense		-2,755	-1,005	-5,824	-3,568
PROFIT FOR THE PERIOD		**9,253**	**3,586**	**21,787**	**12,771**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**7-12/2017**	**7-12/2016**	**1-12/2017**	**1-12/2016**
Profit for the period	9,253	3,586	21,787	12,771
Items that may be reclassified to profit or loss				
Translation differences	276	-152	248	-110
Available-for-sale financial assets	-1,357	3,843	-3,739	3,887
Income tax	271	-769	748	-777
Items that may be reclassified to profit or loss in total	**-810**	**2,922**	**-2,743**	**2,999**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**8,443**	**6,509**	**19,044**	**15,770**
Profit for the period attributable to:				
Owners of the parent company	9,081	3,525	21,447	12,661
Non-controlling interests	172	61	341	110
Total	**9,253**	**3,586**	**21,787**	**12,771**
Total comprehensive income for the period attributable to:				
Owners of the parent company	8,271	6,447	18,703	15,660
Non-controlling interests	172	61	341	110
Total	**8,443**	**6,509**	**19,044**	**15,770**

Earnings per share for profit attributable to the shareholders of the parent company	**7-12/2017**	**7-12/2016**	**1-12/2017**	**1-12/2016**
Basic earnings per share, profit for the period	0.32	0.12	0.76	0.45
Diluted earnings per share, profit for the period	0.32	0.12	0.76	0.45

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

CONSOLIDATED BALANCE SHEET

Assets, EUR 1,000	Note	31/12/2017	31/12/2016
Receivables from credit instutions	2, 3	34,567	55,148
Receivables from the public and general government	2, 3, 4	6,598	6,919
Debt securities	2, 3	-	100
Shares and units	2, 3	25,883	7,353
Participating interests	2, 3, 8	7,606	4,185
Derivative instruments	2, 3	-	28
Insurance assets	2, 3	135,586	126,202
Insurance assets		3,268	2,740
Investments		132,318	123,463
Intangible assets		2,205	2,514
Goodwill		627	627
Other intangible assets		1,577	1,886
Tangible assets		361	503
Other assets		10,081	4,846
Accrued income and prepayments		5,322	4,898
Deferred tax assets		1,113	566
		229,322	**213,262**

Liabilities, EUR 1,000	Note	31/12/2017	31/12/2016
LIABILITIES		**123,238**	**119,412**
Liabilities to credit institutions	2, 3	7,982	8,967
Debt securities issued to the public	2, 3, 5	54,758	64,691
Insurance liabilities	2, 3	20,336	14,998
Other liabilities		2,131	1,411
Accrued expenses and deferred income		22,143	12,494
Deferred tax liabilities		15,887	16,852
EQUITY CAPITAL	6	**106,084**	**93,850**
Share capital		125	125
Reserve for invested non-restricted equity		35,814	35,814
Fair value reserve		-4,280	-1,288
Translation difference		-	-248
Retained earnings or loss		52,594	46,432
Profit or loss for the period		21,447	12,661
Non-controlling interest		384	354
		229,322	**213,262**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1,000	1/1-31/12/2017	1/1-31/12/2016
Cash flow from operating activities:		
Operating profit (loss)	27,611	16,340
Depreciation	1,316	1,388
Other adjustments		
Changes in fair value of investments		
- Held for trading	-76	6,669
- Available-for-sale	-2,984	3,109
Other adjustments	-297	-666
Cash flow before change in working capital	25,569	26,841
Change in working capital		
Increase (-)/decrease (+) in loan receivables	304	2,498
Increase (-)/decrease (+) in current interest-free receivables	-6,149	-120
Increase (+)/decrease (-) in current interest-free liabilities	12,780	2,120
Cash flow from operating activities before financial items and taxes	32,505	31,338
Direct taxes paid (-)	-3,711	-2,890
Cash flow from operating activities (A)	**28,794**	**28,448**
Cash flow from investing activities:		
Investments in tangible and intangible assets	-870	-1,490
Investments in subsidiaries and associated companies		
net of cash acquired	-3,215	-1,240
Other investments	-27,426	-8,605
Cash flow from investing activities (B)	**-31,511**	**-11,335**
Cash flow from financing activities:		
Changes in synthetic options	-472	185
Transactions with non-controlling interests	24	-12,000
Debt securities issued to the public	-10,000	35,000
Increase (+)/decrease (-) in non-current liabilities	-1,000	-6,000
Dividends paid and other distribution of profit		
To parent company shareholders	-6,202	-5,661
To non-controlling shareholders	-215	-1,472
Cash flow from financing activities (C)	**-17,864**	**10,052**
Increase/decrease in cash and cash equivalents (A+B+C)	-20,581	27,166
Cash and cash equivalents at beginning of period	55,148	27,983
Cash and cash equivalents at end of period	34,567	55,148
Net change in cash and cash equivalents	-20,581	27,166

CHANGES IN GROUP EQUITY CAPITAL

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

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

1) See note 7.

SEGMENT INFORMATION - EARNINGS

		Continuing operations			
1 January–31 December 2017, EUR 1,000	**WEALTH MANAGEMENT**	**FINANCING**	**ENERGY**	**OTHER**	**TOTAL**
Continuing earnings	35,733	9,818	1,786	1,610	48,947
Performance fees	15,806	-	-	-	15,806
Investment operations	3,064	11,933	-	1,822	16,820
Total income	**54,603**	**21,751**	**1,786**	**3,432**	**81,572**
Fee and commission expense	-6,190	-55	-97	-50	-6,391
Interest expense	-46	-	-	-3,087	-3,133
Personnel costs	-18,018	-4,080	-1,814	-5,392	-29,304
Direct expenses	-8,809	-1,367	-837	-2,805	-13,818
Depreciation, amortisation and impairment	-1,163	-91	-23	-39	-1,316
Operating profit before overhead costs	**20,378**	**16,159**	**-985**	**-7,940**	**27,611**
Overhead costs	-3,732	-677	-561	4,970	-
Allocation of financing expenses	-	-1,580	-	1,580	-
Operating profit before valuations	**16,646**	**13,902**	**-1,545**	**-1,391**	**27,611**
Change in fair value of investments	13	-3,604	-	-149	-3,739
Profit before taxes and non-controlling interests	**16,659**	**10,298**	**-1,545**	**-1,539**	**23,872**

		Continuing operations			
1 January–31 December 2016, EUR 1,000	**WEALTH MANAGEMENT**	**FINANCING**	**ENERGY**	**OTHER**	**TOTAL**
Continuing earnings	28,327	8,714	336	2,494	39,871
Performance fees	5,781	-	-	-	5,781
Investment operations	2,963	3,614	-	8,508	15,085
Total income	**37,072**	**12,328**	**336**	**11,002**	**60,738**
Fee and commission expense	-4,247	-	-15	-61	-4,323
Interest expense	-41	-	-	-2,266	-2,307
Personnel costs	-13,802	-3,610	-521	-4,450	-22,383
Direct expenses	-8,709	-1,494	-330	-3,524	-14,057
Depreciation, amortisation and impairment	-1,103	-211	-9	-66	-1,388
Impairment losses on loans and other receivables	60	-	-	-	60
Operating profit before overhead costs	**9,231**	**7,013**	**-539**	**635**	**16,340**
Overhead costs	-3,060	-368	-329	3,757	-
Allocation of financing expenses	-	-2,019	-	2,019	-
Operating profit before valuations	**6,171**	**4,626**	**-868**	**6,411**	**16,340**
Change in fair value of investments	809	3,064	-	14	3,887
Profit before taxes and non-controlling interests	**6,979**	**7,690**	**-868**	**6,425**	**20,226**

1) Beginning from 1 January 2017 some costs, previously recognised as overhead costs have been allocated to the segments' direct expenses and depreciations. Comparative figures have been amended to reflect this change.

Reconciliations

Reconciliation of total income	**2017**	**2016**
Total income of segments	81,572	60,738
Share of associates' profit or loss allocated to total income of segments	-583	-169
Consolidated total income	**80,989**	**60,569**

Reconciliation of operating profit	**2017**	**2016**
Total earnings of segments before taxes and non-controlling interests	23,872	20,226
Change in fair value of investments	3,739	-3,887
Consolidated operating profit	**27,611**	**16,340**

NOTES TO THE FINANCIAL STATEMENTS BULLETIN 31 DECEMBER 2017

1. ACCOUNTING POLICIES

The financial statements bulletin has been prepared in accordance with IAS 34 (Interim Financial Reporting) and with the accounting principles presented in the financial statements 2016, with exception of the changes described below.

The figures in the bulletin are based on the 2017 audited financial statements. The Auditor’s Report has been issued on 14 February 2018. All figures in the accounts have been rounded and consequently the sum of individual figures can deviate from the presented sum figure. The financial statements bulletin is available in Finnish and English. The Finnish version is the official report that will apply if there is any discrepancy between the language versions.

Applied new and revised standards

Starting from 1 January 2017, the Group has applied the following new and revised standards and interpretations with an impact on the financial statements:

- Amendments to IAS 7 *Statement of Cash Flows* concerning disclosures about changes in liabilities arising from financing activities

- Improvements to IFRS. Annual improvements to standards are performed collectively once a year. The impact of these changes varies according to standard, but these changes have not had any significant impact on consolidated financial statements.

New and revised standards to be applied later

Several new standards and amendments to and interpretations of standards will only be adopted later than in the financial periods beginning 1 January 2017, and they have not been applied in the preparation of these consolidated financial statements. It is expected that the following revisions will have some impact on Taaleri's financial statements:

IFRS 9 Financial instruments

IFRS 9 *Financial instruments* covers the classification, measurement and impairment of financial assets and liabilities. The standard was published in full in July 2014, and it will become applicable in financial periods beginning on 1 January 2018 or later.

The Group has an ongoing project to introduce IFRS 9 and on 1 January 2018 the Group has started applying IFRS 9 *Financial instruments*. IFRS 9 brings changes to the classification and measurement of financial instruments, and to the impairment of financial assets. The Group does not apply hedge accounting. In the following sections the central impacts of the new standard will be presented, as well as the preliminary changes to the opening balances as of 1 January 2018. Taaleri does not amend comparative figures.

Classification and measurement

According to IFRS 9, financial assets, with the exception of derivatives and equity instruments, must be classified into three main groups: those recorded at amortised cost, those recorded at fair value through profit and loss, and those recorded at fair value through other comprehensive income items. The classification depends on the company's business model and on the characteristics of the cash flows of the financial assets in question.

With regard to financial assets, Taaleri will have two business models. As a result of the nature of the insurance business, the objective of Garantia's investment operations is reached both by holding instruments to collect cash flows and by selling instruments. The business model is hence a combination of both, and debt instruments that pass the SPPI –test will be measured at fair value through other comprehensive income. For other than the insurance business the general model is holding-to-collet contractual cash flows, but this will be assessed on an instrument-specific basis as will the measurement of the instruments.

According to IFRS 9, investments in equity instruments are measured at fair value through profit or loss but, at initial recognition, the entity may make an irrevocable choice (on an instrument-by-instrument basis) to present subsequent changes in fair value in OCI. Amounts presented in OCI are not subsequently transferred to profit or loss, even on derecognition. The Group will apply this choice for non-strategic investments. Derivatives are all measured at fair value through profit or loss.

The only change affecting classification and measurement of financial liabilities is that fair value changes resulting from the credit risk of financial liabilities classified as being measured at fair value through profit or loss will be recognised in other comprehensive income. The Group does not have any financial liabilities measured at fair value through profit or loss on 1 January 2018.

The most prominent change in the Group will come from financial assets previously classified as available-for-sale, which under IFRS 9 will be measured at fair value through profit or loss. Mainly these instruments consist of insurance investment operations' equity instruments and debt instruments, which do not pass the SPPI –test, as well as Group level strate-gic investments. For these instruments the fair value changes will under IFRS 9 be recognized in profit or loss, and not in other comprehensive income as previously under IAS 39.

According to the analysis by the Group financial assets and liabilities will under IFRS 9 be measured as follows:

- Receivables from credit institutions, receivables from the public and general government and other financial assets (such as fee and commission receivables, interest receivables and accrued income) which, under IAS 39, are classified in Loans and Receivables, will primarily, under IFRS 9, be measured at amortised cost.

- Debt securities which, according to IAS 39, are classified as available-for-sale or at fair value through profit or loss will, according to IFRS 9, primarily be measured at fair value through profit or loss.

- Shares and units which, under IAS 39, are classified either as available-for-sale or at fair value through profit or loss will, under IFRS 9, be measured either at fair value through other comprehensive income (without transfer to profit or loss) or at fair value through profit or loss. Co-investments and other investments perceived as strategic will primarily be measured at fair value through profit or loss, and non-strategic investments at fair value through other comprehensive income (without transfer to profit or loss). This means that instruments measured at fair value through profit or loss will increase.

- Investments included in insurance assets which, according to IAS 39, are classified as available-for-sale will, according to IFRS 9 be measured in two different ways. Debt instruments that pass the SPPI –test, will be measured at fair value through other comprehensive income as before. Equity instruments and debt instruments that do not pass the SPPI –test, will be measured at fair value through profit or loss. The volatility of the Group's profit will increase as fair value changes in these instruments will be recognized in P&L instead of in other comprehensive income as previously under IAS 39.

- Liabilities to credit institutions, debt securities issued to the public and other financial liabilities (such as accounts payable and accrued expenses) which, under IAS 39, are classified as other liabilities, will also under IFRS 9 be measured at amortised cost.

Impairment

The new impairment requirements in IFRS 9 are based on an expected credit loss model and replace the IAS 39 incurred loss model. Impairment must be recorded on all loans and debt instruments not recorded at fair value through profit or loss and on off-balance sheet liabilities.

For the purpose of impairment testing, assets to be tested are divided into three stages. On the first stage are instruments whose credit risk has not increased significantly; on the second stage are instruments whose credit risk has increased significantly; and on the third stage are instruments whose value has decreased. For instruments on the first stage, a loss allowance for 12 month expected credit losses is recorded. For instruments on the second and third stages, a loss allowance for lifetime expected credit losses is recorded.

Most financial assets on which expected credit losses will be recognized, are in Garantia's investment portfolio. For debt instruments in Garantia's investment portfolio, an individual credit risk calculation model (PDxLGDxEAD)[1] based on the calculation model used at present. The Group only has a few other debt instruments and primarily the expected credit loss will be measured using a corresponding individual credit risk calculation model. An expected credit loss for the following 12 months will be recognized when there is no significant increase in credit risk. If there is a significant increase in credit risk a lifetime expected credit loss will be recognized. A significant increase in credit risk is estimated based on changes in the credit rating. The credit rating is deemed to take into account sensible and justifiable information to the necessary extent. Additionally, the credit risk is estimated to have increased significantly if payments are over 30 days due.

It is expected that the application of the expected credit loss model will increase and bring forward credit loss allowances, but the impact is not expected to be significant.

[1] PD = Probability of default, LGD = Loss given default, and EAD = Exposure at default.

Preliminary opening balances as of 1 January 2018

CONSOLIDATED BALANCE SHEET

Assets, EUR 1,000	1/1/2018	Changed 1/1/2018	Change	
Receivables from credit institutions	34,567	34,567		
Receivables from the public and general government	6,598	6,462	-135	1)
Shares and units	25,883	25,883		
Participating interests	7,606	7,606		
Insurance assets	135,586	135,586		
Insurance receivables	3,268	3,268		
Investments	132,318	132,318		
Intangible assets	2,205	2,205		
Goodwill	627	627		
Other intangible assets	1,577	1,577		
Tangible assets	361	361		
Other assets	10,081	10,081		
Accrued income and prepayments	5,322	5,322		
Deferred tax assets	1,113	1,140	27	2)
	229,322	**229,212**	**-108**	

Liabilities, EUR 1,000	1/1/2018	Changed 1/1/2018	Change	
LIABILITIES	**123,238**	**123,238**		
Liabilities to credit institutions	7,982	7,982		
Debt securities issued to the public	54,758	54,758		
Insurance liabilities	20,336	20,336		
Other liabilities	2,131	2,131		
Accrued expenses and deferred income	22,143	22,143		
Deferred tax liabilities	15,887	15,887		
EQUITY CAPITAL	**106,084**	**105,975**	**-108**	
Share capital	125	125		
Reserve for invested non-restricted equity	35,814	35,814		
Fair value reserve	-4,280	-1,042	3,238	3)
Retained earnings or loss	52,594	49,248	-3,346	3)
Profit or loss for the period	21,447	21,447		
Non-controlling interest	384	384		
	229,322	**229,212**	**-108**	

On the asset side 1) the expected credit loss on receivables from the public and general government that are primarily measured at amortized cost under IFRS 9, is recognized and in 2) deferred tax assets relating to the expected credit loss is recognized.

In equity capital 3) cumulative fair value changes on instruments previously measured at fair value through other comprehensive income and under IFRS 9 measured at fair value through profit or loss are transferred from the fair value reserve to retained earnings. Additionally the expected credit loss is taken into account in retained earnings.

Other standards

IFRS 15 *Revenue from contracts with customers* specifies the requirements an entity must apply to measure and recognise revenue and the related cash flows, as well as requires entities to provide users of financial statements with more informative, relevant disclosures regarding the nature, quantity and uncertainty of revenue. Revenue is recognised when (or as) a company transfers control of goods or services to a customer and the customer thus can control its use and receive benefit from it. The standard replaces IAS 18 *Revenue* and IAS 11 *Construction Contracts* and related interpretations. IFRS 15 applies to different fee and commission income in the Group, but insurance income (to which IFRS 4 is applied) and financial instruments (to which IAS 39/IFRS 9 are applied) remain outside the scope of application. The new standard is effective for annual periods beginning on or after 1 January 2018. The Group has analysed the impact of the standard during 2017. In the analysis no customer contracts where recognized where the revenue recognition principles would change due to the new standard.

IFRS 16 *Leases* was issued in January 2016 and will become applicable on 1 January 2019. The standard replaces the IAS 17 standard. The new standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for nearly all leases. For lessees there will no longer be a distinction between operative and financial leases. According to the new standard, an asset (the right to use the object leased) and the financial liability concerning the payment of leases will be recognised. The only exceptions are short-term lease agreements and those concerning low value assets. There will be no significant changes to the accounting procedure applied by lessors. The Group is assessing the impact of IFRS 16.

IFRS 17 *Insurance Contracts* was issued in May 2017 as replacement for IFRS 4 *Insurance Contracts*. The standard will become applicable on 1 January 2021. The overall objective of IFRS 17 is to provide better information on the financial position and profitability of insurance companies. The purpose is to increase the transparency and improve the comparability of financial statements. The accounting in IFRS 17 differs to some extent from the Solvency II capital adequacy calculations that insurance companies currently use, and the technical provisions will therefore not be the same. IFRS 17 harmonizes the accounting for insurance liabilities and the application of local accounting policies will no longer be allowed. Under IFRS 17 the measurement of the insurance liability will be at fair value. The Group is assessing the impact of IFRS 17. The standard has not yet been endorsed by the EU.

The amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* becomes applicable on 1 January 2018. The amendments address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. EU endorsement is expected during the first quarter of 2018. The Group is assessing the impact of the amendments.

No other IFRS standard or IFRIC interpretation already published but not yet valid is expected to have a material impact on the Group.

2 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities 31 December 2017, EUR 1,000

Financial assets	Loans and receivables	At fair value through profit or loss	Available-for-sale	Total	Fair value
Receivables from credit institutions [1)]	34,567	-	-	34,567	34,567
Receivables from the public and general government [1)]	6,198	-	400	6,598	6,598
Shares and units	-	20,470	5,413	25,883	25,883
Insurance assets	-	-	132,318	132,318	132,318
Other financial assets	11,819	-	-	11,819	-
Financial assets total	**52,583**	**20,470**	**138,132**	**211,185**	
Participating interests	**-**	**-**	**-**	7,606	**-**
Other than financial instruments	-	-	-	10,530	-
Assets in total 31 December 2016	**-**	**-**	**-**	**229,322**	

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

1) The carrying amount of these receivables and liabilities are seen as the best estimate of their fair values.
2) Bonds included in Debt securities issued to the public are carried at amortised cost.

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

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

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

1) The carrying amount of these receivables and liabilities are seen as the best estimate of their fair values.
2) Bonds included in Debt securities issued to the public are carried at amortised cost.

3 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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

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

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

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

Fair value hierarchy

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

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

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

Assets classified at level 3
Assets categorised within level 3 consist of unquoted shares in private equity funds, stocks and debt securities. Shares in private equity funds are mainly measuered at the latest fair value received from the management company. Unquoted shares are measured at fair value using discounted cash flow analysis or, if it is determined that fair value cannot be measured reliably, at acquisition cost.

Reconciliation of assets categorised within level 3, EUR 1,000	**31/12/2017**	**31/12/2016**
Fair value January 1	7,641	46,533
Business combinations	-	-
Purchases	3,652	2,009
Sales and deductions	-1,962	-41,654
Change in fair value - income statement	-3	-190
Change in fair value - comprehensive income statement	745	943
Fair value at end of period	**10,074**	**7,641**

Unrealised gains or losses attributable to fair value measurements of assets or liabilities categorised within level 3 held at the end of the reporting period recognised in profit or loss, EUR 1,000	**1/1-31/12/2017**	**1/1-31/12/2016**
Net income from insurance	-	-
Net gains or net losses on trading in securities and foreign currencies	-	-50
Total	**-**	**-50**

4 IMPAIRMENT LOSSES ON RECEIVABLES

EUR 1,000	**1/1-31/12/2017**	**1/1-31/12/2016**
Impairment losses on receivables from the public and general government:		
Agreement-specific amortisation and impairment losses, deductions	-	-60
Booked to the income statement	**-**	**-60**

No credit losses have been realised in the 2017 and 2016 financial periods.

5 DEBT SECURITIES ISSUED TO THE PUBLIC

EUR 1,000	31/12/2017	31/12/2016
Publicly issued bonds	54,758	64,691
Total	**54,758**	**64,691**

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

Key conditions of the bonds:

Taaleri Plc bond 01/2016

Bond organiser(s):	Danske Bank Oyj
Bond capital and currency:	EUR 35,000,000.00
Number of bond shares:	35.000
Priority position of bond:	Same as issuer’s other unsecured commitments
Settlement of bond:	Euroclear Finland Ltd:s value-share system
Unit size of bond shares:	EUR 1,000.00
Minimum subscription of bond:	EUR 100,000.00
Date of issue:	20/12/2016
Date of maturity:	20/12/2021
Repayment amount:	Nominal value of bond capital
Date(s) of repayment:	20/12/2021 The bond will be repaid in one instalment
Interest:	Fixed interest, 4.25% p.a. Interest payment dates: Each year on 20 December, beginning 20 December 2017 and ending 20.12.2021
Basis of interest calculation:	Actual/actual (ICMA)
Assumed banking day:	Following
Issuing agent and payment agent:	Danske Bank Oyj
Bond ISIN code:	FI4000232970

Taaleri Plc bond 01/2014

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

Taaleri Plc bond 02/2014

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

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

6 EQUITY CAPITAL

Share capital

The company's share capital on 31 December 2017 was EUR 125,000 and the amount of shares 28,350,620. The company's shares do not have a nominal value.

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

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

7 INVESTMENTS IN SUBSIDIARIES

Changes in subsidiary shareholdings 2017

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

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

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

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

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

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

Changes in subsidiary shareholdings 2016

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

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

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

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

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

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

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

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	**2017**	**2016**
From an addition to the share owned in subsidiaries	-	-11,226
From a reduction in the share owned in subsidiaries without loss of control	53	-7
Net effect on equity	**53**	**-11,232**

Significant judgments and assumptions

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

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

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

	Proportion of non-controlling ownership interest		Profit or loss allocated to non-controlling interests		Equity capital allocated to non-controlling interests	
Company	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Other subsidiaries with non-controlling interests, which are not material on their own			341	110	384	354
Total			**341**	**110**	**384**	**354**

8 INVESTMENTS IN ASSOCIATED COMPANIES

The group has on 19 September 2017 acquired 38.85 percent of Ficolo Oy, which has since been consolidated as an associated company. There have been no other changes in investments in associated companies during 2017. Hence, on 31 December 2017 the group has three associated companies; Fellow Finance Plc, Inderes Oy and Ficolo Oy. None of these is considered material to the group. All associated companies are consolidated using the equity method. A total of EUR 583 thousand of profit from continuing operations of the associated companies has been recognised in the group in the income statement item 'Share of associates' profit or loss'. Associated companies have neither discontinued operations nor comprehensive income items.

The group has on 31 May 2016 acquired 40 percent of Inderes Oy, which has since been consolidated as an associated company. On 29 June 2016 the group has sold all of its holdings in Havuz Holding Oy, which was previously consolidated as an associated company.

9 CONDITIONAL LIABILITIES AND CONTINGENT LIABILITIES

Commitments not recognised as liabilities, EUR 1,000	**31/12/2017**	**31/12/2016**
Total gross exposures of guarantee insurance	1,491,279	1,319,746
Guarantees	219	219
Investment commitments	14,874	1,649
Pledged securities	13,333	15,000
Credit limits (unused)	10,000	10,000
Total	**1,529,706**	**1,346,614**

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

10 RELATED PARTY DISCLOSURES

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

The following belong to the company's related parties:

1) Someone who, by virtue of shareholding, options or convertible bonds has or may have at least 20 percent of the company's stocks or shares, or the voting rights attached to them, or a corresponding shareholding or voting right in an organisation belonging to the group, or in an organisation exercising control in the company, unless the significance of the company that is the subject of ownership is minor in terms of the whole group.

2) A member and deputy member of the Board of Directors, CEO and Deputy CEO, and somebody in a similar position in a company as referred to in point 1.

3) The children and spouse of someone as referred to in point 2, or someone in a marital relationship with that person.

4) An organisation and foundation in which an above-mentioned person, either alone or with another person, has control as specified in Chapter 1, Paragraph 5 of the Accounting Act.

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

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

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

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

2016	**Sales**	**Purchases**	**Receivables**	**Liabilities**
Associated companies	667	32	4,065	-
Other related parties	885	10,135	4,528	-

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

Management shareholdings

At the end of 2017, members of the company's Board of Directors and Senior Management Team owned a total of 7,377,426 of the company's shares, which corresponds to about 26.0% of the shares and the voting rights attached to all shares. The shareholdings of the members of the company's Board of Directors and Senior Management Team in the company, including related party holdings:

Name	Position	Number of shares
Peter Fagernäs [1)]	Chairman of the Board of Directors	2,503,128
Juhani Elomaa [3)]	CEO	2,088,198
Karri Haaparinne [4)]	Deputy CEO	1,830,784
Petri Lampinen	Taaleri Wealth Management Ltd, Managing Director	516,596
Esa Kiiskinen [5)]	Member of the Board of Directors	232,496
Vesa Puttonen [6)]	Member of the Board of Directors	182,224
Janne Koikkalainen	Legal and Compliance	10,000
Minna Smedsten	CFO	7,500
Hanna Maria Sievinen	Member of the Board of Directors	3,000
Syrjänen Tuomas	Member of the Board of Directors	2,500
Jorma Alanne [7)]	Head of Wealth Management	1,000
Total		**7,377,426**
Total of share capital, %		26.0 %

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

[2)] Juhani Elomaa's shareholding consists of 2,088,198 shares, 266,656 of which are owned by E-Capital Oy, in which he has a controlling interest, and 17,367 are owned by other related parties.

[3)] Karri Haaparinne's shareholding consists of 1,830,784 shares, 167,683 of which are owned by Xabis Oy, in which he has a controlling interest, and 161,009 are owned by other related parties.

[4)] Petri Lampinen's shareholding consists of 516,596 shares, of which 8,268 shares are owned by other related parties.

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

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

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

Fringe benefits of senior management

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

EUR, 1,000	2017	2016
Salaries, bonuses and other fringe benefits	2,098	1,959
Benefits to be paid at the end of employment	886	596
Total	**2,984**	**2,555**

1) The composition of Taaleri's Senior Management Team changed during the 2016 and 2017 financial periods. The benefits of those who left the Senior Management Team are included in the table from the time when they belonged to the team.

In Helsinki 14 February 2018

The Board of Directors of Taaleri Plc

The figures in the financial statements bulletin are based on the 2017 audited financial statements. The Auditor's Report has been issued on 14 February 2018. The bulletin is available on www.taaleri.com.

The Board of Directors' Report and Financial Statements of 2017 will be published in week 9 on www.taaleri.com. The next half year financial report will be published on 16 August 2018.

TAALERI IN BRIEF

Taaleri is a Financial Group whose parent company Taaleri Plc is listed on Nasdaq Helsinki's main market. The Taaleri Group comprises three business areas: Wealth Management, Financing, and Energy. Taaleri pro-vides services to institutional investors, companies and private individuals. The Group's operational subsidi-aries are: Taaleri Wealth Management Ltd and its subsidiaries, Taaleri Private Equity Funds Ltd Group, Taaleri Investments Ltd Group, Taaleri Energia Oy Group and Garantia Insurance Company Ltd. In addition, Taaleri has associated companies Fellow Finance Plc, which offers peer-to-peer lending services, Inderes Oy, which produces analyses and marketing information for investors, and Ficolo Oy, which develops data centres.

At the end of December 2017, Taaleri had assets under management totalling EUR 5.6 billion and 4,400 asset management customers. Taaleri Plc has some 3,900 shareholders. Taaleri's operations are supervised by the Finnish Financial Supervisory Authority.

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