

TALERI

TALERI PLC HALF-YEAR FINANCIAL REPORT

JANUARY - JUNE 2019



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Taaleri Plc Half-Year Financial Report January-June 2019

ASSETS UNDER MANAGEMENT AND EARNINGS FROM INVESTMENT OPERATIONS GREW, RESULT BURDENED BY DECLINED PERFORMANCE FEES

The Group in January-June 2019

- Income was EUR 30.9 (35.2) million. The decrease was mainly due to lower performance fees.
- Continuing earnings declined by 8.6 per cent to EUR 24.5 (26.9) million.
- Earnings from investment operations doubled to EUR 6.8 (3.0) million.
- Operating profit was EUR 6.4 (12.4) million, or 20.6 (35.1) per cent of income.
- Earnings per share were EUR 0.18 (0.32).
- Assets under management grew 15.6 per cent to EUR 6.6 (5.7) billion. Growth was strongest in private equity funds.
- The Guaranty insurance portfolio remained on last year's level and totaled EUR 1.6 (1.7) billion.
- Taaleri Energia made an international breakthrough in renewable energy with its SolarWind II fund.

Key figures	H1/2019	H1/2018	2018	Long-term target
Earnings key figures				
Continuing earnings, MEUR	24.5	26.9	52.0	
Income, MEUR	30.9	35.2	72.5	
Operating profit, MEUR	6.4	12.4	23.9	
Operating profit, %	20.6	35.1	33.0	> 20.0
Profit for the period, MEUR				
Return on equity*, %	8.0	17.4	18.9	> 15.0
Balance sheet key figures				
Equity ratio, %	48.9	48.3	51.4	> 30.0
Group's capital adequacy ratio, %	194.6	178.1	186.0	
Per share key figures				
Earnings/share, EUR	0.18	0.32	0.76	
Equity/share, EUR	4.22	3.84	4.26	
Share closing price, EUR	7.00	10.00	7.10	

Other key figures

Cost/income ratio	79.5	65.1	67.0
Average full-time employees	185	177	183
Market capitalization, MEUR	198.1	283.1	201.0
Assets under management,	6.6	6.0	5.7
Guaranty insurance portfolio, BEUR	1.6	1.6	1.7

* annualized

Income statement items are compared with figures for the corresponding period last year. The balance sheet is compared to the situation at the end of 2018, unless otherwise stated.

CEO ROBIN LINDAHL

“The beginning of the year was somewhat weaker than last year for Taaleri. Income totalled EUR 30.9 million and operating profit 6.4 million, corresponding to a margin of 21 per cent. The number of employees was adjusted in the Wealth Management and Financing segments during the spring

Assets under management grew by more than 15 per cent to EUR 6.6 billion. Taaleri strengthened its position as a forerunner in responsible investments by launching three new private equity funds – Taaleri Solarwind II, Taaleri Day-care Properties and Taaleri Wind IV. In addition, two special mutual funds started their operations. Continuing earnings in Wealth Management decreased 10 per cent during the first half-year due to the challenging market environment at the end of last year. The segment’s continuing earnings are estimated to be back on growth track during the end of this year.

Taaleri signed a funds distribution agreement with Nordnet and is now able to reach more than 200,000 private investors. Taaleri Group’s corporate finance arm, Taaleri Kapitaali Oy, received Certified Adviser status on the First North marketplace. From now on, Taaleri Kapitaali’s service offering will include IPOs both on the stock exchange main list and on the Nasdaq First North marketplace.

Garantia’s income grew 69 per cent to EUR 10.4 million due to the success of the investment operations. Net earned premiums grew 23 per cent to EUR 6.8 million, but net income from guaranty insurance operations declined 6 per cent to EUR 5.5 million as a result of change in claim provisions. Garantia’s return on investments at fair value totalled 5.3 per cent.

Taaleri Energia made its international breakthrough with the launch of Taaleri SolarWind II. The international renewable energy fund Taaleri Solarwind II raised commitments of EUR 220 million during its first closing with a strong institutional investor base. Good progress and international recognition was also seen in the development of the renewable projects in Taaleri Solarwind I. The Texas-based 275-MW Truscott-Gilliland Wind farm project is being enhanced with a new turbine supplier so that electricity production can start 2021.

The prevailing megatrends continue supporting Taaleri’s growth in Renewable Energy, Circular Economy, Real Estate and the related Financial Services. Responsibility is the foundation of our business, and through impact investing we positively influence on the surrounding community and the environment. We will continue creating interesting investment opportunities, and, in addition to economic returns, we want to offer our customers a way to positively impact the surrounding society and the environment.”

HALF-YEAR REVIEW 1 JANUARY–30 JUNE 2019

Operating environment

Economic growth in the euro area was stronger than expected as the continued improvement of employment supported the economic development, but the economic outlook in the area weakened due to the slowing of the global economy and weak international trade. Economic growth in Finland, however, slowed in the first half of 2019. The key factors impacting the economic outlook in the euro area are geopolitical factors, protectionism, and the uncertainty related to the weaknesses of emerging markets.

Stock market development was strong, even though economic growth in the euro area and globally slowed down. The risk appetite and activeness of investors increased, and the looser policy of central banks had a favourable impact on stock market development. International politics in Europe and around the world is creating uncertainty in future market development.

Decelerating climate change is one of the key factors for a sustainable future and it requires significant investments. The EU has set a target to grow the share of renewable energy sources in energy production. Today wind power and solar energy are market-competitive alternatives in relation to other energy forms, which help the transition to renewable energy sources.

In addition to the investment environment and climate change, our operating environment and our company are directly and indirectly impacted by major trends in the financial sector, trends like changes in customer behaviour, the Americanization of the capital markets, and regulation. Creating responsible solutions and flexible structures gives us much more ability to handle the major changes targeting the sector – and ideally to also benefit from them.

FINANCIAL RESULT

Income and operating profit

Segment-specific income and operating profit

	H1/2019	H1/2018	Change, %	2018
EUR million				
Group income	30.9	35.5	-13.0	72.3
Wealth Management	17.2	29.7	-42.0	48.7
Financing	10.4	6.2	68.8	12.5
Energia	1.4	1.1	29.2	2.3
Other Operations	1.8	-1.5	na	8.8
Group operating profit/loss	6.4	12.4	-48.2	23.9
Wealth Management	2.0	14.1	-85.6	16.8
Financing	6.1	2.4	154.2	4.9
Energia	-1.6	-0.9	78.2	-2.3
Other Operations	-0.1	-3.3	-97.0	4.4

The Group's share of the result of associated companies is taken into account in the segment-specific income. Segment information is presented on page 32.

January–June 2019

The Group's income in January-June 2019 was EUR 30.9 (35.2) million, a decrease of 12.4 per cent compared to the same period in 2018. The decrease was mainly due to the development of Wealth Management's fees, and especially the negative development of performance fees during the beginning of the year. Performance fees totalled EUR -0.5 (5.6) million. The Group's continuing earnings were EUR 24.5 (26.9) million, the development reflects the challenging stock market at the end of last year. Net income from insurance operations grew 68.7 percent to EUR 10.4 (6.2) million, of which earned premium (net) grew by 23.1 per cent to EUR 6.8 (5.5) million. Claims incurred were EUR 1.3 (-0.3) million, and investment operations generated EUR 5.0 (0.4) million. The Group's other investment operations and other earnings totalled EUR 2.8 (3.4) million.

The Group's operating profit was EUR 6.4 (12.4) million and represented 20.6 (35.1) per cent of the Group's income.

The total administrative costs totalled EUR 17.1 (14.2) million. Personnel costs totalled EUR 12.3 (10.2) million. The increase in personnel costs was mainly due to changes in variable personnel costs. Staff adaption measures due to organizational changes also burdened the result during the first half of the year. Other administrative expenses totalled EUR 4.7 (4.0) million and other operating expenses EUR 2.4 (3.7) million.

Profit for January-June 2019 amounted to EUR 4.8 (9.4) million. Comprehensive income was EUR 6.6 (9.0) million.

Taaleri's balance sheet, investments and financing

The balance sheet total of the Taaleri Group was EUR 242.9 (31 Dec. 2018: 238.0) million. The Group's cash and cash equivalents totalled EUR 11.9 (26.1) million, and investments EUR 169.2 (162.4) million, corresponding to 69.7 (68.2) per cent of the Group's balance sheet total.

The Group's interest-bearing liabilities amounted to EUR 61.3 (61.8) million, which consisted of EUR 54.8 (54.8) million in Taaleri Plc bond programmes and EUR 6.5 (7.0) million in liabilities to credit institutions. The EUR 20 million bond maturing in September will be refinanced with a bank loan signed in June. Liabilities totalled EUR 124.2 (115.6) million and equity stood at 118.7 (122.4) million. The dividend for the financial year 2018, totalling EUR 8.5 million, was paid in March.

The equity ratio of Taaleri Group remained strong and was 48.9 (51.4) per cent.

BUSINESS SEGMENTS

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

WEALTH MANAGEMENT

Taaleri's Wealth Management segment offers wealth management services and investment solutions to private individuals, institutions and companies. We improve the financial wellbeing of our customers through visionary investment activities and responsible actions. Our services always stem from the individual needs of our customers, and our investment solutions cover equity, fixed income and alternative investments.

Wealth Management	H1/2019	H1/2018	Change, %	2018
EUR million				
Wealth Management fees	17.1	19.1	-10.4	35.8
Performance fees	-0.5	5.6	-108.1	8.1
Investment operations	0.5	4.9	-89.0	4.8
Total	17.2	29.7	-42.0	48.7
Operating profit	2.0	14.1	-85.6	16.8
Average number of full-time personnel	119	120	-1.5	120

January-June 2019

Wealth Management's income totaled EUR 17.2 (29.7) million, in January-June 2019. Performance fees totalled EUR -0.5 (5.6) million, due to EUR -0.5 million adjustment made to an estimated fee in 2018. The challenging stock market at the end of last year affected the recurring fees of Wealth Management that totalled EUR 17.1 (19.1) million. The income from investment operations during January-June 2019 totalled EUR 0.5 (4.9) million.

Costs declined 2.2 per cent and totalled EUR 14.7 (15.0) million. The major costs of Wealth Management were related to personnel and the development of digital services. The increase in personnel costs was due to changes in variable personnel costs partly because of reorganization activity completed during the first half of the year.

Wealth Management's operating profit totalled EUR 2.0 (14.1) million, which corresponds to 11.8 (47.6) per cent of income. Assets under management grew 12.6 per cent to EUR 6.3 (5.6) billion. Growth was strongest in the private equity funds. Assets under management in Taaleri's own private equity funds as well as co-investments grew by 20.8 per cent to EUR 1.2 (1.0) billion.

Assets under management	30 June 2019	31 Dec. 2018	Change, %
EUR million			
Assets under management	6,321	5,612	12.6
Mutual funds	945	911	3.7
Private equity funds	1,238	1,024	20.8
Discretionary wealth management	2,074	1,922	7.9
Consultative wealth management	2,064	1,754	17.6

During the review period impact investment commitments were collected for new private equity funds, Taaleri Solar-Wind II, Taaleri Daycare Properties and Taaleri Wind IV. In addition, two special investment funds, Taaleri Global Fixed Income and Taaleri Alternatives, started their operations. The Taaleri Allocation 50 and Taaleri Rhein Value mutual funds administration was moved back to Finland from Luxembourg. Taaleri also signed a funds distribution agreement with Nordnet, enabling its customers to invest in 12 Taaleri funds.

During the financial period Taaleri Group's corporate finance arm, Taaleri Kapitaali, received Certified Adviser status on the Nasdaq First North marketplace. Taaleri Kapitaali's service offering in the future also includes stock exchange listings both on the stock exchange's main market and the Nasdaq First North marketplace.

FINANCING

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

Financing	H1/2019	H1/2018	Change, %	2018
EUR million				
Net income from guaranty insurance operations	5.5	5.8	-5.6	13.2
of which Earned premium, net	6.8	5.5	23.1	12.5
of which Claims incurred, net	-1.3	0.3	-534.2	0.7
Net income from investment operations	5.0	0.4	1,166.8	-0.7
Income	10.4	6.2	68.8	12.5
Operating expenses	-4.3	-3.8	14.4	-7.5
Operating profit before valuations	6.1	2.4	154.2	4.9
Change in fair value of investments	2.0	-0.6	neg.	-1.7
Result at fair value before tax	8.1	1.8	340.3	3.3
Claims ratio, %	21.1%	-3.3%	24.4% pts	-4.2%
Expense ratio, %	43.1%	44.5%	-1.5% pts	39.1%
Combined ratio, %	64.2%	41.2%	23.0% pts	34.9%
Return on investment at fair value, %	5.3%	-0.1%	5.4% pts	-1.7%
Average number of full-time personnel	26	24	8.3	26

	30 June 2019	31 Dec. 2018	Change, %
EUR million			
Investment assets, fair value	141	134	5.2
Guaranty insurance portfolio	1,645	1,667	-1.3
Solvency ratio, %	224,5%	233.4 %	-8.9% pts
Credit rating	A-	A-	

**Garantia's solvency ratio, or the ratio of basic own funds to the solvency capital requirement, was 224.5 (31 Dec. 2018: 233.4) per cent including the capital add on and 388.5 (31 Dec. 2018: 390.7) per cent excluding the capital add-on.*

January-June 2019

In January-June 2019, the income of the Financing segment was EUR 10.4 (6.2) million. Earned premiums (net), increased by 23 per cent, but net income from guaranty insurance activities decreased by totally 6 per cent to EUR 5.5 (5.8) million as a result of changes in known claims provision. The insurance exposure remained on last year's level EUR 1.6 (1.7) billion. Net income from investment operations grew significantly and totalled 5.0 (0.4) million because of the strengthened global stock market and declined interest rate level.

Operating expenses grew mainly due to increased personnel costs and totaled EUR 4.3 (3.8) million. The operating profit of the Financing segment before valuations was EUR 6.1 (2.4) million. The result at fair value before tax was EUR 8.1 (1.8) million.

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

Insurance operations

In January-June 2019, gross premiums written (excluding reinsurers' share) grew by 3 per cent to EUR 7.9 (7.7) million and premiums (after reinsurers' share) by 23.2 per cent to EUR 6.8 (5.5) million driven by the strong demand in residential mortgage guarantees. Premiums written in commercial bonds fell slightly short of the comparison period as a result of decreased construction, and the demand for corporate pension loan guaranties remained low in the first half of the year.

The gross exposure of the guaranty insurance portfolio was EUR 1,645 million at the end of June 2019 (31 Dec. 2018: 1,667). Residential mortgage guaranties accounted for 44 (39) per cent of the gross exposure, commercial bonds 33 (31) per cent, loan guaranties 16 (22) per cent, rent guaranties 0.6 (0.1) per cent and other guaranties 7 (8) per cent.

Insurance claims paid remained exceptionally low. Although claims recovered from the commercial and residential household claims paid during prior years exceeded the amount of claims paid, the change in provision for known claims increased the claims incurred during the period under review. The claims ratio was 21.1 (-3.3) per cent and insurance claims paid (less reinsurers' share and including the share of actual operating expenses allocated to claims handling) with respect to the guaranty insurance portfolio 0.05 (0.05) per cent. In January-June 2019, EUR 0.1 (0.6) million was paid in claims, of which approximately 24 per cent was due commercial bonds, 34 per cent to residential mortgage guaranties and the rest to rent guarantees. Of that sum, EUR 0.0 (0.0) million was recorded in claims of recourse. Of claims paid during and before January-June 2019, EUR 0.3 (0.5) was recovered. Of that sum, EUR 0.0

(0.2) million was allocated to claims of recourse. The net provision for claims outstanding (less reinsurers' share) grew to EUR 2.7 (1.2) million, a result of changes in the provision for claims outstanding, which increased claims incurred by EUR 1.5 million.

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

The expense ratio of insurance operations improved to 43.1 (44.5) per cent due to the strong growth of premiums earned (net). The combined ratio was 64.2 (41.2) per cent. The combined ratio increased due to the change in the provision for claims outstanding.

Investment activity

Net income from investment operations was EUR 5.0 (0.4) million and consisted of interest income and clearly higher recorded fair value changes in the profit and loss account. The change in the fair value investment assets recognised in the comprehensive income before taxes was EUR 2.0 (-0.6) million. Return on investment at fair value thus totaled EUR 7.0 (-0.2) million, or 5.3 (-0.1) per cent. The investment portfolio was valued at EUR 141 (31 Dec. 2018: 132) million.

Risk position

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

The risk position of guaranty insurance operations remained stable during January-June 2019, even though the outlook in construction sector weakened. The growth of insurance exposure took place in well-diversified mortgage guaranties and in short-term commercial bonds covered by comprehensive reinsurance. At the end of review period the Guaranty insurance portfolio totalled EUR 1,645 (1,667) million, of which consumer exposure 44.3 (39.4) per cent and corporate exposure 55.7 (60.6) per cent. Due to repayment of loan guarantees the insurance exposure classified as investment grade, i.e. with a rating between AAA- and BBB-, excluding residential mortgage guaranties, residual value guaranties, assumed reinsurance and rent guaranties decreased and was 10 (11) per cent. The share of guaranties with a credit rating of C+ or lower remained low and was 2.3 (1.7) per cent. The principal sectors in the insurance exposure were construction at 59 (52) per cent and manufacturing at 18 (22) per cent. A total of 55 (54) 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 June 2019, Garantia's largest single customer risk amounted to 20.4 (22.3) per cent of Taaleri Group's own funds.

The risk in investment operations was kept at a moderate level during January-June 2019. Fixed income investments (incl. cash and bank balances) made up 85.5 (87.4) per cent, equity investments (incl. private equity investments) 13.1 (11.1) per cent, and real-estate investments 1.4 (1.4) per cent of the investment portfolio. Fixed income investments mainly consist of investments in the bonds of Finnish and Nordic companies and credit institutions with strong creditworthiness. The share of investment-grade fixed income investments (excl. fixed income funds) was 47.6 (51.2) per cent. The modified duration of fixed income investments was 3.0 (3.4).

Credit rating

No changes took place in Garantia's credit rating or its outlook during January-June 2019. Standard & Poor's Global Ratings Europe Limited (S&P) confirmed on 10 December 2018 Garantia Insurance Company Ltd.'s Financial Strength Rating (FSR) and the Financial Enhancement Rating (FER) reflecting the company's solvency and willingness to meet its financial commitments as A- with a stable outlook rating.

ENERGIA

Taaleri Energia develops, invests and manages industrial-scale wind and solar projects primarily in Europe and the United States for the needs of the leading domestic and international institutional investors. Activities cover the entire life cycle of production facilities. It is responsible for identifying investment targets, implementing investments and management. When needed, Taaleri Energia can also take the lead for project development, construction, and practical oversight. The team specialized in renewable energy is one of Europe's biggest.

Energia segment	H1/2019	H1/2018	Change, %	2018
EUR million				
Income	1.4	1.1	29.2	2.3
Operating profit	-1.6	-0.9	78.2	-2.3
Average number of full-time personnel	22	18	25.7	19

Taaleri Energia's income in January-June 2019 was EUR 1.4 (1.1) million and operating profit EUR -1.6 (-0.9) million.

Taaleri Energia offers its services to investors through Taaleri's SolarWind II, SolarWind, Wind I, Wind II, and Wind III funds. The Wind funds and their investment targets were all in the production phase during the review period. The SolarWind fund's projects are, for the most part, in the construction phase. The investment period for the SolarWind II fund was initiated during the review period.

The SolarWind fund's investment period ended in January when the deal for the fund's fourth investment, the 13.5-MW Måljord wind farm project in Sweden, was secured. The investment will be finalized in the second half of 2019, and construction is planned for 2020 and 2021. The fund's third investment, the 23-MW Slageryd wind farm in Sweden, has been under construction since late 2018, and electricity production is expected to begin by the end of 2019. The fund's second investment, the 200-MW Baynouna solar power project in Jordan, has advanced as planned towards the planned commissioning in the first half of 2020. The fund's first investment, the 158-MW Čibuk wind farm – the biggest in Serbia, has been producing electricity since the beginning of the year, and the final operating license will be granted in the near future. In March 2019, the Čibuk wind farm investment was awarded with the 2018 European Onshore Wind Transaction of the Year.

Taaleri Energia's newest international renewable energy fund, Taaleri SolarWind II, raised commitments totalling EUR 220 million at its first closing. The target size of the fund is EUR 300 million and the maximum size EUR 400 million. Investors in the fund include, among others, the European Investment Bank, Ilmarinen Mutual Pension Insurance Company, Varma Mutual Pension Insurance Company, the City of Espoo, the Finnish Construction Trade Union, and a wide range of pension funds, foundations and family-owned companies. A significant number of individuals

have also invested in the feeder fund through a fund managed by Taaleri Private Equity Funds. At the end of the review period, the fund made investment decisions on wind farms in Finland and Norway.

Taaleri Energia's partner in the projects in Serbia and Jordan is Masdar, one of the world's leading renewable energy players. The collaboration with Masdar deepened to develop wind and solar projects in Europe.

In addition, Taaleri Energia develops i.e. a Texas-based 275-MW Truscott-Gilliland Wind farm project that is being enhanced with a new turbine supplier so that electricity production can start 2021.

OTHER OPERATIONS

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

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

Other Operations	H1/2019	H1/2018	Change, %	2018
EUR million				
Income	1.8	-1.5	neg.	8.8
Operating profit	-0.1	-3.3	-97.0	4.4
Average number of full-time personnel	18	15	17.6	19

	30 June 2019	31 Dec. 2018	Change, %
EUR million			
Investments and receivables, fair value	47.1	45.7	2.9
- Portfolio investments	27.4	25.3	8.1
- Co-investments	6.3	4.8	30.8
- Own investments	13.3	15.6	-14.3

January-June 2019

In January-June 2019, income from Other Operations amounted to EUR 1.8 (-1.5) million and operating profit to EUR -0.1 (-3.3). The comparison period of January-June 2018 was impacted by the impairment of the Erdwärme Oberland geothermal project in Germany totalling EUR 2.2 million.

OTHER GROUP EVENTS DURING THE PERIOD UNDER REVIEW

CORPORATE RESPONSIBILITY

Corporate responsibility is a key part of Taaleri's strategy. Our goal is to promote responsibility by implementing financially profitable projects together with our customers and partners.

We create a sustainable future. Impact is the spearhead of Taaleri's corporate responsibility. We actively pursue profitable projects that build a sustainable future.

We impact with expertise and passion. We offer our employees a growth platform to develop and an opportunity to be profiled as an influencer in society.

We build solid trust. Compliance is the solid foundation of Taaleri's operations. We integrate responsibility and risk management with business in an expedient manner.

Taaleri's business segments implement responsible practices, good corporate governance and responsible investment principles in all of their operations. We believe that operating responsibly is profitable and grows long-term shareholder value. Responsibility includes, e.g. financial accountability to shareholders, minimizing and managing environmental impacts, responsibility towards employees and the wider community.

We are continuously developing our business operations because we understand that legislative amendments and climate change will change our operating environment in the long-term. During the period under review the company published its renewable energy funds' impact. To date, it is estimated that Taaleri has produced 2,300,000 MWh of renewable electricity.

CHANGES IN GROUP STRUCTURE

During the review period, we divested TT Canada RE Holding (100.0) and its subsidiary Northern Lights Enterprises (85.0), and we reduced our ownership in Taaleri Datacenter to 31.2 (100.0) per cent. Taaleri Plc reduced its ownership in Taaleri Energia to 78.6 (80.6) per cent to commit its Energia segment's key operative individuals.

Also during the review period, management and project companies were established and acquired for Taaleri Private Equity Funds and Taaleri Energia.

CHANGES IN TAALERI'S EXECUTIVE MANAGEMENT TEAM

On 14 February 2019, Taaleri Plc's Board of Directors appointed Robin Lindahl as the new CEO of the company; he assumed his responsibilities on 1 June 2019. Taaleri Plc's CEO, and one of the company's founders, Juhani Elomaa transitioned during the first half of the year to Vice Chairman of Taaleri Plc's Board of Directors.

In May, Taaleri Plc's Deputy CEO Karri Haaparinne was appointed as Director of the Wealth Management segment when Samu Lang transitioned to Director of Strategy and Development for the Wealth Management segment. Petri Lampinen, responsible for customer relationships, left the company during the first half of the year, and continues as a member of the Board of Directors of certain Group subsidiaries. Petri Lampinen and Samu Lang gave up the membership on the Group's Executive Management team during the review period.

ANNUAL GENERAL MEETING 2019

Taaleri Plc's Annual General Meeting was held on 20 March 2019 in Helsinki. The General Meeting adopted the financial statements for the 2018 financial period and granted the members of the Board of Directors and the CEO discharge from liability.

In accordance with the proposal of the Board of Directors, the General Meeting decided that, based on the balance sheet to be adopted for the financial period ending 31 December 2018, a dividend of EUR 0.30 per share be distributed and the remaining part of the distributable funds be retained in shareholders' equity. The dividend payment record date was 22 March 2019 and the dividend was paid on 29 March 2019.

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

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

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

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

- The annual remuneration will not be paid to members of the Board who are a part of the company's executive management team
- Travel and accommodation expenses of the members of the Board and the Committees are paid against invoices, for meetings that take place outside the member's domicile.

It was decided that the number of members of the Board of Directors of the company be set at seven (7). Previous members of the Board of Directors, Peter Fagernäs, Juha Laaksonen, Vesa Puttonen, Hanna Maria Sievinen and Tuomas Syrjänen, were re-elected to the Board. Further, Elina Björklund and Juhani Elomaa were elected as new members of the Board. The term of office of the Board of Directors will end at the close of the following Annual General Meeting.

The General meeting elected Peter Fagernäs as Chairman of the Board of Directors; and Juha Laaksonen was elected as Vice Chairman along with Juhani Elomaa so that Juha Laaksonen would be the Vice Chairman of the Board of Directors until Juhani Elomaa left his position as CEO of Taaleri Plc. Juhani Elomaa assumed the role of Deputy Chairman as of 1 June 2019.

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

The General Meeting authorized the Board of Directors to decide on the purchase of the company's treasury shares using assets belonging to unrestricted equity on the following conditions: Up to 2,000,000 shares may be purchased, corresponding to 7.05% of all the company's shares. The purchase may be made in one or more instalments. The purchase price per share shall be the price given on the Helsinki Stock Exchange or another market-based price. The shares may be acquired to develop the company's capital structure, to finance or implement corporate acquisitions, investments or other arrangements related to the company's business operations, to be used as part of the company's incentive scheme, or to be cancelled if justified from the point of view of the company and its shareholders. The authorization issued includes the right to decide whether the shares will be acquired in a private placement or in proportion to the shares owned by shareholders. The acquisition may take place through private placement only if there is a weighty financial reason for it from the company's perspective. The Board of Directors has the right to decide on other matters concerning the purchase of shares. This authorization is valid for 18 months from the date of the close of the Annual General Meeting, and it cancelled the authorization to purchase the company's treasury shares issued at the General Meeting of 21 March 2018.

The General Meeting also authorized the Board of Directors to decide on the issue of new shares and the assignment of treasury shares in the possession of the company on the following terms: The Board of Directors may issue new shares and assign treasury shares in the possession of the company up to a maximum of 2,500,000 shares, corresponding to 8.82% of all the company's shares. The new shares may be issued and the treasury shares possessed by the company may be assigned to the company's shareholders in proportion to their ownership of shares or deviating from the shareholder's pre-emptive subscription right in a private placement, if there is a weighty financial reason for it from the point of view of the company, such as using the shares as consideration in potential corporate acquisitions or other arrangements that are part of the company's business operations, or to finance investments or as part of the company's incentive scheme. The Board of Directors may also decide on a free-of-charge share issue to the company itself. The new shares may be issued and the shares possessed by the company may be assigned either against payment or without payment. A private placement may only be without payment if there is an especially weighty financial reason for it from the point of view of the company and taking into account the benefit of all its shareholders. The Board of Directors will decide on all other factors related to share issues and the assignment of shares. The authorization is valid until the end of the next Annual General Meeting, however no longer than 30 June 2020. This authorization cancels the authorization issued at the General Meeting on 21 March 2018.

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

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

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

The chairman of the Board of Directors shall convene the first meeting of the Nomination Board and act as the chairman of the Nomination Board until the Nomination Board has elected a chairman from among its members who shall

be responsible for convening subsequent meetings. The chairman of the Board of Directors can act as the Nomination Board's expert member upon request of the Nomination Board.

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

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

Organization of Taaleri Plc.'s Board of Directors

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

Audit Committee

- Vesa Puttonen (Chairman)
- Hanna Maria Sievinen
- Tuomas Syrjänen

Remuneration Committee

- Peter Fagernäs (Chairman)
- Juha Laaksonen
- Elina Björklund

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

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

TAALERI'S PERSONNEL

The Group adjusted its staff during the period under review and employed 177 full-time personnel at the end of June 2019 compared to 189 in the beginning of the year. The Group employed an average of 185 (177) full-time people during the period under review. There were 119 (120) full-time personnel in the Wealth Management segment, 26 (24) in the Financing segment and 22 (18) in the Energia segment. The full-time personnel of Other Operations averaged 18 (15). Of the personnel, 99 per cent were employed in Finland.

Taaleri Group's personnel costs during January-June totalled EUR 12.3 (10.2) million. Costs increased mainly due to increased variable personnel costs partly as a consequence of organizational adjustments.

Incentive schemes

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

The 2015 incentive scheme is based on synthetic option rights, the potential bonus will be paid in cash. By the end of June 2019, a total of 585,000 synthetic options were outstanding. The Board of Directors has the right to require Taaleri key personnel to purchase company shares to a maximum of 50 per cent of the received bonus amount.

The 2017 incentive scheme, has three earning periods lasting three years each. The Board of Directors will decide on the earning criteria and the targets set for each earning criterion at the beginning of each earning period. Any remuneration awarded under the scheme will be based on Taaleri Plc’s total shareholder return. The bonuses paid will correspond with the value of no more than 420,000 Taaleri Plc shares, including the part paid in cash. The bonus will be paid partly in company shares and partly in cash.

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

SHARES AND SHARE CAPITAL

Taaleri’s share on Nasdaq Helsinki

January-June 2019	No. of shares traded	Total value EUR	High EUR	Low EUR	Average* EUR	Last EUR
TAALA	889,726	6,564,951	8,0	6.80	7,38	7.00

* Volume weighted average

On 30 June 2019, Taaleri Plc’s shareholders’ equity was EUR 125,000.00. The company had 28,350,620 registered shares.

Taaleri’s share has been listed on Nasdaq Helsinki, among mid-cap companies, since 2016. The trading code is TAALA. On 30 June 2019, the company possessed 45,000 (45,000) treasury shares.

Flaggings during January-June 2019: Veikko Laine Oy’s shareholding of Taaleri Plc on 15 May 2019 increased above 10% and was 2,841,430 shares representing 10.0225% of the shares and votes in the company. Pertti Laine holds 20% of Veikko Laine Oy’s shares representing 83.3% of the votes in the company.

	31 June 2019	%	31 Dec. 2018	%
Market capitalization, EUR million	198.1		201.0	
No. of shareholders	4,304	100.0	4,141	100.0
Registered shares	28,350,620	100.0	28,350,620	100.0
Shareholding per group				
- Corporations	9,442,392	33.3	9,449,145	33.4
- Financial and insurance corporations	1,496,399	5.3	4,169,016	14.7
- Public institutions	197,847	0.7	197,847	0.7
- Non-profit institutions	276,117	1.0	311,203	1.1
- Households	13,710,109	48.4	13,612,081	48.1
- Nominee registrations and direct foreign shareholders	3,227,756	11.4	575,266	2.0

CAPITAL ADEQUACY OF TAALERI

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

Taaleri Group forms a financing and insurance conglomerate, according to the Act on the Supervision of Financial and Insurance Conglomerates (RaVa) (2004/699).

As a RaVa conglomerate, Taaleri Group discloses its own funds and capital adequacy in accordance with the capital adequacy regulations for financial and insurance conglomerates. Taaleri RaVa conglomerate's own funds amounted to EUR 112.8 (103.7) million, with the minimum requirement being EUR 58.0 (58.2) million. The conglomerate's capital adequacy is EUR 54.8 (45.5) million and the capital adequacy ratio is 194.6 (178.1) 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 standardized approach in its regulatory capital calculation. The total solvency capital requirement (SCR) of the parent company Taaleri Plc and the subsidiary Garantia Insurance Company Ltd was EUR 27.2 (29.3) million. The Financial Supervisory Authority confirmed in June 2019 a capital add-on totalling EUR 19.8 (17.8) million. The total solvency requirement was hence EUR 47.0 million for the insurance business. The add-on is implemented because the risk profile of Garantia's non-life underwriting risk module differs from the underlying assumptions in the standard formula for the solvency capital requirement calculation.

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

Capital adequacy of RaVa conglomerate,

EUR thousand	30 June 2019	31 Dec. 2018
Shareholders' equity of the Taaleri Group	118,732	122,381
Goodwill and other intangible assets	-6,648	-7,164
Non-controlling interests	739	-1,661
Planned distribution of profit	-	-8,505
Conglomerate's own funds, total	112,823	105,051
Financing business' requirement for own funds	10,930	11,156
Insurance business' requirement for own funds	47,045	45,327
Minimum amount of own funds of the conglomerate, total	57,975	56,483
Conglomerate's capital adequacy	54,848	48,567
Conglomerate's capital adequacy ratio	194.6%	186.0%

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

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

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

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

With the permission Garantia's acquisition expense of EUR 60.4 million can be left undeducted. The impact on the result accumulated by the insurance company investment is not included in the consolidated Common Equity Tier 1 of the investment service company. Equity investments include the Group's internal insurance company investment

of EUR 60.4 million with a risk-weight of 100 per cent. If the CRR 49 permission were not applied and using the alternative calculation method where the insurance company investment are deducted from the Common Equity Tier 1 and including the result of the review period, the consolidated Common Equity Tier 1 of the investment service company would be EUR 18.6 million on 30 June 2019

Taaleri's financing sector's Common Equity Tier 1 with the CRR 49 permission is EUR 70.3 (57.1) million, from which the profit of January-June 2019, EUR 4.4 (21.3) million, is deducted. The risk-weighted commitments were EUR 241.9 (229.6) million, of which the share of credit risk was EUR 153.4 (150.0) million and the share of operational risk EUR 88.6 (79.6) million according to the standardized approach. The Financing sector's capital adequacy ratio was 29.1 (24.9) per cent.

Financing sector's capital adequacy, EUR thousand (with the CRR 49 permission)	30 June 2019	31 Dec. 2018
Common Equity Tier 1 before deductions	80,295	86,321
Deductions from the Common Equity Tier 1		
Goodwill and intangible assets	-6,298	-6,228
Non-controlling interests	739	-1,662
Profit of the review period	-4,436	-21,318
Common Equity Tier 1 (CET1)	70,300	57,113
Additional Tier 1 before deductions	-	-
Deductions from the Additional Tier 1	-	-
Additional Tier 1 (AT1)	-	-
Tier 1 capital (T1 = CET1 + AT1)	70,300	57,113
Tier 2 capital before deductions	-	-
Deductions from the Tier 2 capital	-	-
Tier 2 capital (T2)	-	-
Total capital (TC = T1 + T2)	70,300	57,113
Total risk-weighted commitments (total risk)	241,939	229,622
- of which the share of credit risk	153,359	150,023
- of which insurance company holdings	60,350	60,350
- of which the share of operational risk	88,581	79,599
- of which the share of other risks	-	-
Common Equity Tier 1 (CET1) in relation to the amount of total risk (%)	29.1%	24.9%
Tier 1 capital (T1) in relation to the amount of total risk (%)	29.1%	24.9%
Total capital (TC) in relation to the amount of total risk (%)	29.1%	24.9%

Solvency according to the Insurance Companies Act (Solvency II)

Garantia continues to have strong capital adequacy. Garantia’s own funds at the end of June 2019 were EUR 105.6 (103.3) million. The solvency capital requirement including the capital add-on was EUR 47.0 (44.2) million and excluding the capital add-on EUR 27.2 (26.4) million. Garantia’s solvency ratio, or the ratio of basic own funds to the solvency capital requirement, including the capital add-on, was 224.5 (31 Dec. 2018: 233.4) per cent and excluding the capital add-on 388.5 (31 Dec. 2018: 390.7) per cent. The increase in own basic funds was mainly a result of the growth in the fair value of investment assets. The growth in the solvency capital requirement was primarily the result of the increase in the capital add-on, set by the Financial Supervisory Authority.

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

On 17 June 2019, the Financial Supervisory Authority confirmed Garantia’s capital add-on, or the increase in solvency capital requirement, at EUR 19.8 million; it was previously EUR 17.8 million. In its decision, the Financial Supervisory Authority stated that the prerequisites described in the capital add-on decision given on 12 June 2018 still exist. Back then, the Financial Supervisory Authority stated that the risk profile of Garantia’s non-life underwriting risk module differs from the underlying assumptions in the standard formula for the solvency capital requirement calculation because the standard model does not adequately recognize guaranty insurance risks. The Financial Supervisory Authority also reiterated its view that the requirement to use the internal model is not appropriate in Garantia’s case. The capital add-on is valid and will remain in effect until further notice. The Financial Supervisory Authority assesses the amount of the capital add-on at least once a year.

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

TAALERI’S RISK MANAGEMENT AND RISK POSITION

The task of risk management is to identify, assess, measure, treat and control risks in all Taaleri Group’s businesses that influence the realization of the Group’s strategic and operative goals, as well as to oversee that the principles approved by the Taaleri Plc Board of Directors are complied with. Risk management aims to mitigate the likelihood of unforeseeable risks being realized, and their influence on and the threat they present to Taaleri Group’s business operations. Risk management supports achievement of strategic goals by promoting better utilization of opportunities in all activities and more efficient distribution of risk-taking capacity to the different functions and projects within the defined risk appetite framework.

Taaleri Group’s risks are divided into five main categories: strategic and business risk, credit risk, liquidity risk, market risk and operational risk (including compliance risk). In addition, Taaleri follows the development of political risks. The principles of Taaleri’s risk and capital adequacy management are described in note 36 to the 2018 financial statements.

The risk capacity of the Taaleri Group consists of a properly optimized capital structure, profitability of business operations and qualitative factors, including good corporate governance, internal control and proactive risk and capital adequacy management. Taaleri Group’s attitude towards risk-taking is based on careful consideration of an adequate

risk/return relationship. Taaleri Plc's Board of Directors has decided that the Group may not in its activities take a risk that jeopardizes the target level set for the company's own funds.

Segment-specific risks

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

The insurance and investment activities carried out by Garantia Insurance Company are central to Taaleri's risk position. The principal risks associated with Garantia's business operations are credit risks arising from guaranty operations, and the market risk regarding investment assets covering technical provisions. Garantia's capital adequacy is strong and its risk position has remained stable, even though the outlook in construction sector weakened during the first half of the year. At the end of June 2019, Garantia's claims ratio was 21.1 per cent and the claims incurred in relation to gross exposure remained at a low level 0.05 per cent. The share of fixed income investments in Garantia's investments was 86 per cent. Standard & Poor's Global Ratings Europe Limited (S&P) credit rating for Garantia is A- with stable outlook.

The Energia segment's objective is to channel assets under management to renewable energy production projects and to other energy projects supporting sustainability. The goal is to internationalize and expand energy business operations considerably, which naturally grows risks relating to the growth and internationalization of the operations. The Energia segment's earnings are impacted by its success in finding suitable projects, its ability to identify all risks related to renewable energy's international development, construction, financing and operations, and its success in the internationalization of its operations. The Energia segment's earnings are also affected by the success of its own investments in development-stage energy projects.

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

Taaleri falls within the sphere of regulation of large customer risks defined in the EU Capital Requirements Regulation. At the end of the January-June 2019 review period, Taaleri's largest single customer risk was 20.4 (22.3) per cent of the Group's own funds and the liabilities of any (single) customer entity did not exceed the 25 per cent limit set by law.

MATERIAL EVENTS AFTER THE HALF-YEAR FINANCIAL REVIEW

Titta Elomaa, Head of Financing segment, and Kai Rintala, Head of Energia segment, were appointed as members of Taaleri Plc's Executive Management Team, effective 14 August 2019.

OUTLOOK

Taaleri Plc announced 19 June that the year 2019 operating profit margin is estimated to be slightly lower than in 2018. The decrease is mainly due to the weakened continuing earnings of Wealth Management during the first half-year, and the realization of planned projects that has been postponed to the second half of 2019.

Short-term risks and concerns

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

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

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

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

Long-term financial targets

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

The company strives to increase the amount of dividend it distributes, and to annually distribute a competitive dividend, with consideration to the company's financial and financing situation as well as the Group's capital adequacy requirement.

DIVIDEND PAYMENT 2019

The Annual General Meeting 2019 decided to pay a dividend of EUR 0.30 per share for the financial year that ended 31 December 2018. The record date for the dividend was 22 March 2019 and the dividend payment date was 29 March 2019. The dividend was paid in one installment.

Helsinki, 15 August 2019
Taaleri Plc
Board of Directors

KEY FIGURES

GROUP	1-6/2019 IFRS	1-6/2018 IFRS	1-12/2018 IFRS
Income, EUR 1 000	30,862	35,221	72,513
Operating profit (-loss), EUR 1 000	6,365	12,377	23,895
- as percentage of turnover	20.6 %	35.1 %	33.0 %
Net profit for the period, EUR 1 000	4,836	9,396	21,637
- as percentage of turnover	15.7 %	26.7 %	29.8 %
Basic earnings per share, EUR	0.18	0.32	0.76
Diluted earnings per share, EUR	0.18	0.32	0.76
Return on equity % (ROE) ¹⁾	8.0 %	17.4 %	18.9 %
Return on equity at fair value % (ROE) ¹⁾	11.0 %	16.6 %	17.8 %
Return on assets % (ROA) ¹⁾	4.0 %	8.2 %	9.3 %
Cost/income ratio	79.5 %	65.1 %	67.0 %
Price/earnings (P/E) ¹⁾	19.8	15.5	9.3
Number of employees, avg	185	177	183

1) Annualised.

GROUP	1-6/2019 IFRS	1-6/2018 IFRS	1-12/2018 IFRS
Equity ratio -%	48.9 %	48.3 %	51.4 %
Gearing -%	39.1 %	29.2 %	24.3 %
Equity/share, EUR	4.22	3.84	4.26
Dividend/share, EUR	-	-	0.30
Dividend/earnings, %	-	-	39.3 %
Effective dividend yield, %	-	-	4.2 %
Loan receivables, EUR 1 000	7,807	12,114	9,379
Conglomerate's capital adequacy ratio, %	194.6 %	178.1 %	186.0 %
Financing sector capital adequacy ratio, %	29.1 %	24.9 %	24.9 %
Number of shares at the end of period ¹⁾	28,305,620	28,305,620	28,305,620
Average number of shares ¹⁾	28,305,620	28,305,620	28,305,620
Share average price, EUR	7.38	10.39	9.69
- highest price, EUR	8.00	11.80	11.80
- lowest price, EUR	6.80	9.50	7.08
- closing price, EUR	7.00	10.00	7.10
Market capitalization, EUR 1,000 ¹⁾	198,139	283,056	200,970
Shares traded, thousands	890	888	2,247
Shares traded, %	3%	3%	8%

1) Reduced by own shares acquired.

INSURANCE OPERATIONS KEY FIGURES

Taaleri's insurance business operations consist entirely of Garantia.

EUR 1 000	1-6/2019	1-6/2018	1-12/2018
Net income from insurance	5,461	5,786	13,021
Earned premiums, net	6,757	5,488	12,277
Claims incurred, net	-1,296	298	744
Other income	4	-	202
Net income from investment operations	4,964	392	-734
Operating expenses	-4,313	-3,772	-7,540
Operating profit before valuations	6,116	2,406	4,949
Change in fair value of investments	2,006	-562	-1,690
Profit before taxes and non-controlling interests	8,122	1,845	3,259
Combined ratio, %	64%	41%	35%
Claims ratio, %	21%	-3%	-4%
Expense ratio %	43%	45%	39%
Return on investments at fair value, %	5.3 %	-0.1 %	-1.7 %
Solvency ratio (S2), % ¹⁾	389%	222%	391%
Solvency ratio (S2) with raise in capital requirement, % ¹⁾	225%	-	233%
Insurance exposure, EUR billion	1.65	1.60	1.67
Number of employees, avg	26	24	25

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

KEY FIGURES ACCOUNTING PRINCIPLES

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

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

Alternative performance measures

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

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

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

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

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

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

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

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

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

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

KEY FIGURES FOR INSURANCE OPERATIONS

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

CONSOLIDATED INCOME STATEMENT

EUR 1,000	Note	1/1-30/6/2019	1/1-30/6/2018
Fee and commission income	2	17,610	25,600
Net income from insurance	3	10,425	6,178
From guaranty insurance operations		5,461	5,786
From investment operations		4,964	392
Net gains or net losses on trading in securities and foreign currencies	4	-597	813
Income from equity investments	5	2,767	-2,341
Interest income	6	391	378
Other operating income	7	265	4,593
TOTAL INCOME		30,862	35,221
Fee and commission expense		-2,235	-3,152
Interest expense		-1,539	-1,464
Administrative expenses		-	-
Personnel costs		-12,317	-10,219
Other administrative expenses		-4,739	-3,995
Depreciation, amortisation and impairment of tangible and intangible assets		-1,301	-608
Other operating expenses		-2,385	-3,661
Expected credit losses from financial assets measured at amortised cost	12	26	-4
Share of associates' profit or loss		-7	261
OPERATING PROFIT		6,365	12,377
Income tax expense		-1,529	-2,981
PROFIT FOR THE PERIOD		4,836	9,396

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	1/1-30/6/2019	1/1-30/6/2018
Profit for the period	4,836	9,396
Items that may be reclassified to profit or loss		
Translation differences	200	13
Changes in the fair value reserve	2,006	-562
Income tax	-401	112
Items that may be reclassified to profit or loss in total	1,805	-437
Items that may not be reclassified to profit or loss		
Changes in the fair value reserve	4	-1
Income tax	-2	
Items that may not be reclassified to profit or loss in total	2	-1
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	6,643	8,959

Profit for the period attributable to:

Owners of the parent company	5,003	9,115
Non-controlling interests	-167	281
Total	4,836	9,396

Total comprehensive income for the period attributable to:

Owners of the parent company	6,810	8,678
Non-controlling interests	-167	281
Total	6,643	8,959

Earnings per share for profit attributable	1/1-30/6/2019	1/1-30/6/2018
Basic earnings per share, profit for the period	0.18	0.32
Diluted earnings per share, profit for the period	0.18	0.32

CONSOLIDATED BALANCE SHEET

Assets, EUR 1,000	Note	30/06/2019	31/12/2018
Receivables from credit institutions	8, 9	11,857	26,133
Receivables from the public and general government	8, 9	7,807	9,379
Debt securities	8, 9	1,500	-
Shares and units	8, 9	9,442	12,424
Assets classified as held for sale	10	13,204	12,007
Participating interests	8, 9, 16	6,405	6,140
Insurance assets	8, 9	142,455	133,634
Insurance assets		3,769	1,802
Investments		138,686	131,832
Intangible assets		6,645	6,575
Goodwill		5,097	5,097
Other intangible assets		1,549	1,479
Tangible assets	11	5,170	692
Owner-occupied properties		4,233	-
Other tangible assets		937	692
Other assets		20,105	6,540
Accrued income and prepayments		15,438	22,163
Deferred tax assets		2,881	2,322
		242,911	238,009

Liabilities, EUR 1 000	Note	30/06/2019	31/12/2018
LIABILITIES		124,179	115,628
Liabilities to credit institutions	8, 9	6,503	6,996
Debt securities issued to the public	8, 9, 13	54,844	54,815
Insurance liabilities		28,037	23,293
Other liabilities		7,724	2,882
Accrued expenses and deferred income		11,804	12,999
Deferred tax liabilities		15,267	14,643
EQUITY CAPITAL	14	118,732	122,381
Share capital		125	125
Reserve for invested non-restricted equity		35,814	35,814
Fair value reserve		-807	-2,414
Translation difference		222	21
Retained earnings or loss		79,114	65,547
Profit or loss for the period		5,003	21,626
Non-controlling interest		-739	1,662
		242,911	238,009

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR 1,000	1.1.-30.6.2019	1.1.-30.6.2018
Cash flow from operating activities:		
Operating profit (loss)	6,365	12,377
Depreciation	1,301	608
Other adjustments		
Changes in fair value of investments		
- at fair value through profit or loss	-2,947	-1,209
- at fair value through other comprehensive income	-1,605	2,399
Other adjustments	236	44
Cash flow before change in working capital	3,350	14,219
Change in working capital		
Increase (-)/decrease (+) in loan receivables	1,564	-5,503
Increase (-)/decrease (+) in current interest-free receivables	-8,066	-14,310
Increase (+)/decrease (-) in current interest-free liabilities	3,503	-5,137
Cash flow from operating activities before financial items and taxes	350	-10,731
Direct taxes paid (-)	-2,654	-1,615
Cash flow from operating activities (A)	-2,304	-12,346
Cash flow from investing activities:		
Investments in tangible and intangible assets	-526	-864
Investments in subsidiaries and associated companies		
net of cash acquired	-564	-5,178
Other investments	-1,737	15,552
Cash flow from investing activities (B)	-2,826	9,510
Cash flow from financing activities:		
Changes in synthetic options	359	497
Transactions with non-controlling interests		323
Increase (+)/decrease (-) in non-current liabilities	-500	-500
Dividends paid and other distribution of profit		
To parent company shareholders	-8,492	-7,359
To non-controlling shareholders	-514	-404
Cash flow from financing activities (C)	-9,146	-7,443
Increase/decrease in cash and cash equivalents (A+B+C)	-14,276	-10,279
Cash and cash equivalents at beginning of period	26,133	34,567
Cash and cash equivalents at end of period	11,857	24,288
Net change in cash and cash equivalents	-14,276	-10,279

CHANGES IN GROUP EQUITY CAPITAL

	Share capital	Fair value reserve	Reserve for invested non-restricted equity	Translation differences	Retained earnings	Total	Non-controlling interests	Equity total
1/1-30/6/2019, EUR 1,000								
31/12/2018	125	-2,414	35,814	21	87,173	120,720	1,662	122,381
Total comprehensive income for the financial period	-	1,607	-	200	5,003	6,810	-167	6,643
Earnings for the period	-	-	-	-	5,003	5,003	-167	4,836
Other comprehensive income items	-	1,607	-	200	-	1,807	-	1,807
Distribution of profit	-	-	-	-	-8,492	-8,492	-514	-9,006
Dividend EUR 0.30/share	-	-	-	-	-8,492	-8,492	-	-8,492
Distribution of profit for subgroup	-	-	-	-	-	-	-514	-514
Share-based payments payable as equity	-	-	-	-	359	359	-	359
Shares sold to non-controlling interests ¹⁾	-	-	-	-	73	73	-1,720	-1,646
30/06/2019	125	-807	35,814	222	84,117	119,471	-739	118,732

	Share capital	Fair value reserve	Reserve for invested non-restricted equity	Translation differences	Retained earnings	Total	Non-controlling interests	Equity total
1/1 - 30/6/2018, EUR 1,000								
31/12/2017	125	-4,280	35,814	-	74,041	105,700	384	106,084
Effect of IFRS 9 transition 1/1/2018	-	3,244	-	-	-3,301	-57	-	-57
Effect of IFRS 2 amendments 1/1/2018	-	-	-	-	783	783	-	783
01/01/2018	125	-1,036	35,814	-	71,523	106,426	384	106,809
Total comprehensive income for the financial period	-	-450	-	13	9,115	8,678	281	8,959
Earnings for the period	-	-	-	-	9,115	9,115	281	9,396
Other comprehensive income items	-	-450	-	13	-	-438	-	-438
Distribution of profit	-	-	-	-	-7,359	-7,359	-404	-7,764
Dividend EUR 0.26/share	-	-	-	-	-7,359	-7,359	-	-7,359
Distribution of profit for subgroup	-	-	-	-	-	-	-404	-404
Share-based payments payable as equity	-	-	-	-	497	497	-	497
Transactions with non-controlling interests ¹⁾	-	-	-	-	397	397	741	1,137
30/06/2018	125	-1,486	35,814	13	74,172	108,638	1,001	109,638

1) See note 15.

SEGMENT INFORMATION

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

Continuing operations					
1 January–30 June 2018, EUR 1,000	WEALTH MANAGEMENT	FINANCING	ENERGY	OTHER	TOTAL
Continuing earnings	19,128	5,786	1,089	862	26,865
Performance fees	5,637	-	-	-	5,637
Investment operations	4,929	392	-	-2,341	2,979
Total income	29,694	6,178	1,089	-1,479	35,481
Fee and commission expense	-3,121	-	-11	-20	-3,152
Interest expense	-21	-	-	-1,443	-1,464
Personnel costs	-6,443	-1,729	-979	-1,067	-10,219
Direct expenses	-4,677	-780	-770	-1,430	-7,657
Depreciation, amortisation and impairment	-513	-50	-14	-30	-608
Impairment losses on loans and other receivables	-	-	-	-4	-4
Operating profit before overhead costs	14,918	3,619	-686	-5,474	12,377
Overhead costs	-772	-131	-116	1,020	-
Allocation of financing expenses	-	-1,081	-117	1,198	-
Operating profit before valuations	14,146	2,406	-919	-3,256	12,377
Change in fair value of investments	-1	-562	-	-	-563
Profit before taxes and non-controlling interests	14,145	1,845	-919	-3,256	11,814

Reconciliations

Reconciliation of total income	1/1-30/6/2019	1/1-30/6/2018
Total income of segments	30,855	35,481
Share of associates' profit or loss allocated to total income of segments	7	-261
Consolidated total income	30,862	35,221
Reconciliation of operating profit	1/1-30/6/2019	1/1-30/6/2018
Total earnings of segments before taxes and non-controlling interests	8,422	11,814
Change in fair value of investments	-2,010	563
IFRS 16 Leases ¹⁾	-47	-
Consolidated operating profit	6,365	12,377

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

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1. ACCOUNTING POLICIES

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

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

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

Applied new and amended standards

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

IFRS 16 Leases

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

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

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

IFRS 16 accounting policies

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

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

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

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

Conversion calculation for initial balances

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

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

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

2 FEE AND COMMISSION INCOME

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

1/1-30/6/2018, EUR 1,000	WEALTH MANAGEMENT	FINANCING	ENERGY	OTHER	TOTAL
Wealth management fees and commissions	18,864	-	1,071	28	19,962
Performance fees	5,637	-	-	-	5,637
Total	24,501	-	1,071	28	25,600

3 NET INCOME FROM INSURANCE

EUR 1,000	1/1- 30/6/2019	1/1- 30/6/2018
Earned premiums, net		
Premiums written	7,917	7,695
Reinsurers' share	-470	-522
Change in provision for unearned premiums	-929	-1,869
Reinsurers' share	238	184
Total	6,757	5,488
Claims incurred, net		
Claims paid	149	-339
Reinsurers' share	10	241
Change in provision for outstanding claims	-3,632	1,194
Reinsurers' share	2,177	-798
Total	-1,296	298
Net income from investment operations		
Financial assets at fair value through other comprehensive income (Available for sale)	590	1,336
- of which change in expected credit loss	-63	-107
Financial assets at fair value through profit or loss	4,374	-944
Total	4,964	392
Net income from insurance, total	10,425	6,178

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

Net gains or net losses on trading in securities, EUR 1,000	1/1- 30/6/2019	1/1- 30/6/2018
From financial assets measured at fair value through profit or loss		
Financial assets that need to be measured at fair value through profit or loss	-1,028	621
Total	-1,028	621
Net gains or net losses on trading in securities and foreign currencies, EUR 1,000	1/1- 30/6/2019	1/1- 30/6/2018
Net gains or net losses on trading in securities by type		
From shares and units	-1,028	621
Sales profit and loss	115	28
Changes in fair value	-1,143	593
Net gains or net losses on trading in securities, total	-1,028	621
Net gains or net losses on trading in foreign currencies	432	192
Total	-597	813

5 INCOME FROM EQUITY INVESTMENTS

EUR 1,000	1/1- 30/6/2019	1/1- 30/6/2018
From financial assets recognised at fair value in profit or loss	931	-
Dividend income	73	-
Luovutusvoitot	859	-
From assets classified as held for sale	1,272	-
Dividend income	74	-
Changes in fair value	1,198	-
From associated companies	508	-101
Profit or loss from divestments	508	-101
From group companies	57	-2,240
Impairment losses	-	-2,240
Profit or loss from divestments	57	-
Total	2,767	-2,341

6 INTEREST INCOME

EUR 1,000	1/1- 30/6/2019	1/1- 30/6/2018
Interest income from other loans and receivables		
From receivables from credit institutions	-	-
From receivables from the public and general government	377	377
Other interest income	14	1
Total	391	378

7 OTHER OPERATING INCOME

EUR 1,000	1/1- 30/6/2019	1/1- 30/6/2018
Rental income	4	2
Project sales	-	4,294
Other income	261	297
Total	265	4,593

8 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities 30 June 2019, EUR 1 000

Financial assets	Amortised cost	At fair value through other comprehensive income		At fair value through profit or loss		Total	Fair value
		Equity instruments ³⁾	Others	Equity instruments	Others		
Receivables from credit institutions ¹⁾	11,857	-	-	-	-	11,857	11,857
Receivables from the public and general government ¹⁾	1,739	-	-	-	6,068	7,807	7,807
Debt securities	1,500	-	-	-	-	1,500	1,500
Shares and units	-	485	-	5,463	3,494	9,442	9,442
Insurance assets	-	-	85,160	38,157	15,368	138,686	138,686
Other financial assets	23,765	-	-	-	-	23,765	
Financial assets total	38,861	485	85,160	43,620	24,931	193,057	
Participating interests						6,405	
Other than financial assets						43,449	
Assets in total 30 June 2019						242,911	

Financial liabilities	At fair value through profit or loss	Other liabilities	Total	Käypä arvo
Liabilities to credit institutions ¹⁾		6,503	6,503	6,503
Debt securities issued to the public ²⁾		54,844	54,844	57,729
Other financial liabilities		17,893	17,893	
Financial liabilities total		79,240	79,240	
Other than financial liabilities				44,939
Liabilities in total 30 June 2019				124,179

1) The carrying amount of these receivables and liabilities are seen as the best estimate of their fair values.

2) Bonds included in Debt securities issued to the public are carried at amortised cost.

3) At initial recognition the Group's non-strategic investments are specifically classified as measured at fair value through profit or loss. Thus, dividend yields are recognised in profit or loss, but changes in fair value, foreign exchange rate gains and losses as well as sales gains and losses are recognised in other comprehensive income. These are not later recycled to profit or loss. The classification as a non-strategic investment is made instrument-by-instrument by management. Non-strategic investments include small investments in limited partnerships associated to Taaleri's private equity funds and equity investments in private companies not directly associated to Taaleri's business strategy. On 30/6/2019 the fair value of non-strategic investments was 485 thousand euros (31/12/2018 478 thousand euros), of which none paid dividends in 2018 and 2019. During the reporting period investments in limited partnerships related to a discontinued private equity fund have been derecognised. Losses amounting to 13 thousand euros were recognised in other comprehensive income. No non-strategic investments were derecognised in 2018.

Financial assets and liabilities 31 December 2018, EUR 1 000

Financial assets	Amortised cost	At fair value through other comprehensive income		At fair value through profit or loss		Total	Fair value
		Equity instruments ²⁾	Others	Equity instrument	Others		
Receivables from credit institutions ¹⁾	26,133	-	-	-	-	26,133	26,133
Receivables from the public and general government ¹⁾	3,425	-	-	-	5,953	9,379	9,379
Shares and units	-	478	-	5,580	6,367	12,424	12,424
Insurance assets	-	-	80,014	39,475	12,342	131,832	131,832
Other financial assets	10,537	-	-	-	-	10,537	
Financial assets total	40,095	478	80,014	45,055	24,663	190,305	
Participating interests						6,140	
Other than financial assets						41,564	
Assets in total 31 December 2018						238,009	

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

1) The carrying amount of these receivables and liabilities are seen as the best estimate of their fair values.

2) Bonds included in Debt securities issued to the public are carried at amortised cost.

3) At initial recognition the Group's non-strategic investments are specifically classified as measured at fair value through profit or loss. Thus, dividend yields are recognised in profit or loss, but changes in fair value, foreign exchange rate gains and losses as well as sales gains and losses are recognised in other comprehensive income. These are not later recycled to profit or loss. The classification as a non-strategic investment is made instrument-by-instrument by management. Non-strategic investments include small investments in limited partnerships associated to Taaleri's private equity funds and equity investments in private companies not directly associated to Taaleri's business strategy. On 31/12/2019 the fair value of non-strategic investments was 478 thousand euros, of which none paid dividends in 2018. No non-strategic investments were derecognised in 2018.

9 FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Fair value of assets 30 June 2019, EUR 1,000				Fair value
	Level 1	Level 2	Level 3	total
Receivables from credit institutions	-	11,857	-	11,857
Receivables from the public and general government	-	7,279	528	7,807
Debt securities	-	1,500	-	1,500
Shares and units	3,531	-	5,910	9,442
Insurance assets	133,699	-	4,987	138,686
Total	137,231	8,779	11,425	169,292

Fair value of liabilities 30 June 2019, EUR 1,000				Fair value
	Level 1	Level 2	Level 3	total
Liabilities to credit institutions	-	6,503	-	6,503
Debt securities issued to the public	-	57,729	-	57,729
Total	-	64,232	-	64,232

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

Fair value of liabilities 31 December 2018, EUR 1,000				Fair value
	Level 1	Level 2	Level 3	total
Liabilities to credit institutions	-	6,996	-	6,996
Debt securities issued to the public	-	56,941	-	56,941
Total	-	63,937	-	63,937

Fair value hierarchy

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

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

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

Assets classified at level 3

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

Reconciliation of assets categorised within level 3, EUR 1,000	30/06/2019	31/12/2018
Fair value January 1	10,961	10,074
Purchases	1,883	4,380
Sales and deductions	-223	-1,269
Change in fair value - income statement	-1,186	-2,799
Change in fair value - comprehensive income statement	-11	-31
Change of associated company or subsidiary to an investment	-	607
Fair value at end of period	11,425	10,961
Unrealised gains or losses attributable to fair value measurements of assets or liabilities categorised within level 3 held at the end of the reporting period recognised in profit or loss, EUR 1,000		
	1/1- 30/6/2019	1/1- 31/12/2018
Net income from insurance	66	229
Net gains or net losses on trading in securities and foreign currencies	-1,251	-3,028
Total	-1,186	-2,799

10 ASSETS CLASSIFIED AS HELD FOR SALE

Assets classified as held for sale, EUR 1,000	30/06/2019	31/12/2018
Investments in associates	13,204	12,007
Yhteensä	13,204	12,007

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

11 TANGIBLE ASSETS

EUR 1,000	30/06/2019	31/12/2018
Owner-occupied properties	4,233	-
Other tangible assets	937	692
Total	5,170	692
	1/1- 30/6/2019	1/1- 31/12/2018
Acquisition cost December 31, 2018	2,581	1,962
Effect of IFRS 16 transition	5,323	-
Acquisition cost January 1, 2019	7,904	1,962
Additions	7	619
Deductions	-	-
Acquisition cost at end of period	7,910	2,581
Accrued depreciation, amortisation and impairment January 1	1,888	1,601
Depreciation in the financial period	851	288
Accrued depreciation, amortisation and impairment at end of period	2,740	1,888
Book value on January 1	692	361
Book value at end of period	5,170	692

12 EXPECTED CREDIT LOSS

1,000 euroa	Amortised cost	At fair value through other comprehensive income ¹⁾	Total
ECL 1/1/2019	39	376	415
Additions due to purchases	2	60	62
Deductions due to derecognitions	-9	-9	-18
Changes in risk parameters	-	12	12
Recognised in profit or loss	-7	63	56
ECL 30/6/2019	32	439	470

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

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

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

EUR 1,000	1/1-30/6/2019	1/1-31/12/2018
Received payments related to loans that have been written-off	18	-
Change in ECL	7	51
Expected credit losses from financial assets measured at amortised cost recognised in profit or loss	26	51

13 DEBT SECURITIES ISSUED TO THE PUBLIC

EUR 1,000	30/06/2019	31/12/2018
Publicly issued bonds	54,844	54,815
Total	54,844	54,815

Taaleri Plc has issued one bond in 2016 and two in 2014. The bond issued in 2016 is listed on the Nasdaq HEL Corporate Bond market and the bonds issued in 2014 are listed on the Nasdaq First North Bond Market Finland. The bond 01/2014 with a capital of EUR 10,000,000 was repaid in April 2017.

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

14 EQUITY CAPITAL

Share capital

The company's share capital on 30 June 2019 was EUR 125,000 and the amount of shares 28,350,620. The company's shares do not have a nominal value. Taaleri Plc's shares are traded on the Nasdaq Helsinki main market. The shares' trading code is "TAALA" and ISIN code FI4000062195. The parent company possesses 45,000 of its own shares. All shares issued have been paid for in full. The group uses share-based incentive schemes. The company has not issued convertible bonds or other than the above-mentioned special rights.

15 INVESTMENTS IN SUBSIDIARIES

Changes in subsidiary shareholdings 1/1 - 30/6/2019

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

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

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

Changes in subsidiary shareholdings 2018

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

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

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

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

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

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

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

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

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

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

Effects on the equity attributable to owners of the parent of any changes in its ownership interest in a subsidiary that do not result in a loss of control, EUR 1,000	1/1-30/6/2019	1/1-31/12/2018
From an addition to the share owned in subsidiaries	-	-291
From a reduction in the share owned in subsidiaries, without loss of control	73	397
Net effect on equity	73	105

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

16 INVESTMENTS IN ASSOCIATED COMPANIES

On 30 June 2019 the group had six associated companies; Fellow Finance Plc, Hernesaaren Kehitys Oy, Munkkiniemi Group Oy, Taaleri Datacenter Ky, Taaleri SolarWind II SPV and Turun Toriparkki Oy. None of these is considered material to the group. The associated companies, except for Fellow Finance Plc, are consolidated using the equity method. Fellow Finance Plc is classified as held for sale (see note 10). A loss of 7 thousand euros from continuing operations of the associated companies has been recognised in the Group in the income statement item 'Share of associates' profit or loss'. The associated companies have neither discontinued operations nor comprehensive income items.

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

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

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

17 CONDITIONAL LIABILITIES AND CONTINGENT LIABILITIES

Commitments not recognised as liabilities, EUR 1,000	30/06/2019	31/12/2018
Total gross exposures of guarantee insurance	1,645,407	1,666,515
Guarantees	4,197	4,620
Investment commitments	6,718	6,111
Pledged securities	10,833	11,667
Credit limits (unused)	10,000	10,000
Total	1,677,155	1,698,912

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

18 RELATED PARTY DISCLOSURES

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

The following belong to the company's related parties:

- 1) Someone who, by virtue of shareholding, options or convertible bonds has or may have at least 20 percent of the company's stocks or shares, or the voting rights attached to them, or a corresponding shareholding or voting right in an organisation belonging to the group, or in an organisation exercising control in the company, unless the significance of the company that is the subject of ownership is minor in terms of the whole group.
- 2) A member and deputy member of the Board of Directors, CEO and Deputy CEO, and somebody in a similar position in a company as referred to in point 1.
- 3) The children and spouse of someone as referred to in point 2, or someone in a marital relationship with that person.
- 4) An organisation and foundation in which an above-mentioned person, either alone or with another person, has control as specified in Chapter 1, Paragraph 5 of the Accounting Act.

Business transactions made with the company and companies belonging to the group have been carried out on terms equivalent to those that prevail in arm's length transactions.

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

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

1/1-30/6/2019	Sales	Purchases	Receivables	Liabilities
Associated companies	562	-	7,762	-
Other related parties	95	-	4,691	-
1/1-30/6/2018	Sales	Purchases	Receivables	Liabilities
Associated companies	805	13	9,917	-
Other related parties	148	-	4,665	-

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

TAALERI IN BRIEF

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

At the end of June 2019, Taaleri had assets under management totaling EUR 6.6 billion and 5,300 wealth management customers. Taaleri Plc has some 4,300 shareholders. Taaleri's operations are supervised by the Finnish Financial Supervisory Authority.

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