

TALENOM PLC'S FINANCIAL STATEMENT BULLETIN 2021: GROWTH ACCELERATED AND PROFITABILITY REMAINED EXCELLENT AS THE INTERNATIONALISATION STRATEGY PROGRESSED

1 January–31 December 2021
(Audited)

Talenom is an agile and progressive accounting firm established in 1972. Our business idea is to make daily life easier for entrepreneurs with the easiest-to-use digital tools on the market and highly automated services. In addition to comprehensive accounting services, we support our customers' business with a wide range of expert services, as well as financing, account and payment traffic services. Our vision is to provide superior accounting, account and payment traffic services for SMEs.

Talenom's growth history is strong – average annual net sales growth was approximately 16.2% between 2005 and 2021. In 2021, Talenom had on average 1,012 employees in Finland, Sweden and Spain at a total of 52 locations. Talenom's share is quoted on the Main Market of Nasdaq Helsinki.



TALENOM

yritykselämän iloa

TALENOM PLC'S FINANCIAL STATEMENT BULLETIN 2021: GROWTH ACCELERATED AND PROFITABILITY REMAINED EXCELLENT AS THE INTERNATIONALISATION STRATEGY PROGRESSED

JANUARY–DECEMBER 2021 IN BRIEF

- Net sales EUR 82.8 million (65.2), growth 27.1% (12.4)
- EBITDA EUR 27.7 million (23.3), 33.4% (35.7) of net sales
- Operating profit (EBIT) EUR 14.8 million (12.9), 17.8% (19.8) of net sales
- Net profit EUR 10.8 million (9.6)
- Earnings per share EUR 0.25 (0.22)
- Board of Directors' dividend proposal EUR 0.17 (0.15) per share

OCTOBER–DECEMBER 2021 IN BRIEF

- Net sales EUR 21.8 million (16.5), growth 32.2% (10.4)
- EBITDA EUR 6.6 million (5.0), 30.4% (30.7) of net sales
- Operating profit (EBIT) EUR 2.8 million (2.4), 12.8% (14.7) of net sales
- Net profit EUR 1.9 million (1.8)
- Earnings per share EUR 0.04 (0.04)

GUIDANCE FOR 2022 UNCHANGED (PUBLISHED 16 DECEMBER 2021)

Talenom expects 2022 net sales to be EUR 100–110 million and operating profit (EBIT) to be EUR 15–18 million.

KEY FIGURES

Group	1–12/2021	1–12/2020	Change, %	10–12/2021	10–12/2020	Change, %
Net sales, EUR 1,000	82,808	65,161	27.1%	21,756	16,463	32.2%
Net sales, increase %	27.1%	12.4%		32.2%	10.4%	
EBITDA, EUR 1,000	27,662	23,279	18.8%	6,608	5,048	30.9%
EBITDA of net sales, %	33.4%	35.7%		30.4%	30.7%	
Operating profit (EBIT), EUR 1,000	14,763	12,881	14.6%	2,791	2,425	15.1%
Operating profit (EBIT), as % of net sales	17.8%	19.8%		12.8%	14.7%	
Return on investment (ROI), % (rolling 12 months)	17.7%	19.6%		17.7%	19.6%	
Cash flow from operations, EUR 1,000	25,582	23,436	9.2%			
Interest-bearing net liabilities, EUR 1,000	39,240	29,328	33.8%			
Net gearing ratio, %	88.0%	91.0%				
Equity ratio, %	38.1%	38.1%				
Net investments, EUR 1,000	37,957	20,295	87.0%	13,670	4,751	187.7%
Liquid assets, EUR 1,000	10,121	9,104	11.2%	10,121	9,104	11.2%
Earnings per share, EUR	0.25	0.22	10.5%	0.04	0.04	
Weighted average number of shares during the period	43,462,583	42,654,214	1.9%	43,639,652	42,645,587	2.2%
Net profit, EUR 1,000	10,794	9,579	12.7%	1,877	1,803	4.1%

CEO OTTO-PEKKA HUHTALA

2021 will be remembered for the uncertainty caused by COVID. In the end, the year was mainly positive in terms of economic growth, both in the general economy and for us at Talenom. We expanded our operations to Spain and continued implementing our internationalisation strategy. We have seen a digital transformation of the accounting services industry similar to Finland, which we have invested in for a few years, taking place in other parts of Europe as well.

The Group's net sales grew by 27.1% last year to EUR 82.8 million accelerating toward the end of the year. In addition to strong organic growth, it was based increasingly on acquisitions. The EBITDA margin was 33.4% (35.7) and the EBIT margin 17.8% (19.8). Profitability remained excellent despite weaker profitability in the acquired businesses than in other Talenom units, the integration costs of the acquisitions and the increased depreciation level.

Finnish business operations continued excellent development last year. Net sales grew by 17.1% last year to EUR 71.8 million, driven by both organic growth and acquisitions. Organic growth was driven by successful new customer acquisition and sales of value-added services. The EBITDA margin remained at an excellent 37.5% (38.1) level and the EBIT margin was 21.1% (21.8). Automation development had a positive and acquisition targets a negative short-term effect on relative profitability.

Swedish net sales increased by 177.5% to EUR 10.7 million mainly due to acquisitions. EBITDA was 7.1% (-1.6) of net sales and EBIT was -3.0% (-12.6) of net sales. During 2021, we built a Swedish country organisation, which enables accelerated growth and implementation of own software. New customer acquisition kicked-off well in the autumn, and we expect the same development to continue this year. Profitability is moving in the right direction, and we expect faster development when we can start moving customers to our platform in autumn 2022.

The strong operating cash flow has enabled significant investments in software and acquisitions, as well as continuous improvement of operations. We have updated our customer interfaces and software architecture. Our experience shows that the financial management needs of SMEs are similar, which has enabled us to focus on building a single platform for international scalability and thus faster implementation in new countries. In the small customer segment, the introduction of payment accounts and cards and the launch of digital sales are noteworthy. In the service business, we received praise from our customers for our journey from an accountant to a consultant. Customer satisfaction with our service in Finland reached record-high levels (Q4/2021 NPS 65 vs. Q4/2020 NPS 51).

Talenom reached the age of fifty at the turn of the year and the first history of the company called The Story of Talenom was completed. When reading the book, Talenom's values take centre stage: Courage, Will and Caring. We are proud and grateful for the roots of Talenom to its founders. These roots still carry us today.

We enter the new year with a positive outlook. We reorganised our Executive Board in January 2022 to better respond to the development phase of our company, where profitable growth and internationalisation play a key role. In addition to growth, the focus areas for the year are further development of services in Finland, investigating new market areas, scaling of the small customer business and implementation of systems in Sweden. We expect 2022 net sales to be around EUR 100–110 million and EBIT of some EUR 15–18 million.

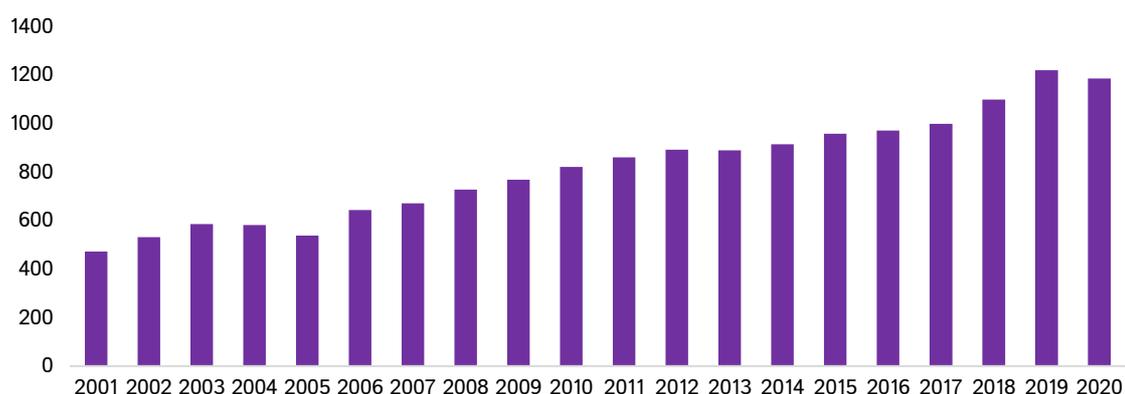
I would like to thank our customers their confidence in us, our excellent personnel for their commitment and our partners for good cooperation in the past year.

MARKET REVIEW

The Finnish accounting and financial reporting services market was approximately EUR 1,185 (1,219) million in 2020, and Talenom's market share measured by net sales was 5.2 (4.8) %. According to Statistics Finland, net sales in the accounting and financial reporting market decreased by 2.7% in 2020 compared to the previous year. According to our estimates, the exceptional development is primarily due to the COVID pandemic.

The accounting service market is defensive, and the market has grown in Finland almost every year since 2001, despite the financial crisis and the intermittent shrinking of Finland's Gross Domestic Product. According to Statistics Finland's structural business and financial statement statistics and the preceding annual Business Register statistics, average annual net sales growth in the accounting service market amounted to 5.0% in 2001–2020.

Size of the market in Finland, meur

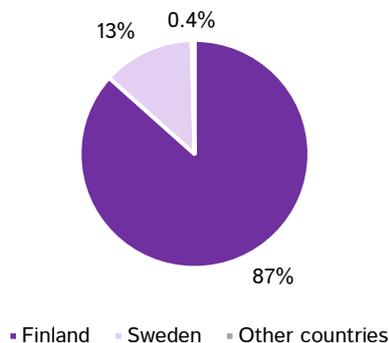


The accounting service market in Finland is fragmented. Statistics Finland's structural business and financial statement statistics indicate that in 2020 the number of companies in the sector was 4,110 (2019: 4,103) and the average company size was 3.1 (2.9) employees. The accounting service market has a lot of one-person offices and part-time entrepreneurs. Market fragmentation offers the opportunity for growth and creates economies of scale. Economies of scale are significant, for example, in information systems, sales and marketing, and in organising operations.

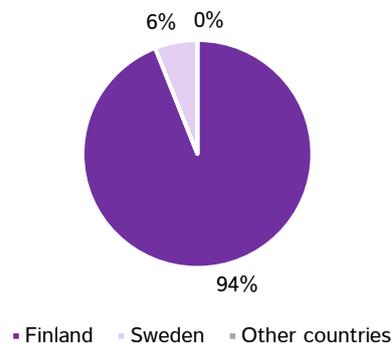
The size of the Swedish accounting services market (2019: around EUR 2 billion) is roughly double that of Finland. Market information for 2020 was not available at the time of publication of the Financial Statements Bulletin. In general, Sweden lags Finland in the development of the accounting industry, e.g., in terms of digitalisation, but the level is very good in a European comparison. The size of the Spanish accounting service market is around EUR 10 billion. Like the rest of Southern Europe, the digitalisation in Spain is lagging far behind the Nordic countries.

GROUP FINANCIAL DEVELOPMENT JANUARY-DECEMBER 2021

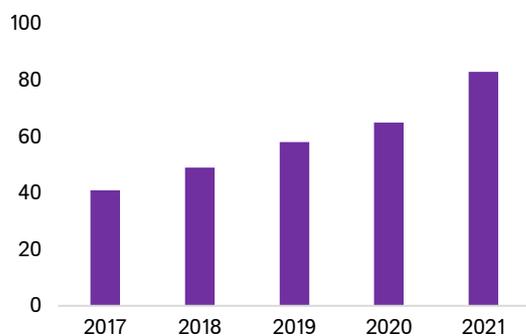
Net sales by country 1-12/2021



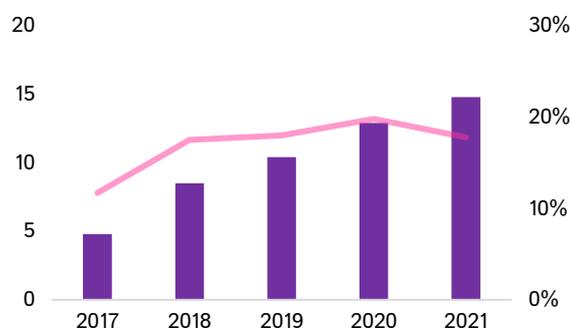
Net sales by country 1-12/2020



Development of net sales, meur



Development of EBIT, meur



Net sales increased by 27.1% to EUR 82.8 million (65.2). Some two-thirds of the increase in net sales came from acquisitions and one-third organically through growth in customer numbers and sales of value-added services in Finland. The pandemic had no significant impact on operations.

Personnel costs amounted to EUR 44.6 million (33.9) representing 53.9% (52.1) of net sales. Other operating expenses, including materials and services, totalled EUR 11.3 million (8.1) or 13.6% (12.4) of net sales.

Operating profit increased by 14.6% and amounted to EUR 14.8 million (12.9) or 17.8% (19.8) of net sales. Net profit grew by 12.7% to EUR 10.8 million (9.6). Relative profitability was depressed by lower profitability of the acquired businesses compared to other units, integration costs of acquisitions, increased personnel cost level, and higher depreciation.

GROUP'S FINANCIAL PERFORMANCE OCTOBER-DECEMBER 2021

Net sales increased by 32.2% to EUR 21.8 million (16.5). Some two-thirds of net sales growth came from acquisitions and around one-third was organic. Operating profit increased by 15.1% to EUR 2.8 million (2.4) or 12.8% (14.7) of net sales. Net profit grew by 4.1% to EUR 1.9 million (1.8).

COUNTRY-SPECIFIC FINANCIAL DEVELOPMENT

FINLAND

	1-12/2021	1-12/2020	Change, %	10-12/2021	10-12/2020	Change, %
Net sales, EUR 1,000	71,779	61,315	17.1%	18,631	15,232	22.3%
Net sales growth, %	17.1%	8.7%		22.3 %	6.3%	
EBITDA, EUR 1000	26,919	23,340	15.3%	6,714	5,358	25.3%
EBITDA of net sales, %	37.5%	38.1%		36.0%	35.2%	
Depreciation and amortisations, EUR 1,000	-11,794	-9,975	18.2%	-3,488	-2,468	41.3%
Operating profit, EUR 1,000	15,125	13,365	13.2%	3,226	2,890	11.7%
Operating profit of net sales, %	21.1%	21.8%		17.3%	19.0%	

JANUARY-DECEMBER 2021

Net sales increased by 17.1% to EUR 71.8 million (61.3). One-half of the growth was organic and one-half came from acquisitions. Organic growth was driven by increased customer numbers and sales of value-added services.

Relative profitability remained at an excellent level. Automation development had a positive and acquisitions a negative effect on relative profitability.

OCTOBER-DECEMBER 2021

Net sales increased by 22.3% to EUR 18.6 million (15.2). One-half of the growth was organic and one-half came from acquisitions. Organic growth was driven by increased customer numbers and sales of value-added services.

Relative profitability decreased slightly. Automation development had a positive and acquisitions and increased depreciation levels a negative effect on relative profitability.

SWEDEN

	1-12/2021	1-12/2020	Change, %	10-12/2021	10-12/2020	Change, %
Net sales, EUR 1,000	10,673	3,845	177.5%	2,919	1,231	137.2%
Net sales growth, %	177.5%	147.0%		137.2%	111.0%	
EBITDA, EUR 1,000	763	-61	1353.3%	-112	-310	63.9%
EBITDA of net sales, %	7.1%	-1.6%		-3.9%	-25.2%	
Depreciation and amortisations, EUR 1,000	-1,085	-423	156.5%	-318	-155	105.2%
Operating profit, EUR 1,000	-323	-484	33.3%	-430	-464	7.3%
Operating profit of net sales, %	-3.0%	-12.6%		-14.7%	-37.7%	

JANUARY-DECEMBER 2021

Net sales increased by 177.5% to EUR 10.7 million (3.8). Net sales growth came mainly from acquisitions.

Operating loss decreased from the comparison period and was -3.0% (-12.6) of net sales. Profitability has been depressed by our investments in sales, building support functions and developing management structures. However, because of the growth, the relative share of these in net sales has decreased, which explains the positive profitability development from the comparison period.

OCTOBER-DECEMBER 2021

Net sales increased by 137.2% to EUR 2.9 million (1.2). Net sales growth came mainly from acquisitions.

Operating loss decreased from the comparison period and was -14.7% (-37.7) of net sales.

OTHER COUNTRIES

	1-12/2021	1-12/2020	Change, %	10-12/2021	10-12/2020	Change, %
Net sales, EUR 1,000	356			206		
Net sales growth, %						
EBITDA, EUR 1,000	-20			7		
EBITDA of net sales, %	-5.7%			3.2%		
Depreciation and amortisations, EUR 1,000	-20			-12		
Operating profit, EUR 1,000	-40			-5		
Operating profit of net sales, %	-11.3%			-2.6%		

Talnom expanded to the Spanish accounting business market through an acquisition in July 2021 and started operating there on 1 August 2021. After the deal, we have analysed Spanish accounting processes in more detail. We launched market research on how to utilise our most scalable product on the Spanish market and started developing a digital sales channel. We are also investigating possible acquisition targets to strengthen our accounting firm operations.

COMPARISON OF COUNTRY-SPECIFIC KEY FIGURES

Finland	Q1/2021	Q2/2021	Q3/2021	Q4/2021	Q1/2020	Q2/2020	Q3/2020	Q4/2020
Net sales, EUR 1,000	18,002	18,387	16,759	18,631	16,675	15,578	13,830	15,232
Net sales growth, %	8.0%	18.0%	21.2%	22.3%	12.8%	8.9%	6.5%	6.3%
EBITDA, EUR 1,000	7,093	6,733	6,380	6,714	6,158	6,081	5,744	5,358
EBITDA of net sales, %	39.4%	36.6%	38.1%	36.0%	36.9%	39.0%	41.5%	35.2%
Depreciation and amortisations, EUR 1,000	-2,582	-2,797	-2,927	-3,488	-2,464	-2,505	-2,538	-2,468
Operating profit, EUR 1,000	4,511	3,936	3,453	3,226	3,694	3,575	3,206	2,890
Operating profit of net sales, %	25.1%	21.4%	20.6%	17.3%	22.2%	23.0%	23.2%	19.0%

Sweden	Q1/2021	Q2/2021	Q3/2021	Q4/2021	Q1/2020	Q2/2020	Q3/2020	Q4/2020
Net sales, EUR 1,000	2,305	2,993	2,455	2,919	675	925	1,015	1,231
Net sales growth, %	241.7%	223.6%	141.8%	137.2%		102.8%	96.3%	111.0%
EBITDA, EUR 1,000	103	469	303	-112	88	105	56	-310
EBITDA of net sales, %	4.5%	15.7%	12.3%	-3.9%	13.0%	11.4%	5.5%	-25.2%
Depreciation and amortisations, EUR 1,000	-201	-266	-300	-318	-63	-87	-118	-155
Operating profit, EUR 1,000	-98	203	3	-430	24	18	-62	-464
Operating profit of net sales, %	-4.3%	6.8%	0.1%	-14.7%	3.6%	2.0%	-6.1%	-37.7%

Other countries	Q1/2021	Q2/2021	Q3/2021	Q4/2021	Q1/2020	Q2/2020	Q3/2020	Q4/2020
Net sales, EUR 1,000			150	206				
Net sales growth, %								
EBITDA, EUR 1,000			-27	7				
EBITDA of net sales, %			-18.1%	3.2%				
Depreciation and amortisations, EUR 1,000			-8	-12				
Operating profit, EUR 1,000			-35	-5				
Operating profit of net sales, %			-23.3%	-2.6%				

BALANCE SHEET, FINANCING AND INVESTMENTS

On 31 December 2021, the consolidated balance sheet total was EUR 117.7 (84.9) million. The Group's equity ratio was 38.1% (38.1%) and net gearing was 88.0% (91.0%). The Group's interest-bearing non-current financial loans at the end of the review period were EUR 40.2 (30.0) million, excluding instalment debts. Other non-current interest-bearing liabilities (instalment debts) were EUR 0.2 (0.2) million and other current interest-bearing liabilities (instalment debts) were EUR 0.1 (0.2) million.

In accordance with IFRS 16, non-current lease liabilities stood at EUR 6.0 (5.9) million and current lease liabilities at EUR 2.9 (2.3) million on 31 December 2021.

The Group recognises the costs of new customer contracts, such as costs of obtaining and fulfilling a contract, as investments as specified in IFRS 15. These costs are presented in the balance sheet under "capitalised contract costs". Furthermore, the Group recognises part of the development costs related to software and digital services as investments according to the requirements outlined in IAS 38. These costs are presented in the balance sheet under "other intangible assets".

Investments stemming from new customer contracts amounted to EUR 3.8 (4.2) million in the review period. Investments concerning software and digital services amounted to EUR 11.6 (10.1) million. Our technology investments focused on developing customer interfaces, architecture renewal and developing automation further. The biggest change was the update of customer interfaces in Talenom Online, launching account and payment cards for small customers, and renewal of system architecture. We also increased the automation of the accounting and payroll system through investments. The fact that we started piloting our own systems in Sweden was also noteworthy. At the same time, we are creating a model for implementing systems in new countries.

During the review period, Talenom acquired seven business entities as share transactions and nine as business acquisitions in Finland, Sweden and Spain. The purchase prices of the share transactions carried out during the review period totalled EUR 18.0 million, including recognition of contingent consideration, and the purchase prices of business acquisitions amounted to EUR 2.2 million, including recognition of contingent consideration. In acquisitions, part of the purchase price was paid with new Talenom Plc shares subscribed for in directed issues. Acquisitions accounted for EUR 20.2 million (5.1) of net investments. Read more about acquisitions under "Acquisitions in the review period".

The total net investments on 1 January–31 December 2021 were EUR 38.0 (20.3) million.

Investments	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020	Change
New customer agreements, EUR 1,000	3,850	4,239	-389
Software and digital services, EUR 1,000	11,620	10,131	1,488
Acquisitions in Finland, EUR 1,000	8,492	2,084	6,408
Acquisitions abroad, EUR 1,000	12,690	3,003	9,687
Other investments	1,305	838	467
Total net investments, EUR 1,000	37,957	20,295	17,662

Talenom's liquid assets on 31 December 2021 were EUR 10.1 (9.1) million. In addition, the company had unused overdraft limits of EUR 0.0 (3.0) million on 31 December 2021.

ACQUISITIONS DURING THE REVIEW PERIOD

Business acquisitions in January-December:

- Balance Systems Oy, Kemi, Finland (date of acquisition: 1 February 2021)
- Laskentalinja Oy and Lapinlahden yrityspalvelut Oy, Kuopio, Finland (1 February 2021)
- Tilipalvelu Pirkko Kemppainen Oy, Ivalo, Finland (1 March 2021)
- Frivolous Oy, Espoo, Finland (1 April 2021)

- Tilitoimisto Reijo Mäki Oy, Hämeenlinna, Finland (1 April 2021)
- Lapin Tulostieto Oy, Tornio, Ylitornio and Kolari, Finland (1 June 2021)
- Kuortaneen Kirjanpito Oy, Kuortane, Finland (1 August 2021)
- Suomenselän Tilitoimisto Oy, Ähtäri, Finland (1 October 2021)
- Peräseinäjoen Tilipalvelu Oy, Peräseinäjoki, Finland (1 November 2021)

Share transactions in January-December:

- Ekonomianalys KL AB, Järfalla, Sweden (4 January 2021)
- Persson & Thorin AB, Växjö, Sweden (4 January 2021)
- Crescendo Redovisning AB, Nacka, Sweden (1 April 2021)
- Progredo AB, Östersund ja Åre, Sweden (1 April 2021)
- Balance-Team Oy, Helsinki, Finland (15 April 2021)
- Avail Services SL, Barcelona, Spain (1 August 2021)
- YOUnted Professionals Nyköping AB, Sweden (1 September 2021)

Purchase prices, net sales and operating profit of the acquisition targets during the review period:

EUR 1,000	Share transactions	Business acquisitions
Total purchase prices	13,605	1,765
Maximum contingent consideration	5,615	560
Net sales, previous 12 months at time of purchase, total	10,548	3,586
Operating profit, previous 12 months at time of purchase, total	1,951	584

In acquisitions, part of the purchase price was paid with new Talenom Plc shares subscribed for in directed issues. A total of 560,722 shares were subscribed for in directed share issues related to acquisitions during the review period

Further information on acquisitions during the review period can be found in the table section of this release.

ACQUISITIONS AFTER THE REVIEW PERIOD

Business acquisitions:

- Saarijärven Tilipalvelu Oy, Saarijärvi, Finland (1 January 2022)
- Tilitoimisto Kuopion Tili-Consults Oy, Kuopio, Finland (1 February 2022)
- Accodome Oy, Tuusula, Finland (1 February 2022)

Share transactions:

- Kjell Wengbrand Redovisnings AB, Ulricehamn ja Borås, Sweden (11 January 2022)
- MH Konsult Väst AB, Stenungsund ja Kungälv, Sweden (11 January 2022)

Purchase prices, net sales and operating profit of the acquisition targets after the review period:

EUR 1,000	Share transactions	Business acquisitions
Total purchase prices	2,178	235
Maximum contingent consideration	932	46
Net sales, previous 12 months at time of purchase, total	3,000	962
Operating profit, previous 12 months at time of purchase, total	159	43

Further information on acquisitions after the review period can be found in the table section of this release.

PERSONNEL AND MANAGEMENT

Talenom had 1,047 (912) employees at the end of 2021. The average number of personnel during the review period 1 January–31 December 2021 was 1,012 (868). During the review period, the members of the company's Executive Board were Otto-Pekka Huhtala (CEO), Antti Aho (CFO and CHRO), Tuomas Iivanainen (Director, International Business), Juho Ahosola (Director, Accounting Services) and Juha Jutila (Director, Business Development).

ANNUAL GENERAL MEETING 2021

Talenom's Annual General Meeting was held on 3 March 2021 in Helsinki. The AGM decided to issue a dividend of EUR 0.15 per share for the financial period 1 January–31 December 2020. The dividend was paid to shareholders on 12 March 2021.

The Annual General Meeting authorised the Board of Directors to resolve on the repurchase of a maximum of 150,000 own shares in the company in one or several tranches using the company's unrestricted shareholders' equity. The shares will be repurchased deviating from the pro rata holdings of shareholders in public trading arranged by Nasdaq Helsinki Ltd for the market price at time of purchase.

The Annual General Meeting authorised the Board of Directors to resolve on the issuance of shares and the issuance of special rights entitling to shares as referred to in Chapter 10 Section 1 of the Finnish Limited Liability Companies Act in one or several tranches, either against payment or without payment. The aggregate amount of shares to be issued, including the shares to be received based on special rights, must not exceed 2,100,000 shares. The Board of the Directors may resolve to issue new shares or to transfer own shares possibly held by the company. The maximum amount of the authorisation corresponds to approximately 4.8% of all shares in the company.

The Board of Directors is authorised to decide on all other matters related to the issuance of shares and special rights entitling to shares, including the right to deviate from the pre-emptive right of shareholders to subscribe for shares to be issued. The authorisation is used for the purposes of paying purchase prices of corporate acquisitions, share issues directed to personnel or share-based incentive schemes or to issue share options or for other purposes decided by the Board of Directors.

BOARD OF DIRECTORS AND AUDITOR

The Annual General Meeting elected Harri Tahkola, Mikko Siuruainen, Olli Hyypä, Johannes Karjula and Sampsa Laine for a new term as the members of the Board of Directors and Elina Tourunen as a new member of the Board of Directors. In its organising meeting held after the Annual General Meeting, the Board of Directors of Talenom Plc re-elected Harri Tahkola as Chairman of the Board of Directors.

The Board of Directors re-elected KPMG Oy Ab, authorised public accountant organisation, as the auditor of the company. Juho Rautio, authorised public accountant, will continue as the principal auditor.

BOARD AUTHORISATIONS

The Annual General Meeting authorised the Board of Directors to resolve on the repurchase of a maximum of 150,000 own shares in the company in one or several tranches using the company's unrestricted shareholders' equity. The shares will be repurchased deviating from the pro rata holdings of shareholders in public trading arranged by Nasdaq Helsinki Ltd for the market price at time of purchase. The authorisation remains valid until the closing of the next Annual General Meeting, but no longer than until 30 June 2022.

The Annual General Meeting 2021 authorised the Board of Directors to resolve on the issuance of shares and the issuance of special rights entitling to shares as referred to in Chapter 10 Section 1 of the Finnish Limited Liability Companies Act in one or several tranches, either against payment or without payment. The aggregate amount of shares to be issued, including the shares to be received based on special rights, must not exceed 2,100,000 shares. The Board of the Directors may resolve to issue new shares or to transfer own shares possibly held by the company. The maximum amount of the authorisation corresponds to approximately 4.8% of all shares in the company.

The Board of Directors is authorised to decide on all other matters related to the issuance of shares and special rights entitling to shares, including the right to deviate from the pre-emptive

right of shareholders to subscribe for shares to be issued. The authorisation is used for the purposes of paying purchase prices of corporate acquisitions, share issues directed to personnel or share-based incentive schemes or to issue share options or for other purposes decided by the Board of Directors. The authorisation remains valid until the closing of the next Annual General Meeting, but no longer than until 30 June 2022. The authorisation revokes all previous unused authorisations to resolve on the issuance of shares, option rights and other special rights entitling to shares.

STOCK OPTION SCHEMES AND SHARE-BASED INCENTIVE SCHEMES

The Group has two valid stock option schemes on the closing date. The Board of Directors decided based on authorization granted by the AGM on 26 February 2019, on the 2019 stock option scheme and with the authorization granted by the AGM on 3 March 2021, on the 2021 stock option scheme. The two option schemes are subject to a shareholding obligation as an additional condition under which the stock option holder must acquire company shares with 20% of the gross income received from the stock options. This number of shares must be held for two years after the acquisition of the shares. The Board of Directors decides on further action concerning stock options returned to the company later.

The subscription period for shares subscribed for with stock options 2019 is 1 March 2022 to 28 February 2023 and for stock options 2021 it is 1 March 2026 to 28 February 2027.

The AGM of 2020 decided on a free share issue in which 5 new shares per each owned share were issued to shareholders in proportion to their holding to improve the liquidity of the share. As a result of the free share issue, the Board of Directors decided on 25 February 2020 to change the number of shares and subscription price of the shares subscribed for with the options. After the change, the total number of shares to be subscribed for under the 2019 option terms will be 1,200,000 shares.

The options granted and the holdings or undistributed options of the company are divided into option categories on 31 December 2021 as follows:

Option categories (pcs)	2019	2021
Options given	1,200,000	600,000
Options exercised	0	0
Talenom Plc's holding or undistributed	276,000	90,000
Options given but not exercised	924,000	510,000

The table below shows the shareholding and voting rights that may be exercised under the issued stock options and the effect of the options on the number of shares.

Option categories	2019	2 021
The current subscription price of options	3.10	13.44
Total number of unexercised options	924,000	510,000
Exercised or Talenom Plc's holding or undistributed	276,000	90,000
Number of shares on 31 December 2021	43,790,252	43,790,252
Number of shares if all options are converted into new shares	44,714,252	44,300,252
Proportion of holdings and votes if all options are converted into new shares	2.066%	1.151%

The total number of shares will rise from 43,790,252 to 45,224,252, provided that all options under option types 2019 and 2021 are used in full to subscribe for new shares. The total voting and holding rights from both option types is 3.171%, provided that all options are used in full to subscribe for new shares.

Under the terms of the stock options, the subscription price of the options may change if the company distributes dividends or funds from the unrestricted equity fund or if the company

reduces its share capital by distributing share capital to shareholders. The terms and conditions of the stock options are available on Talenom's investor pages at sijoittajat.talenom.fi/en/investors/corporate_governance/remuneration.

Talenom has two share-based incentive schemes for key personnel of the Group, which the Board of Directors decided to establish on 25 February 2020:

Performance Share Plan 2020–2024

On 25 February 2020, Talenom's Board established the Performance Share Plan 2020–2024 that consists of three performance periods, covering the calendar years 2020–2022, 2021–2023 and 2022–2024. The Board of Directors resolves on the plan's performance criteria and the targets to be set for each criterion at the beginning of each performance period. In terms of the performance period 2020-2022 these were decided on 25 February 2020, and for the performance period 2021-2023 on 20 May 2021.

The potential reward based on the plan will be paid partly in the company's shares and partly in cash. The first rewards will be paid in 2023. The cash proportion is intended to cover taxes and tax-related expenses arising from the reward to a participant. As a rule, no reward is paid, if the participant's employment or service ends before the reward payment.

Each member of the company's Executive Board is obliged to hold at least 50 per cent of the net number of shares paid to them on the basis of the plan until the value of his or her shareholding in the company is equal to the value of his or her gross annual salary. These shares must be held for as long as the person remains a member of the Executive Board.

	Performance period 2020–2022	Performance period 2021–2023
Basis for the reward	<ul style="list-style-type: none"> • consolidated operating profit • internationalization • growth as well as • share of net sales from value-added services 	<ul style="list-style-type: none"> • consolidated net sales • operating profit and • implementation of strategic projects
Rewards to be paid from the performance period	The rewards correspond to the value of an approximate maximum total of 326,000 Talenom Plc shares, including also the proportion to be paid in cash	The rewards correspond to the value of an approximate maximum total of 239,900 Talenom Plc shares, including also the proportion to be paid in cash
Target group	Approximately 50 persons, including the company's Executive Board members	Approximately 85 persons, including the company's Executive Board members
Payment of the rewards	No later than April 2023	No later than April 2024

Restricted share plan

The company has a valid Restricted Share Plan intended for selected key employees, including the company's Executive Board members. The reward from the Restricted Share Plan is based on a valid employment or service and the continuity of the employment or service during the vesting period and other possible terms imposed by the Board of Directors.

The rewards in the period 2021–2025 will correspond to the value of a maximum total of 160,000 Talenom Plc shares, including also the proportion to be paid in cash. The reward is paid partly in the company's shares and partly in cash after the end of a 12–60-month vesting period.

SHARES AND SHAREHOLDERS

On 31 December 2021, Talenom Plc had a total of 43,790,252 shares entered in the Trade Register. The company held 150,600 treasury shares (0.34% of the total number of shares and votes) on 31 December 2021. On 31 December 2021, Talenom had a total of 7,947 (6,636) shareholders. The number of shareholders is based on information collected by Modular Finance from various sources, such as Euroclear Finland Oy.

A total of 12,715,979 shares were traded in January-December, and the value of the shares traded was EUR 163,766,030. The highest price of the share was EUR 17.04, and the lowest price was EUR 10.6. The volume weighted average price was EUR 12.88 and the closing price at the end of the review period was EUR 11.7. In accordance with the closing price, the combined market value of the shares was approximately EUR 512.3 million.

FLAGGING NOTIFICATIONS

During the review period, Talenom received six notifications of changes in holdings in accordance with Chapter 9, Section 5 of the Securities Markets Act.

According to a notification received on 10 February 2021, the number of Talenom Plc shares owned by Harri Tahkola decreased below the 20% limit of all Talenom Plc shares due to share transactions.

According to a notification received on 6 May 2021, the number of Talenom Plc shares owned by Danske Bank A/S decreased below the 5% limit of all Talenom Plc shares due to share transactions.

According to a notification received on 17 June 2021, the number of Talenom Plc shares owned by Danske Bank A/S rose above the 5% limit of all Talenom Plc shares due to share transactions.

According to a notification received on 3 September 2021, the number of Talenom Plc shares owned by Danske Bank A/S decreased below the 5% limit of all Talenom Plc shares due to share transactions.

According to a notification received on 25 November 2021, the number of Talenom Plc shares owned by SEB Investment Management AB rose above the 5% limit of all Talenom Plc shares due to share transactions.

According to a notification received on 17 December 2021, the number of Talenom Plc shares owned by Allianz Vie S.A rose above the 5% limit of all Talenom Plc shares due to share transactions.

SIGNIFICANT EVENTS DURING THE REVIEW PERIOD

The 14,750 new shares subscribed for with the stock options 2016C were registered in the Trade Register on 8 March 2021. The total subscription price, EUR 11,652.50, was recorded in full in the company's invested unrestricted equity fund.

During the review period, Talenom updated its financial outlook for 2021 twice:

- On 18 March 2021, Talenom revised its financial outlook and raised its guidance for 2021 regarding net sales. The new guidance for 2021 was: Net sales for 2021 are expected to amount to EUR 78–82 million and operating profit is expected to be EUR 14–16 million.
- On 15 April 2021, Talenom revised its financial outlook and raised its guidance for 2021 regarding net sales. The new guidance for 2021 was: Net sales for 2021 are expected to amount to EUR 80–84 million and operating profit is expected to be EUR 14–16 million.

On 1 April 2021, Talenom announced that after successful testing, its account and payment traffic services had gone into production and were successfully deployed for the first customers. The company announced also that it was starting the deployment of account and payment traffic services for customers in the TiliJaska service for small customers.

Talenom announced on 20 May 2021 that its Board of Directors had resolved on the performance criteria and targets for the 2021–2023 performance period of the Performance Share Plan it established in February 2020 and the maximum number of shares to be issued. The Board of Directors also resolved on the issuance of option rights to key employees in deviation from the

pre-emptive subscription right. For more information, see “Stock option schemes” and “Performance Share Plan”.

In June, Talenom agreed with Danske Bank A/S, Finland branch on a EUR 40 million collateralised loan and a EUR 10 million credit facility for potential acquisitions and projects in support of growth. Thanks to this arrangement, Talenom’s annual financing costs will decline by a total of around EUR 0.18 million. The loan period is three years, and it can be extended twice by a period of one year each with separate consent from the bank. With this new loan, Talenom repaid its collateralised loan and credit facility from Danske Bank, which totalled EUR 37 million.

On 30 November 2021, Talenom announced that it has decided to issue 72,301 new shares in a directed share issue for the sellers of acquisition targets (Kjell Wengbrand Redovisnings AB and MH Konsult Väst AB). The subscription date for the shares is 11 January 2022. The number of new shares to be issued corresponds with approximately 0.17% of all Talenom Plc's shares prior to the share issue. After the registration of the new shares the total number of shares in Talenom Plc is 43,862,553. The new shares will carry shareholder rights as of their registration day, estimated on 13 January 2022. The issued shares will later be admitted to trading on the official list of Nasdaq Helsinki Ltd.

On 16 December 2021, Talenom announced that it expects 2022 net sales to be EUR 100–110 million and operating profit (EBIT) to be EUR 15–18 million. The guidance includes the estimates for the Swedish accounting firms Kjell Wengbrand Redovisnings AB and MH Konsult Väst AB, acquired at the end of November 2021. The acquisitions will be completed at the beginning of 2022. The net sales transferred to Talenom from the acquired companies is some EUR 3.3 million annually.

EVENTS AFTER THE REVIEW PERIOD

On 10 January 2022, Talenom announced that it reorganises its Executive Board. With the reorganisation, Talenom aims to better respond to the opportunities offered by internationalisation, digitalisation and the use of real-time financial data. Composition and responsibilities of the Executive Board from 10 January 2022:

- Otto-Pekka Huhtala, CEO
- Antti Aho, Executive Vice President
- Matti Eilonen, CFO
- Juho Ahosola, COO and CHRO
- Tuomas Iivanainen, CMO
- Juha Jutila, CBDO

FINANCIAL REPORTING AND ANNUAL GENERAL MEETING IN 2022

Talenom will publish its financial reports for 2022 as follows:

- Financial Statements Release and Annual Review for 2021 on Tuesday, 8 February 2022
- Business Review for January–March on Tuesday, 26 April 2022
- Half-year Report for January–June on Tuesday, 2 August 2022
- Business Review for January–September on Tuesday, 25 October 2022

Talenom Plc's Annual General Meeting is planned to be held in Helsinki on Thursday, March 3, 2022.

BOARD OF DIRECTORS' PROPOSAL FOR THE TREATMENT OF PROFIT

The Board of Directors proposes that the parent company's profit for the period of EUR 10,514,330.71 to be transferred to the Profit/Loss Account for the previous financial years. The Board of Directors proposes that a dividend of EUR 0.17 per share be paid.

No material changes have occurred in the company's financial position since the end of the financial year.

RISKS, UNCERTAINTIES AND RISK MANAGEMENT

The company has identified risks and uncertainties related to its operating environment and business operations, which may adversely affect the company's business and profitability.

The key identified risks are as follows:

- The economic and political development of society may adversely affect the company's profitability.
- The competitive situation may intensify as competitors bring new services to the market or engage in price competition.
- The IT systems and communications connections of the company or those provided by its partners may be subject to security breaches, or to failures, faults or disturbances during maintenance and updates that affect the company's business, profitability and financial position.
- The COVID pandemic causes uncertainty in Talenom's financial forecasts. Uncertainties will increase if the exceptional circumstances persist for a long time and lead to bankruptcies among Talenom's customer companies, weaker new sales and reduced volume invoicing, or increasing employee sick leave.

The company has a risk management policy, endorsed by the Board, which supports strategic and business objectives, and ensures the continuity of operations in all circumstances. The ability to take risks and manage them efficiently is a key factor in business success and creating shareholder value.

In accordance with the risk management policy approved by the Board of Directors, risk preparedness and identification are continuous and systematic activities, and are the responsibility of the management. The management is responsible for defining, implementing and monitoring the implementation of measures as part of normal operational control.

Risk management is coordinated by the head of IT security and safety, who reports to the Group's CEO. The company's Board of Directors is provided, at least once a year, with a separate inventory of the risks and uncertainties that the Board of Directors uses to define risk management measures.

OUTLOOK AND GUIDANCE FOR 2022 UNCHANGED (PUBLISHED 16 DECEMBER 2021)

Talenom expects the accounting services market to grow in all of the company's operating countries in 2022 and demand to remain stable. In addition, consolidation in the industry is expected to continue due to, for instance, digital disruption. Talenom's goal is to continue robust growth and expansion in all of its operating countries and other European countries with significant potential to expand as a forerunner in the digitalisation of the accounting services industry.

Talenom expects 2022 net sales to be EUR 100–110 million and operating profit (EBIT) to be EUR 15–18 million.

The guidance includes the estimates for the Swedish accounting firms Kjell Wengbrand Redovisnings AB and MH Konsult Väst AB, acquired at the end of November 2021. The acquisitions were completed at the beginning of 2022. The net sales transferred to Talenom from the acquired companies is some EUR 3.3 million annually.

In addition to organic growth and the above-mentioned acquisitions, the guidance includes an estimation of possible acquisitions during 2022, which are subject to significant uncertainty. As in the ongoing year, majority of the total net sales growth in 2022 is expected to come from acquisitions in Finland and Europe. Expanding into new market areas enables the company's long-term growth.

Acquisitions will have a negative impact on relative profitability in the short term. The profitability of an acquisition target will rise to the level of Talenom's core business in an estimated three years when the new systems have been implemented at the target. In Sweden, implementation of new software is planned to start in autumn 2022. Talenom's investments in automation, customer-friendly user interfaces and the small customer segment in recent years will increase the depreciation level relative to net sales, but operational profitability measured by EBITDA will improve.

ACCOUNTING PRINCIPLES OF THE FINANCIAL STATEMENT

The financial statement bulletin has been prepared in accordance with IAS 34 Interim Financial Reporting and its accounting policies are presented in the financial statement 2021 published by the company. The financial statement is available on the company's investor pages at www.sijoittajat.talenom.fi/en/. The operating segments have been formed based on geographical areas. Segment reporting is based on the operating countries of the Group companies. Countries in the early development phase are reported as a whole. The figures in the financial statements have been audited. The Company reports commonly applied alternative performance measures to reflect the underlying business performance and enhance comparability between financial periods. Alternative performance measures not based on IFRS standards provide notable additional information to company management, investors and other interested parties. Alternative performance measures should not be considered as a substitute for key figures in accordance with IFRS. Alternative performance measures used by the company include operating profit (EBIT), operating profit (EBIT) as % of net sales, EBITDA, EBITDA as % of net sales, return on investment (ROI) %, interest-bearing net liabilities, net gearing ratio %, equity ratio % and net investments. The formulas are presented below in the section "Formulas".

TABLES

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

Thousand euro	2021	2020
Net sales	82,808	65,161
Other operating income	729	121
Materials and services	-3,052	-2,466
Employee benefit expenses	-44,618	-33,947
Depreciation and amortisations	-12,899	-10,398
Other operating expenses	-8,204	-5,589
Operating profit	14,763	12,881
Financial income	109	82
Financial expenses	-880	-939
Net financial expenses	-771	-857
Profit (loss) before taxes	13,991	12,024
Income taxes	-3,198	-2,445
Profit (loss) for the financial period	10,794	9,579
Other items of comprehensive income	0	0
Total comprehensive income for the financial period	10,794	9,579
Earnings per share calculated on the profit attributable to equity holders of the parent company		
Undiluted earnings per share (euro)	0.25	0.22
Diluted earnings per share (euro)	0.25	0.22

CONSOLIDATED BALANCE SHEET

Thousand euro	31 Dec. 2021	31 Dec. 2020
ASSETS		
Non-current assets		
Goodwill	37,284	23,956
Other intangible assets	36,323	22,921
Right-of-use assets	8,626	7,965
Property, plant and equipment	2,784	2,479
Other non-current financial assets	852	337
Deferred tax assets	90	64
Capitalised contract costs	11,805	11,033
Total non-current assets	97,765	68,754
Current assets		
Trade and other receivables	9,832	7,055
Current tax assets	1	10
Cash and cash equivalents	10,121	9,104
Total current assets	19,954	16,168
Total assets	117,718	84,923
CAPITAL AND RESERVES		
Share capital	80	80
Reserve for invested unrestricted equity	21,587	14,818
Retained earnings	23,051	17,271
Total equity	44,718	32,169
LIABILITIES		
Non-current liabilities		
Financial liabilities	40,203	30,000
Trade and other payables	2,211	556
Lease liabilities	5,985	5,859
Deferred tax liabilities	2,030	732
Total non-current liabilities	50,429	37,147
Current liabilities		
Trade and other payables	17,911	12,134
Lease liabilities	2,850	2,280
Current tax liabilities	1,810	1,193
Total current liabilities	22,571	15,607
Total liabilities	73,000	52,754
Total equity and liabilities	117,718	84,923

CONSOLIDATED CASH FLOW STATEMENT

Thousand euro	2021	2020
Cash flow from operating activities		
Profit (loss) before taxes	13,991	12,024
Adjustments:		
Depreciation and amortisations	12,899	10,398
Financial income	-108	-82
Financial expenses	879	939
Other adjustments	938	636
Changes in working capital:		
Change in trade and other receivables	-1,121	182
Change in trade payables and other liabilities	933	1,169
Interest income	108	82
Paid taxes	-2,938	-1,912
Net cash flow from operating activities	25,582	23,436
Cash flow from investing activities		
Revenue from the sale of property, plant and equipment	204	252
Acquisition of property, plant and equipment	-952	-792
Capitalisation of contract costs	-3,850	-4,239
Acquisition of intangible assets	-11,699	-10,332
Acquired businesses	-7,570	-2,352
Investments	-515	-100
Net cash flow from investing activities	-24 382	-17,563
Cash flow from financing		
Proceeds from share issue	12	1,878
Paid interest	-973	-943
Dividends paid	-6,480	-5,211
Change in instalment payment liabilities	29	-148
Repayment of lease liabilities	-2,705	-2,129
Loan withdrawals	40,000	30,000
Loan repayments	-30,050	-28,000
Net cash flow from financing	-168	-4,554
Change in cash and cash equivalents	1,032	1,320
Cash and cash equivalents, 1 Jan.	9,104	7,786
Net effect of exchange rate fluctuations on cash and cash equivalents	-15	-2
Cash and cash equivalents, 31 Dec.	10,121	9,104

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Thousand euro	Share capital	Reserve for invested unrestricted equity	Fair value reserve	Retained earnings	Total
Total equity 1 January 2021	80	14,818	0	17,271	32,169
Comprehensive income					
Profit for the financial period				10,794	10,794
Total comprehensive income for the financial period	0	0	0	10,794	10,794
Transactions with owners					
Dividend distribution and repayment of capital				-6,480	-6,480
Average exchange rate difference and translation differences				3	3
Share issue		6,768			6,768
Share-based payments				1,500	1,500
Transactions with owners, total	0	6,768	0	-4,978	1,790
Other adjustments	0	0	0	-35	-35
Total equity 31 December 2021	80	21,587	0	23,051	44,718

Thousand euro	Share capital	Reserve for invested unrestricted equity	Fair value reserve	Retained earnings	Total
Total equity 1 January 2020	80	11,234	-45	12,304	23,573
Comprehensive income					
Profit for the financial period				9,579	9,579
Total comprehensive income for the financial period	0	0	0	9,579	9,579
Transactions with owners					
Dividend distribution and repayment of capital				-5,211	-5,211
Average exchange rate difference and translation differences				-2	-2
Share issue		3,585			3,585
Share-based payments				643	643
Transactions with owners, total	0	3,585	0	-4,570	-986
Other adjustments			45	-42	3
Total equity 31 December 2020	80	14,818	0	17,271	32,169

OPERATING SEGMENTS

As the Group grows and expands internationally, the management reporting model has been updated, and as a result the operating segments have changed.

The new operating segments have been formed based on geographical areas. Previously, the Group had only one reportable segment (Accounting Services). Segment reporting is based on the operating countries of the Group companies. Countries in the early development phase are reported as a whole. This division allows us to better describe the economic performance of countries at different stages.

The CEO, as the chief operational decision maker, assesses segment development monthly. Assessment of segment performance is based on the segment's EBITDA and EBIT.

The Group's assets and liabilities are not distributed to the operating segments because the chief operational decision maker does not allocate resources based on segment assets or liabilities or examine the assets or liabilities of the segments. Assets and liabilities are examined at Group level. Financial income and expenses, as well as income taxes are not allocated to segments.

Operating segments 2021

EUR 1,000	Finland	Sweden	Other countries	Group total
Net sales	71,694	10,673	441	82,808
Other income	693	31	5	729
Operating expenses	-45,377	-10,008	-490	-55,874
EBITDA	27,010	695	-44	27,662
Depreciation	-10,292	-1,085	-35	-11,412
Impairment	-1,487	0	0	-1,487
Operating profit	15,231	-390	-78	14,763

Operating segments 2020

EUR 1,000	Finland	Sweden	Other countries	Group total
Net sales	61,315	3,845	0	65,161
Other income	82	39	0	121
Operating expenses	-38,039	-3,964	0	-42,003
EBITDA	23,358	-80	0	23,279
Depreciation	-8,119	-423	0	-8,542
Impairment	-1,856	0	0	-1,856
Operating profit	13,383	-503	0	12,881

COLLATERAL AND CONTINGENT LIABILITIES

Liabilities secured by an enterprise mortgage, thousand euro	31 Dec. 2021	31 Dec. 2020
Loans from financial institutions	40,000	30,000
Enterprise mortgages provided as security	50,360	45,360
Other deposits and contingent liabilities, thousand euro		
Deposits	3,072	3,072
Other *	10,823	3,895

*) Other contingent liabilities are related to the issued, undrawn loan limit, bank guarantee limit, and commitments for instalment payment liabilities.

BUSINESS ACQUISITIONS IN 2021

During the financial year, the Group made several business acquisitions in Finland and Sweden and one acquisition in Spain.

The transactions are detailed in the table below.

EUR 1,000	Time of acquisition	Transaction type	Method of payment	Acquisition cost	Maximum contingent consideration
Ekonomianalys KL AB	4 Jan 2021	Share transaction	Cash and shares	3,558	2,146
Persson & Thorin AB	4 Jan 2021	Share transaction	Cash and shares	1,801	683
Balance Systems Oy	1 Feb 2021	Business acquisition	Cash	500	150
Laskentalinja Oy and Lapinlahden yrityspalvelut Oy	1 Feb 2021	Business acquisition	Cash	275	95
Tilipalvelu Pirkko Kempainen Oy	1 Mar 2021	Business acquisition	Cash	375	165
Crescendo Redovisning Ab	1 Apr 2021	Share transaction	Cash and shares	1,119	341
Progredo Ab	1 Apr 2021	Share transaction	Cash and shares	1,481	49
Tilitoimisto Reijo Mäki Oy	1 Apr 2021	Business acquisition	Cash	155	0
Frivolous Oy	1 Apr 2021	Business acquisition	Cash	100	0
Balance-Team Oy	15 Apr 2021	Share transaction	Cash and shares	5,650	700
Lapin Tulostieto Oy	1 Jun 2021	Business acquisition	Cash	320	100
Kuortaneen kirjanpito Oy	1 Aug 2021	Business acquisition	Cash	65	0
AVAIL Services SL	1 Aug 2021	Share transaction	Cash and shares	2,890	1,500
YOUnted Professionals Nyköping AB	1 Sep 2021	Share transaction	Cash and shares	1,452	195
Suomenselän Tilitoimisto Oy	1 Oct 2021	Business acquisition	Cash	330	40
Peräseinäjoen Tilipalvelu Oy	1 Nov 2021	Business acquisition	Cash	85	10
				20,156	6,175

The total contingent consideration recognised as a liability from the transactions is EUR 4,786 thousand. The recognised contingent consideration is based on the management's assessment of the likely outcome of the financial and operational targets agreed separately in the transaction. An adjustment has been made during the reporting period to the initial acquisition cost calculation of Ekonomianalys KL AB because the company has received new information about the circumstances prevailing at the time of the transaction relating to the determination of the contingent consideration. As a result of the adjustment, the contingent consideration and goodwill related to the acquisition have increased by EUR 956 thousand.

The costs arising from acquisitions are recognised in profit or loss. If the acquisitions had taken place at the beginning of the financial year 2021, they would have had a EUR 477 thousand positive effect on the result for the accounting period and increased net sales by EUR 3,827 thousand.

The value of the acquired assets and liabilities on the day of acquisition were:

EUR 1,000	Share transactions	Business acquisitions
Intangible rights	134	0
Property, plant and equipment	273	50
Customer relationships	5,811	2,032
Right-of-use assets	1,072	153
Current assets	2,614	0
Total assets	9,904	2,235
Trade and other payables	2,707	0
Lease liabilities	1,072	153
Deferred tax liability	1,192	199
Total liabilities	4,971	352
Net assets	4,933	1,883
Consideration transferred (including contingent consideration)	17,951	2,205
Net assets of acquisition target	-4,933	-1,883
Goodwill	13,018	322

A more detailed breakdown of business acquisitions can be found in Appendix 5 to the financial statements.

BUSINESS ACQUISITIONS IN 2020

During the financial year, the Group carried out two share transactions in Sweden and three business acquisitions in Finland. The transactions are detailed in the table below.

EUR 1,000	Time of acquisition	Transaction type	Method of payment	Acquisition cost	Maximum contingent consideration
Addvalue Advisors Oy	28 Feb 2020	Business acquisition	Cash and shares	268	0
Niva Ekonomi AB	4 May 2020	Share transaction	Cash and shares	1,082	199
Vanaja Technologies Oy	20 Aug 2020	Business acquisition	Cash	400	0
Frivision AB	1 Sep 2020	Share transaction	Cash and shares	1,457	638
Larsen&Co Tilitoimisto Oy	30 Sep 2020	Business acquisition	Cash and shares	1,000	0
TiliTeam/E-P:n Yrityspalvelu Oy	1 Dec 2020	Business acquisition	Cash	210	0
				4,417	837

The costs arising from acquisitions are recognised in profit or loss.

If the acquisitions had taken place at the beginning of the financial year 2020, they would have had a EUR 260 thousand positive effect on the result for the accounting period and increased net sales by EUR 3,340 thousand.

The value of the acquired assets and liabilities on the day of acquisition were:

EUR 1,000	Share transactions	Business acquisitions
Development expenditure	19	10
Property, plant and equipment	30	38
Customer relationships	946	923
Right-of-use assets	538	0
Current assets	997	0
Total assets	2,530	971
Trade and other payables	702	0
Lease liabilities	538	0
Deferred tax liability	202	93
Total liabilities	1,442	93
Net assets	1,087	879
Consideration transferred (including contingent consideration)	3,145	1,878
Net assets of acquisition target	-1,087	-879
Goodwill	2,057	999

FORMULAS

Net sales, increase %	=	$\frac{\text{net sales} - \text{net sales of the preceding year}}{\text{net sales of the preceding year}} \times 100$
Operating profit	=	net sales + other operating income - materials and services - personnel expenses - depreciations and amortisations - other operating expenses
Operating profit (EBIT), %	=	$\frac{\text{operating profit (EBIT)}}{\text{net sales}} \times 100$
Return on investment (ROI), % (rolling 12 months)	=	$\frac{\text{operating profit (EBIT) before taxes} + \text{interest and other financial expenses}}{\text{total equity and liabilities} - \text{non-interest-bearing liabilities (average of the accounting period)}} \times 100$
Interest-bearing net liabilities	=	interest-bearing liabilities - cash in hand and in banks
Net gearing ratio, %	=	$\frac{\text{interest-bearing liabilities} - \text{cash in hand and in banks}}{\text{capital and reserves}} \times 100$
Equity ratio, %	=	$\frac{\text{capital and reserves}}{\text{balance sheet total} - \text{advances received}} \times 100$
Working capital	=	inventories + non-interest-bearing current receivables - non-interestbearing current liabilities
Net investments	=	investments in tangible and intangible assets - sales of assets
Earnings per share	=	$\frac{\text{net profit of the review period}}{\text{Weighted average number of shares outstanding during the review period} \times 100} \times 100$
Keskimääräinen vuotuinen kasvu (CAGR)	=	$\left(\frac{\text{net sales at the end of the period}}{\text{net sales in the beginning of the period}} \right)^{\frac{1}{\text{number of years}}} - 1$
EBITDA	=	operating profit + depreciation + impairment
EBITDA, %	=	$\frac{\text{EBITDA}}{\text{net sales}} \times 100$

Operating profit (EBIT) measures Talenom's ability to generate a profit in its business operations. Operating profit is a key metric of the company's profitability and financial performance, and indicates the profit generated from business operations.

Operating profit margin refers to operating profit as a percentage of net sales and is used to proportion operating profit in relation to net sales and improve comparability of operating profit over reporting periods.

Return on investment, meanwhile, measures operating result in relation to invested equity. It describes Talenom's relative profitability, in other words how effectively the company is able to generate profit for capital invested in the company

Interest-bearing net liabilities is the net sum of Talenom's debt financing. The metric provides information on the company's indebtedness and capital structure.

Net gearing ratio is the ratio between Talenom's equity and interest-bearing liabilities. It describes the level of risk associated with the company's financing and is a useful metric for tracking the company's debt to equity ratio.

Equity ratio is a financing structure metric that shows what proportion of the company's balance sheet is financed by its own equity. Equity ratio provides information on the level of risk associated with financing and the level of equity used in business operations, and describes the company's solvency and tolerance against loss in the long term.

Working capital measures the amount of financing committed in Talenom's business operations and describes the efficiency of capital use.

Net investments measure the amount of investments minus the sale of fixed assets. The metric offers additional information on the cash flow needs of business operations.

EBITDA is an important key figure that measures Talenom's ability to generate profit in business before depreciation, impairment and financial items.

EBITDA margin refers to EBITDA as a percentage of net sales and is used to proportion EBITDA in relation to net sales and improve comparability of EBITDA over reporting periods.

TALENOM PLC

Board of Directors

FURTHER INFORMATION:

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