

Financial Statement Release 2022

Net sales growth continued as strong and internationalisation progressed in a digitalising Europe

1 Jan to 31 Dec 2022
(unaudited)



Financial Statement Release 2022:

Net sales growth continued as strong and internationalisation progressed in a digitalising Europe

January–December 2022 in brief

- Net sales EUR 102.1 million (82.8), growth 23.3% (27.1)
- EBITDA EUR 32.4 million (27.7), 31.7% (33.4) of net sales
- Operating profit (EBIT) EUR 15.3 million (14.8), 15.0% (17.8) of net sales
- Net profit EUR 11.8 million (10.8)
- Earnings per share EUR 0.27 (0.25)
- Board of Directors' dividend proposal EUR 0.18 (0.17) per share

October–December 2022 in brief

- Net sales EUR 26.3 million (21.8), growth 21.1% (32.2)
- EBITDA EUR 7.0 million (6.6), 26.4% (30.4) of net sales
- Operating profit (EBIT) EUR 2.2 million (2.8), 8.3% (12.8) of net sales
- Net profit EUR 1.8 million (1.9)
- Earnings per share EUR 0.04 (0.04)

Guidance for 2023

Talenom estimates that 2023 net sales will be about EUR 120–130 million and that its euro-denominated EBITDA and operating profit will grow from 2022.

Key figures

Group	1–12/2022	1–12/2021	Change, %	10–12/2022	10–12/2021	Change, %
Net sales, EUR 1,000	102,107	82,808	23.3%	26,344	21,756	21.1%
Net sales, increase %	23.3%	27.1%		21.1%	32.2%	
EBITDA, EUR 1,000	32,394	27,662	17.1%	6,967	6,608	5.4%
EBITDA of net sales, %	31.7%	33.4%		26.4%	30.4%	
Operating profit (EBIT), EUR 1,000	15,266	14,763	3.4%	2,199	2,791	-21.2%
Operating profit (EBIT), as % of net sales	15.0%	17.8%		8.3%	12.8%	
Return on investment (ROI), % (rolling 12 months)	14.0%	17.7%		14.0%	17.7%	
Cash flow from operations, EUR 1,000	27,448	25,582	7.3%			
Interest-bearing net liabilities, EUR 1,000	54,404	39,240	38.6%			
Net gearing ratio, %	97.1%	87.8%				
Equity ratio, %	35.9%	38.1%				
Net investments, EUR 1,000	40,868	37,957	7.7%	8,949	6,112	46.4%
Liquid assets, EUR 1,000	15,970	10,121	57.8%	15,970	10,121	57.8%
Earnings per share, EUR	0.27	0.25	7.2%	0.04	0.04	-3.8%
Weighted average number of shares during the period	44,384,390	43,462,583	2.1%	44,384,390	43,639,652	1.7%
Net profit, EUR 1,000	11,801	10,794	9.3%	1,837	1,877	-2.1%

CEO Otto-Pekka Huhtala

In 2022, the economic environment changed rapidly with COVID subsiding, the war in Ukraine, accelerating inflation and rising interest rates. Decisions were taken in Europe on the mandatory introduction of the e-invoicing directive in coming years, which we believe will accelerate the digital transformation of our industry. We want to digitalise the accounting services industry in Europe. One example is the expansion to Italy that we announced in late 2022.

Last year our net sales grew by 23.3% (27.1) to EUR 102.1 million (82.8). The growth was based on several acquisitions in Sweden and Spain and strong organic growth in Finland. EBITDA increased to EUR 32.4 million (27.7) and the EBITDA margin was still excellent at 31.7 (33.4). Operating profit increased to EUR 15.3 million (14.8) and the EBIT margin was 15.0 (17.8). Relative profitability was weakened by our investments during the year, which will enable strong profitable growth in line with our strategy in the future. We acquired a platform business in Spain, continued developing our software in a more customer-friendly direction, started implementing our own software and strengthened our sales organisation in Sweden. In addition, we carried out a brand reform, developed banking services forward as planned, and strengthened the organisation to support faster international growth. The investments together with increased depreciation burdened the result especially towards the end of the year.

In Finland, net sales grew by 12.9% (17.1) to EUR 81.0 million (71.8). The EBITDA margin was excellent at 38.6 (37.5). The excellent performance of the Finnish business continued.

Growth still continued as very strong in Sweden. Net sales increased by 81.8% (177.5) to EUR 19.4 million (10.7) and EBITDA was 8.4% (7.1). The Swedish business was in a phase of rapid growth and development. Integration work accelerated and implementation of the own platform started, which burdened profitability. The implementation of the platform will have a positive impact on the result in the longer term.

In Spain, we achieved a good position and lay the foundation for a strongly digitalising market. We acquired our own digital distribution channel and platform to make daily life easier for our customers. In addition, we strengthened our own service production through acquisitions to accompany the existing strong expert unit. Preconditions for strong acceleration of both organic and acquisition-driven growth are in place. This will decrease the Group's profitability during 2023 but will open good growth opportunities in a large market.

We enter the new year with a positive outlook. At the end of January 2023, we will publish a new unified brand and product offering in Finland, Sweden and Spain. Last year, we made a major change in our management structures, strengthening a unified way of operating in Talenom and scaling our business to faster growth. Strategic themes for the new year include accelerating digital sales, distributing banking services, implementing systems in Sweden, and quicker improvement of profitability in acquisition targets. We estimate that our 2023 net sales will be about EUR 120–130 million and that euro-denominated EBITDA and operating profit will grow from 2022. We follow the development of inflation and the interest market. Talenom's inflation resilience is good and debt relative to EBITDA is moderate.

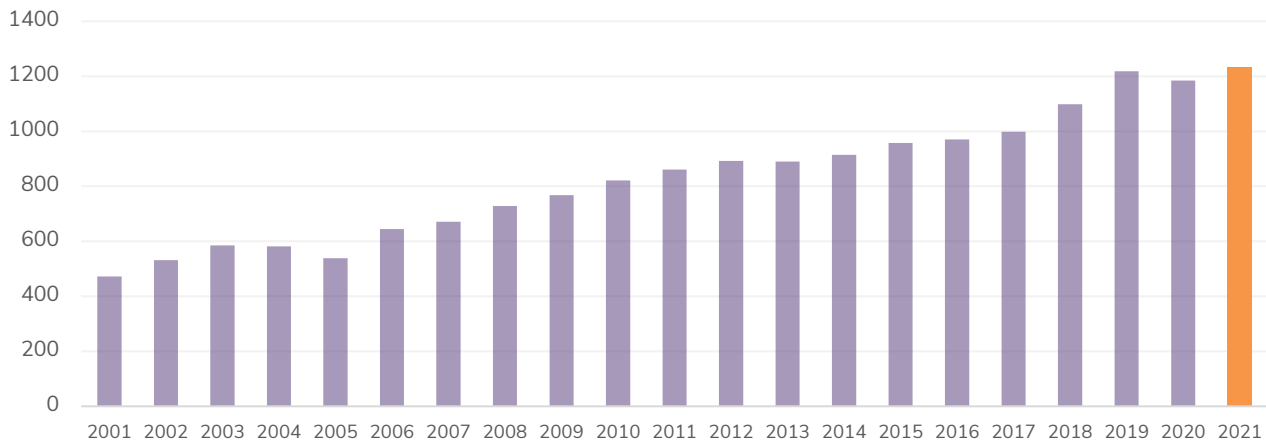
I would like to thank our customers for their confidence in us, our excellent personnel for their commitment and our partners for good cooperation in the past year.

Market overview

The accounting services market has traditionally been quite stable and defensive. The market has grown in Finland almost every year since 2001, despite the occasional contraction in Finland's GDP. According to Statistics Finland, the average annual net sales growth in the accounting services market was around 5% in 2001-2021.

According to Statistics Finland, the Finnish market for accounting and financial reporting services was around EUR 1,235 million (1,185) in 2021. Measured by net sales, Talenom's market share was 6.7% (5.2). The net sales of the accounting and financial reporting industry grew by 4.1% (-2.7) in 2021 from the previous year.

Size of the market in Finland, EUR million



The Finnish accounting market is fragmented. The number of accounting firms has remained at over 4,000 companies for the last decade. According to Statistics Finland, there were 4,054 companies in this sector in 2021 (2020: 4,110), and the average company size was 3.0 (3.1) employees. There are many one-person offices and part-time entrepreneurs in the accounting services market.

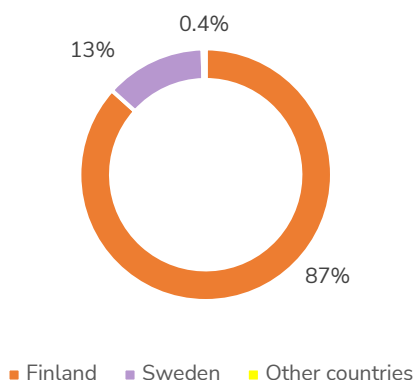
The size of the Swedish accounting market is around EUR 2 billion, Spain some EUR 10 billion and Italy about EUR 12 billion. Sweden lags behind Finland in the digitalisation of the accounting services industry but is clearly ahead of Spain and Italy.

Decisions were taken in Europe in 2022 on the mandatory introduction of the e-invoicing directive in coming years, which is expected to accelerate the digital transformation of the industry. In Spain, for example, companies with net sales of over EUR 8 million have to introduce e-invoicing by September 2023 and all companies by September 2025.

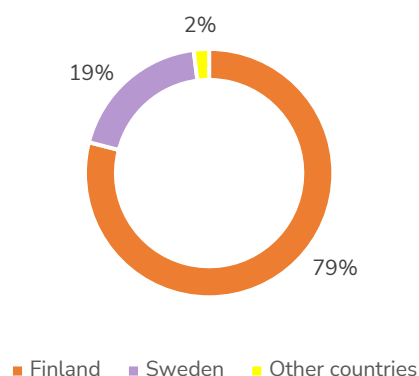
The accounting industry is in a revolution driven by digitalisation, outsourcing, expanding service offering, and increasing importance of consulting, as well as a work revolution and legislative changes. The industry revolution will gradually consolidate the market.

Group's financial performance January-December 2022

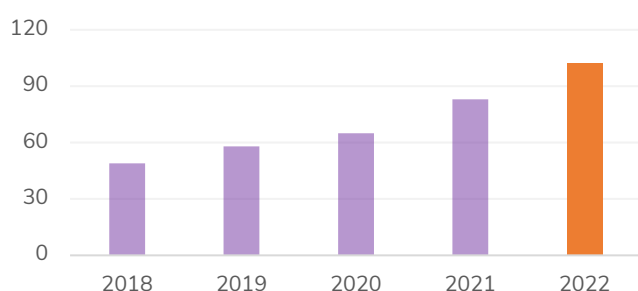
Net sales by country 1-12/2021



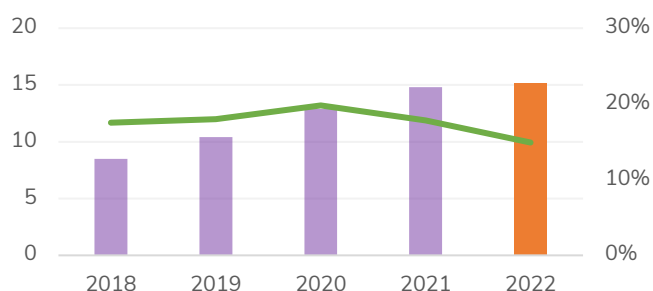
Net sales by country 1-12/2022



Net sales development, EUR million



EBIT development, EUR million



Net sales increased by 23.3% to EUR 102.1 million (82.8). 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. Neither the COVID pandemic nor the Russian military aggression had significant impact on the business.

Personnel costs amounted to EUR 55.7 million (44.6) representing 54.5% (53.9) of net sales. Other operating expenses, including materials and services, totalled EUR 15.7 million (11.3) or 15.3% (13.6) of net sales.

Operating profit increased by 3.4% to EUR 15.3 million (14.8) or 15.0% (17.8) of net sales. Relative profitability was depressed by lower profitability of the acquired businesses compared to other units, integration costs of acquisitions, strengthening of international operations, increased levels of personnel and other expenses, and higher depreciation. Net profit grew by 9.3% to EUR 11.8 million (10.8).

Group's financial performance October-December 2022

Net sales increased by 21.1% to EUR 26.3 million (21.8). About one fifth of the increase in net sales was organic and the rest came from acquisitions.

Operating profit decreased by 21.2% to EUR 2.2 million (2.8) or 8.3% (12.8) of net sales. Net profit decreased by 2.1% to EUR 1.8 million (1.9). Investments in the platform business in Spain, implementation of own software and strengthening the organisation in Sweden, the brand reform, developing of banking services and increased depreciation burdened profitability especially towards the end of the year. Of these, the Spanish platform business will still have a negative impact on profitability in 2023 and implementation

of software in Sweden will slow down the relative profitability trend in 2023. Depreciation will continue increasing in 2023 with the investment level increase in 2019–2020.

Country-specific financial development

Finland

	1–12/2022	1–12/2021	Change, %	10–12/2022	10–12/2021	Change, %
Net sales, EUR 1,000	81,037	71,779	12.9%	19,848	18,631	6.5%
Net sales growth, %	12.9%	17.1%		6.5%	22.3%	
EBITDA, EUR 1000	31,242	26,919	16.1%	7,250	6,714	8.0%
EBITDA of net sales, %	38.6%	37.5%		36.5%	36.0%	
Depreciation and amortisations, EUR 1,000	-15,148	-11,794	28.4%	-4,106	-3,488	17.7%
Operating profit, EUR 1,000	16,095	15,125	6.4%	3,144	3,226	-2.5%
Operating profit of net sales, %	19.9%	21.1%		15.8%	17.3%	

January-December 2022

Net sales increased by 12.9% to EUR 81.0 million (71.8). About a quarter of net sales growth came from acquisitions and the rest from organic growth. Organic growth was driven by increased customer numbers and sales of value-added services.

Measured by EBITDA, relative profitability increased, but weakened slightly measured by operating profit. Profitability was still at an excellent level. Automation development had a positive and acquisitions and increased depreciation a negative effect on relative profitability. During the review period, changes in actual and estimated additional purchase prices caused by acquisitions had a positive net effect on profitability.

October-December 2022

Net sales increased by 6.5% to EUR 19.8 million (18.6). Some 90% of net sales growth was organic and the remaining 10% came from acquisitions. Organic growth was driven by increased customer numbers and sales of value-added services. The drop in volume-based and consulting net sales had a negative impact on development.

Measured by EBITDA, relative profitability increased, but weakened slightly measured by operating profit. Profitability was still at an excellent level. Automation development had a positive and acquisitions and increased depreciation levels a negative effect on relative profitability. Group-level investments also had a negative impact on the profitability development of the Finnish businesses, especially in the last quarter.

Sweden

	1-12/2022	1-12/2021	Change, %	10-12/2022	10-12/2021	Change, %
Net sales, EUR 1,000	19,406	10,673	81.8%	5,802	2,919	98.7%
Net sales growth, %	81.8%	177.5%		98.7%	137.2%	
EBITDA, EUR 1000	1,630	763	113.7%	96	-112	185.9%
EBITDA of net sales, %	8.4%	7.1%		1.7%	-3.9%	
Depreciation and amortisations, EUR 1,000	-1,808	-1,085	66.6%	-569	-318	79.0%
Operating profit, EUR 1,000	-178	-323	44.8%	-473	-430	-9.9%
Operating profit of net sales, %	-0.9%	-3.0%		-8.1%	-14.7%	

January-December 2022

Net sales increased by 81.8% to EUR 19.4 million (10.7). Net sales growth came mainly from acquisitions.

Relative EBITDA was 8.4% (7.1) and the operating loss was -0.9% (-3.0) of net sales. Relative profitability was depressed by our sales investments, building support functions, developing management structures and introduction of own software.

October-December 2022

Net sales increased by 98.7% to EUR 5.8 million (2.9). Net sales growth came mainly from acquisitions.

The EBITDA of the traditionally weaker quarter increased from the comparison period. Relative profitability was depressed by our investments in sales, building support functions and developing management structures. Implementation of own software was reflected as increased costs particularly towards the end of the year.

Other countries

	1-12/2022	1-12/2021	Change, %	10-12/2022	10-12/2021	Change, %
Net sales, EUR 1,000	1,664	356	367.4%	695	206	237.2%
Net sales growth, %	367.4%			237.2%		
EBITDA, EUR 1000	-478	-20	-2,243.6%	-378	7	-5,755.6%
EBITDA of net sales, %	-28.7%	-5.7%		-54.5%	3.2%	
Depreciation and amortisations, EUR 1,000	-172	-20	767.8%	-93	-12	678.2%
Operating profit, EUR 1,000	-650	-40	-1,516.3%	-471	-5	-8,830.2%
Operating profit of net sales, %	-39.1%	-11.3%		-67.9%	-2.6%	

January-December 2022

Net sales increased by 367.4% to EUR 1.7 million (0.4). Net sales growth came from acquisitions. Talenom bought the FinTech platform from Spain, which was transferred to Talenom from 1 October 2022. In addition, the company carried out two acquisitions in Spain to strengthen the accounting business.

The business was loss-making. Profitability is mainly depressed by the acquired platform business being in red in the last quarter, as well as our investments in sales, building support functions and developing management structures.

October-December 2022

Net sales increased by 237.2% to EUR 0.7 million (0.2). Net sales growth came from acquisitions.

In December 2022, Talenom announced that it was expanding to Italy by acquiring the business of the accounting firm Studio Gavazzi. The acquired business was transferred to Talenom on 1 January 2023.

The business was loss-making. Profitability is mainly depressed by the acquired platform business being in red in the last quarter, as well as our investments in sales, building support functions and developing management structures.

Country-specific key figures by quarter

	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Finland								
Net sales, EUR 1,000	20,965	21,404	18,821	19,848	18,002	18,387	16,759	18,631
Net sales growth, %	16.5%	16.4%	12.3%	6.5%	8.0%	18.0%	21.2%	22.3%
EBITDA, EUR 1000	8,464	8,512	7,019	7,250	7,093	6,733	6,380	6,714
EBITDA of net sales, %	40.4%	39.8%	37.3%	36.5%	39.4%	36.6%	38.1%	36.0%
Depreciation and amortisations, EUR 1,000	-3,612	-3,695	-3,734	-4,106	-2,582	-2,797	-2,927	-3,488
Operating profit, EUR 1,000	4,852	4,817	3,285	3,144	4,511	3,936	3,453	3,226
Operating profit of net sales, %	23.1%	22.5%	17.5%	15.8%	25.1%	21.4%	20.6%	17.3%

	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Sweden								
Net sales, EUR 1,000	3,989	5,308	4,307	5,802	2,305	2,993	2,455	2,919
Net sales growth, %	73.1%	77.3%	75.4%	98.7%	241.7%	223.6%	141.8%	137.2%
EBITDA, EUR 1000	461	833	240	96	103	469	303	-112
EBITDA of net sales, %	11.6%	15.7%	5.6%	1.7%	4.5%	15.7%	12.3%	-3.9%
Depreciation and amortisations, EUR 1,000	-378	-427	-434	-569	-201	-266	-300	-318
Operating profit, EUR 1,000	84	406	-195	-473	-98	203	3	-430
Operating profit of net sales, %	2.1%	7.6%	-4.5%	-8.1%	-4.3%	6.8%	0.1%	-14.7%

	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Other countries								
Net sales, EUR 1,000	256	267	447	695			150	206
Net sales growth, %			198.0%	237.2%				
EBITDA, EUR 1000	-61	-54	15	-378			-27	7
EBITDA of net sales, %	-24.1%	-20.1%	3.4%	-54.5%			-18.1%	3.2%
Depreciation and amortisations, EUR 1,000	-12	-37	-30	-93			-8	-12
Operating profit, EUR 1,000	-74	-90	-15	-471			-35	-5
Operating profit of net sales, %	-28.9%	-33.9%	-3.3%	-67.9%			-23.3%	-2.6%

Balance sheet, financing and investments

On 31 December 2022, the consolidated balance sheet total was EUR 156.3 (117.7) million. The Group's equity ratio was 35.9% (38.1%) and net gearing was 97.1% (87.8%). The Group's interest-bearing non-current financial loans at the end of the review period were EUR 60.1 (40.2) million, excluding instalment debts. Other non-current interest-bearing liabilities (instalment debts) were EUR 0.1 (0.2) million and other current interest-bearing liabilities (instalment debts) were EUR 0.2 (0.1) million.

In accordance with IFRS 16, non-current lease liabilities stood at EUR 6.3 (6.0) million and current lease liabilities at EUR 3.7 (2.9) million on 31 December 2022.

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".

The total net investments on 1 January–31 December 2022 were EUR 40.9 (38.0) million.

Investments stemming from new customer contracts amounted to EUR 3.3 million (3.9) in the review period. Investments in software and digital services totalled EUR 12.1 million (11.7) during the review period. Our technology investments focused on developing customer interfaces and developing automation further. The biggest change was the update of the customer interfaces of Talenom Online, development of account and payment cards with a new partner and starting implementation of own systems in Sweden.

During the review period, Talenom acquired nine business entities as share transactions and seven as business acquisitions in Finland, Sweden and Spain. The purchase prices of the share transactions carried out during the review period totalled EUR 18.4 million, including recognition of contingent consideration, and the purchase prices of business acquisitions amounted to EUR 4.0 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 24.5 million (21.2) of net investments. Read more about acquisitions under "Acquisitions in the review period".

Investments	1 Jan–31 Dec 2022	1 Jan–31 Dec 2021	Change
New customer agreements, EUR 1,000	3,345	3,850	-504
Software and digital services, EUR 1,000	12,114	11,723	390
Acquisitions in Finland, EUR 1,000	857	8,492	-7,635
Acquisitions abroad, EUR 1,000	23,634	12,690	10,944
Other investments	917	1,202	-285
Total net investments, EUR 1,000	40,868	37,957	2,911

Talenom's liquid assets on 31 December 2022 were EUR 16.0 (10.1) million.

Acquisitions during the review period

Business acquisitions in January-December:

- Accodome Oy, Finland
- Tilitoimisto Kuopion Tili-Consults Oy, Finland
- Saarijärven Tilipalvelu Oy, Finland
- PJ Yrityspalvelu Oy, Finland
- Nomo, Spain
- ACompany Asesoraria Y Gestion de Empresas SL, Spain
- Tilipalvelu Elisa Ruinu Oy, Finland

Share transactions in January-December:

- MH Konsult Väst AB, Sweden
- Kjell Wengbrand Redovisnings AB, Sweden
- Lindgren & Lindgren Ekonomi AB, Sweden
- Confido Redovisning AB, Sweden
- Redovisningsbyrå Öckerö AB, Sweden
- Mazars Redovisning AB, Sweden
- Gestoria Teruel SL, Spain
- Baran Redovisning Ab, Sweden
- Alcea Redovisning Ab, Sweden

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	12,261	4,013
Maximum contingent consideration	9,766	116
Net sales, previous 12 months at time of purchase, total	13,675	3,097
Operating profit, previous 12 months at time of purchase, total	1,984	-436

In acquisitions, part of the purchase price was paid with new Talenom Plc shares subscribed for in directed issues. A total of 267,177 shares were subscribed for in directed share issues related to acquisitions during the review period.

Acquisitions after the review period

Business acquisitions after the review period:

- Studio Gavazzi, Italy

Share transactions after the review period:

- MTE Göteborg Ab, Sweden

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	282	276
Maximum contingent consideration	222	170
Net sales, previous 12 months at time of purchase, total	261	553
Operating profit, previous 12 months at time of purchase, total	50	0

Further information on business acquisitions after the review period will be available in the consolidated financial statements published in week 7.

Personnel and management

Talenom had 1,336 (1,047) employees at the end of 2022. The average number of personnel during the review period 1 January–31 December 2022 was 1,204 (1,012). During the review period, the members of the company's Executive Board were Otto-Pekka Huhtala (CEO), Antti Aho (Executive Vice President), Matti Eilonen (CFO), Tuomas Iivanainen (Marketing Director), Juho Aho (COO, CHRO), Juha Jutila (CBDO) until 1 November 2022 and Olli Lätti (Commercial Director) from 1 November 2022.

Sustainability

At the end of 2022, Talenom updated its sustainability materiality analysis. The materiality analysis examined various areas of sustainability, such as climate change, human rights, labour issues, bribery and corruption risks. The analysis assessed Talenom's operating models and impacts on various sustainability areas and stakeholders, as well as the impact of sustainability trends on Talenom's business. The impact was examined both in terms of scope and scale and in terms of potential economic impacts. The analysis covered both the sustainability aspects of Talenom's own operations as well as the subcontracting chain and products.

Employee issues was assessed to be the key sustainability area. Talenom offers a combination of expert services and automated accounting services, and the role of employees in driving future growth is crucial. The role of the business in society, in turn, highlights ethics, anti-corruption and information security issues as major sustainability issues. Due to Talenom's value chain and business model, conventional risks related to human rights and environmental issues are relatively limited. Although the environmental impact of Talenom's operating model is very low the importance of climate issues is raised by stakeholders', especially the financial sector's, need for up-to-date climate work and reporting.

The results of the materiality analysis confirmed Talenom's view of the company's main impacts, and the company will develop its sustainability strategy and reporting over the next few years based on the results of the updated materiality analysis.

Talenom will publish more information on sustainability as part of the annual review during week 7.

Annual General Meeting 2022 and authorisations of the Board of Directors

The Annual General Meeting of Talenom Plc was held on 3 March 2022 in Helsinki. The Annual General Meeting adopted the financial statements of the parent company and the consolidated financial statements for the financial year ended 31 December 2021, discharged the members of the Company's Board of Directors and the CEO from liability, and approved all proposals made to the Annual General Meeting by the Board of Directors. The Annual General Meeting also approved the Remuneration Report for the Company's Governing Bodies.

The Annual General Meeting resolved that a dividend of EUR 0.17 per share will be paid for the financial year 1 January–31 December 2021. Undistributed profits shall remain in equity. The dividend was paid to shareholders who were on the dividend record date, 7 March 2022, registered as shareholders in the company's shareholders' register maintained by Euroclear Finland Ltd. The dividend payment date was 14 March 2022. Dividend was not paid to treasury shares held by the company.

The Annual General Meeting confirmed that Harri Tahkola, Mikko Siuruainen, Olli Hyyppä, Johannes Karjula, Elina Tourunen and Sampsa Laine, all current members of the Board of Directors, are re-elected as the members of the Board of Directors for a new term. The Annual General Meeting resolved that the number of the members of the Board of Directors shall be six.

It was resolved that a remuneration of EUR 6,000 per month will be paid to the Chairman of the Board of Directors and EUR 2,000 per month to other members of the Board of Directors. Additionally, the travel expenses of the members of the Board of Directors will be compensated in accordance with the company's travel policy.

The Annual General Meeting 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. The term of the auditor will run until the end of the next Annual General Meeting. The auditor will be remunerated according to the reasonable invoice approved by the company.

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 otherwise than in proportion to the shareholdings of the shareholders in public trading arranged by Nasdaq Helsinki Ltd for the market price at the moment of purchase. The authorisation remains valid until the closing of the next Annual General Meeting, but no longer than until 30 June 2023. The authorisation replaces the previous authorisation to repurchase own shares granted by the Annual General Meeting on 3 March 2021.

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 number 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 per cent 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 award 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 2023. The authorisation revokes all previous unused authorisations to resolve on the issuance of shares, option rights and other special rights entitling to shares.

In its organisational 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.

Extraordinary General Meeting 2022

Talenom Plc's Extraordinary General Meeting was held on 13 October 2022 in Helsinki. The General Meeting adopted the Board of Directors' proposal to add the option for attending a general meeting remotely or entirely without a physical meeting place to the Articles of Association.

Stock option schemes and share-based incentive schemes

The Group has three valid stock option schemes at the end of the review period. The Board of Directors decided based on authorisation granted by the AGM on 26 February 2019, on the 2019 stock option scheme, with the authorisation granted by the AGM on 3 March 2021, on the 2021 stock option scheme and with the authorisation granted by the AGM on 3 March 2022, on the 2022 stock option scheme. All 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, for stock options 2021 it is 1 March 2026 to 28 February 2027 and for stock options 2022 it is 1 March 2025 to 28 February 2026.

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 2022 as follows:

Option categories (pcs)	2019	2021	2022
Options given	1,200,000	600,000	500,000
Options exercised	844,435	0	0
Talenom Plc's holding or undistributed	276,000	126,000	25,000
Options given but not exercised	79,565	474,000	475,000

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	2021	2022
The current subscription price of options	2,93	13,44	9,46
Total number of unexercised options	79,565	474,000	475,000
Exercised or Talenom Plc's holding or undistributed	1,120,435	126,000	25,000
Number of shares on 31 December 2022	44,923,197	44,923,197	44,923,197
Number of shares if all options are converted into new shares	45,002,762	45,397,197	45,398,197
Proportion of holdings and votes if all options are converted into new shares	0.18%	1.04%	1.05%

The total number of shares will rise from 44,923,197 to 45,951,762, provided that all options under option types 2019, 2021 and 2022 are used in full to subscribe for new shares. The total voting and holding rights from both option types is 2.238%, 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 investors.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 2022, Talenom Plc had a total of 44,923,197 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 2022. On 31 December 2022, Talenom had a total of 9,399 (7,947) shareholders. The number of shareholders is based on information collected by Modular Finance from various sources, such as Euroclear Finland Oy.

A total of 10,424,074 shares were traded in January-December, and the value of the shares traded was EUR 101,896,667. The highest price of the share was EUR 12.32, and the lowest price was EUR 7.75. The volume weighted average price was EUR 9.77 and the closing price at the end of the review period was EUR 9.10. In accordance with the closing price, the combined market value of the shares was approximately EUR 408.8 million.

Share issues

Talenom Plc's Board of Directors decided on 21 March 2022 on a directed free share issue in line with the terms and conditions of the Restricted Share Plan 2021 for the payment of remuneration. The share issue distributed 21,333 new Talenom Plc shares free of charge.

The Board of Directors of Talenom Plc decided on 29 March 2022 on a free directed share issue as part of M&A transactions. Talenom issued 90,169 new shares in a share issue directed to the sellers of the acquisition targets Lindgren & Lindgren Ekonomi Ab, Confido Ab and Redovisningsbyrå Öckerö Ab.

The Board of Directors of Talenom Plc decided on 1 August 2022 on a free directed share issue as part of M&A transactions. Talenom decided to issue 19,789 new shares in a share issue directed at the sellers of the acquisition target ACompany Asasoraria Y Gestion de Empresas SL.

The Board of Directors of Talenom Plc decided on 29 August 2022 on a free directed share issue as part of M&A transactions. Talenom decided to issue 39,227 new shares in a share issue directed at the sellers of the acquisition target Gestoria Teruel SL.

The Board of Directors of Talenom Plc decided on 21 October 2022 on a free directed share issue as part of M&A transactions. Talenom decided to issue 45,691 new shares in a share issue directed at the sellers of the acquisition target Alcea Redovisning Ab.

Registration of new shares under the terms of the option scheme

The 357,000 new shares subscribed for in line with Talenom Plc's 2019 terms and conditions for option rights were registered in the Trade Register on 24 March 2022. The total subscription price, EUR 1,046,010.00, was recognised in full in the company's reserve for invested unrestricted equity. After the registration of the new shares the total number of shares in Talenom Plc was 44,240,886 shares.

The 130,000 new shares subscribed for in line with Talenom Plc's 2019 terms and conditions for option rights were registered in the Trade Register on 6 April 2022. The total subscription price, EUR 380,900.00, was recognised in full in the company's reserve for invested unrestricted equity. After the registration of the new shares the total number of shares in Talenom Plc was 44,461,055 shares.

The 160,000 new shares subscribed for in line with Talenom Plc's 2019 terms and conditions for option rights were registered in the Trade Register on 13 May 2022. The total subscription price, EUR

468,800.00, was recognised in full in the company's reserve for invested unrestricted equity. After the registration of the new shares the total number of shares in Talenom Plc was 44,621,055 shares.

The 139,000 new shares subscribed for in line with Talenom Plc's 2019 terms and conditions for option rights were registered in the Trade Register on 15 June 2022. The total subscription price, EUR 407,270.00, was recognised in full in the company's reserve for invested unrestricted equity. After the registration of the new shares the total number of shares in Talenom Plc was 44,760,055 shares.

The 41,670 new shares subscribed for in line with Talenom Plc's 2019 terms and conditions for option rights were registered in the Trade Register on 21 September 2022. The total subscription price, EUR 122,093.10, was recognised in full in the company's reserve for invested unrestricted equity. After the registration of the new shares the total number of shares in Talenom Plc was 44,860,741 shares.

The 16,765 new shares subscribed for in line with Talenom Plc's 2019 terms and conditions for option rights were registered in the Trade Register on 16 December 2022. The total subscription price, EUR 49,121.45, was recognised in full in the company's reserve for invested unrestricted equity. After the registration of the new shares the total number of shares in Talenom Plc was 44,923,197 shares.

Flagging notifications

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

According to a notification received on 28 March 2022, the number of Talenom Plc shares owned by Allianz Vie S.A decreased below the 5% limit of all Talenom Plc shares due to share transactions.

According to a notification received on 30 March 2022, 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.

Financial targets

Talenom's published the company's medium-term financial targets that emphasize net sales growth on 25 October 2022. Growth is expected to come primarily from the international markets and is based on active sales development, digital sales and acquisitions. Due to depreciation of significant software development investments and lower profitability of acquisition targets, the relative profitability of the next few years is expected to decline. The profitability of an acquisition target will rise to the level of Talenom's core business in an estimated three years when new systems have been implemented at the target.

Talenom's medium-term (2023-2025) financial targets are as follows:

- annual net sales growth of over 30%,
- annual EBITDA growth of over 15%,
- growing euro-denominated EBIT and
- increasing dividend per share.

The company has no previous longer-term financial targets.

Events after the review period

According to a notification received on 9 January 2023, 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.

Financial reporting and Annual General Meeting in 2023

In 2023, Talenom will publish financial information as follows:

- Financial Statements Release for 2022 on Tuesday, 31 January 2023
- Annual Review 2022 on week 7
- Business Review for January-March on Thursday, 20 April 2023
- Half-year Report for January-June on Friday, 21 July 2023
- Business Review for January-September on Friday, 20 October 2023

Talenom Plc's Annual General Meeting (AGM) is planned to be held on Wednesday, 15 March 2023.

Corporate Governance Statement

Talenom compiles a separate Corporate Governance Statement in accordance with the recommendation of the Finnish Corporate Governance Code. The statement is included in the Annual Review but published separately from the Board of Directors' report. The statement is available on Talenom's investor website at investors.talenom.com/en in week 7.

Board of Director's proposal concerning the result for the period

The Board of Directors proposes that the parent company's profit for the financial year EUR 10,899,822.70 is transferred to the retained earnings/loss account. The Board of Directors proposes that a dividend of EUR 0.18 (0.17) per share be paid.

The company's financial position has not changed substantially since the end of the fiscal year.

Risks, uncertainties and risk management

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

The main identified risks are:

- Potential escalation of the geopolitical crisis in Europe, deterioration of the general economic situation, rising interest rate level and inflation may lead to business contraction or bankruptcy of Talenom's customers, resulting in customer losses or reduced customer relationships.
- Talenom may fail to implement acquisitions or in integrating acquired companies to its business.
- Competition may tighten if competitors introduce new services or start a price war.
- The IT systems and connections provided by the company or its partners may be subject to security breaches, or be affected by deficiencies, failures, or shortcomings in the maintenance and updating of such systems.
- Wide-ranging cost inflation could lead to significant cost increases.
- Failure in recruitment or staff engagement.

- The COVID pandemic may still cause disruptions in Talenom's operating environment.

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 2023

Talenom estimates that 2023 net sales will be about EUR 120–130 million and that euro-denominated EBITDA and operating profit will grow from 2022.

Talenom expects the accounting services market to grow in all of the company's operating countries in 2023 and demand to remain stable. In addition, consolidation in the industry is expected to continue accelerated by, for instance, digital disruption and tightening legislation concerning electronic financial management. 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.

In addition to organic growth, the guidance includes an assessment of possible acquisitions during 2023. Most of total net sales growth in 2023 is expected to come from acquisitions. 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 fully implemented at the target. In Sweden, implementation of new software started in autumn 2022. Talenom's investments in automation, customer-friendly user interfaces and the small customer segment in recent years, as well as the internationally scalable software platform 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 company's financial statement 2022. The financial statement is available on Talenom's investor website at investors.talenom.com in week 7. 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 one item. The figures in this financial statement release are unaudited. 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, return on investment (ROI) %, interest-bearing net liabilities, net gearing ratio %, equity ratio %, working capital and net investments. The formulas are presented below in the section "Formulas".

Tables

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

EUR 1,000	2022	2021
Net sales	102,107	82,808
Other operating income	1,625	729
Materials and services	-3,950	-3,052
Employee benefit expenses	-55,682	-44,618
Depreciation and amortisations	-17,128	-12,899
Other operating expenses	-11,706	-8,204
Operating profit	15,266	14,763
Financial income	466	109
Financial expenses	-1,178	-880
Net financial expenses	-712	-771
Profit (loss) before taxes	14,554	13,991
Income taxes	-2,753	-3,198
Profit (loss) for the financial period	11,801	10,794
Other items of comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Translation differences	57	3
Total comprehensive income for the financial period	11,858	10,796
Earnings per share calculated on the profit attributable to equity holders of the parent company		
Undiluted earnings per share (euro)	0.27	0.25
Diluted earnings per share (euro)	0.27	0.25

CONSOLIDATED BALANCE SHEET

EUR 1,000	31 Dec. 2022	31 Dec. 2021
ASSETS		
Non-current assets		
Goodwill	54,986	37,284
Other intangible assets	45,806	36,323
Right-of-use assets	9,922	8,626
Property, plant and equipment	2,752	2,784
Other non-current financial assets	254	852
Deferred tax assets	443	90
Capitalised contract costs	11,694	11,805
Total non-current assets	125,857	97,765
Current assets		
Trade and other receivables	14,178	9,832
Current tax assets	315	1
Cash and cash equivalents	15,970	10,121
Total current assets	30,463	19,954
Total assets	156 320	117,718
CAPITAL AND RESERVES		
Share capital	80	80
Reserve for invested unrestricted equity	26,861	21,587
Retained earnings	29,085	23,051
Total equity	56 026	44,718
LIABILITIES		
Non-current liabilities		
Financial liabilities	50,122	40,203
Trade and other payables	2,845	2,211
Lease liabilities	6,256	5,985
Deferred tax liabilities	3,040	2,030
Total non-current liabilities	62,263	50,429
Current liabilities		
Financial liabilities	10,001	0
Trade and other payables	23,724	17,911
Lease liabilities	3,705	2,850
Current tax liabilities	601	1,810
Total current liabilities	38,032	22,571
Total liabilities	100 295	73,000
Total equity and liabilities	156 320	117,718

CONSOLIDATED CASH FLOW STATEMENT

EUR 1,000	31 Dec. 2022	31 Dec. 2021
Cash flow from operating activities		
Profit (loss) before taxes	14,554	13,991
Adjustments:		
Depreciation and amortisations	17,128	12,899
Financial income	-542	-108
Financial expenses	1,254	879
Other adjustments	266	938
Changes in working capital:		
Change in trade and other receivables	-2,882	-1,121
Change in trade payables and other liabilities	2,233	933
Interest income	182	108
Paid taxes	-4,744	-2,938
Net cash flow from operating activities	27,448	25,582
Cash flow from investing activities		
Revenue from the sale of property, plant and equipment	161	204
Acquisition of property, plant and equipment	-779	-952
Capitalisation of contract costs	-3,355	-3,850
Acquisition of intangible assets	-12,267	-11,699
Acquired businesses	-16,338	-7,570
Investments	598	-515
Net cash flow from investing activities	-31,980	-24,382
Cash flow from financing		
Proceeds from share issue	2,425	12
Paid interest	-979	-973
Dividends paid	-7,431	-6,480
Change in instalment payment liabilities	-33	29
Repayment of lease liabilities	-3,266	-2,705
Loan withdrawals	20,000	40,000
Loan repayments	-87	-30,050
Net cash flow from financing	10,629	-168
Change in cash and cash equivalents	6,098	1,032
Cash and cash equivalents, 1 Jan.	10,121	9,104
Net effect of exchange rate fluctuations on cash and cash equivalents	-248	-15
Cash and cash equivalents 31 Dec.	15,970	10,121

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR 1,000	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total
Total equity 1 January 2022	80	21,587	23,051	44,718
Comprehensive income				
Profit for the financial period			11,801	11 801
Average exchange rate difference and translation differences			57	57
Total comprehensive income for the financial period	0	0	11,858	11,858
Transactions with owners				
Dividend distribution and repayment of capital			-7,431	-7 431
Share issue		5,274		5 274
Share-based payments			1,491	1 491
Transactions with owners, total	0	5,274	-5,940	-666
Changes and other adjustments for previous accounting periods	0	0	116	116
Total equity 31 December 2022	80	26,861	29,085	56,026

EUR 1,000	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total
Total equity 1 January 2021	80	14,818	17,271	32,169
Comprehensive income				
Profit for the financial period			10,794	10 794
Average exchange rate difference and translation differences			3	3
Total comprehensive income for the financial period	0	0	10,796	10,796
Transactions with owners				
Dividend distribution and repayment of capital			-6,480	-6 480
Share issue		6,768		6 768
Share-based payments			1,500	1 500
Transactions with owners, total	0	6,768	-4,981	1,788
Changes and other adjustments for previous accounting periods			-35	-35
Total equity 31 December 2021	80	21,587	23,051	44,718

OPERATING SEGMENTS

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 2022

EUR 1,000	Finland	Sweden	Other countries	Group total
Net sales	81,037	19,406	1,664	102,107
Other income	1,488	121	16	1,625
Operating expenses	-51 283	-17,898	-2,158	-71,339
EBITDA	31,243	1,629	-478	32,393
Depreciation	-13,467	-1,774	-163	-15,403
Impairment	-1,681	-34	-9	-1,724
Operating profit	16,095	-179	-650	15,266

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

COLLATERAL AND CONTINGENT LIABILITIES

	31.12.2022	31.12.2021
Liabilities secured by an enterprise mortgage		
Loans from financial institutions	60,000	40,000
Enterprise mortgages provided as security	60,360	50,360
Other deposits and contingent liabilities		
Deposits	3,072	3,072
Other *	852	10,823

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

BUSINESS ACQUISITIONS 1 JANUARY-31 DECEMBER 2022

During the review period, the Group made several business acquisitions in Finland and Sweden.

The transactions are detailed in the table below.

EUR 1,000	Time of acquisition	Transaction type	Method of payment	Acquisition cost	Maximum contingent consideration
MH Konsult Väst AB	13 Jan 2022	Share transaction	Cash and shares	2,172	584
Kjell Wengbrand Redovisnings AB	13 Jan 2022	Share transaction	Cash and shares	909	270
Saarijärven Tilipalvelu Oy	3 Jan 2022	Business acquisition	Cash	80	0
Accodome Oy	1 Feb 2022	Business acquisition	Cash	24	8
Kuopion Tili-Consults Oy	1 Feb 2022	Business acquisition	Cash	178	38
Lindgren&Lindgren Ekonomi AB	4 Apr 2022	Share transaction	Cash and shares	658	180
Confido Redovisning AB	4 Apr 2022	Share transaction	Cash and shares	1,710	719
Redovisningsbyrå Öckerö AB	4 Apr 2022	Share transaction	Cash and shares	1,651	719
PJ Yrityspalvelu Oy	1 May 2022	Business acquisition	Cash and shares	120	0
Acompany Asesoria y Gestion de Empresas SL	1 Aug 2022	Business acquisition	Cash and shares	652	0
Tilipalvelu Elisa Ruinu Oy	1 Sep 2022	Business acquisition	Cash	455	70
Mazars Redovisning AB	1 Sep 2022	Share transaction	Cash	8,984	6,833
Gestoria Teruel SL	1 Sep 2022	Share transaction	Cash and shares	1,500	0
Baran Redovisning AB	1 Oct 2022	Share transaction	Cash	901	190
Nomo Management Solution SL	1 Oct 2022	Share transaction	Cash	2,550	0
Alcea Redovisning AB	1 Nov 2022	Share transaction	Cash and shares	1,184	270
Total				23,728	9,882

The total contingent consideration recognised as a liability from the transactions is EUR 5,715,000.

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.

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

EUR 1,000	Share transactions	Business acquisitions
Intangible rights	10	544
Property, plant and equipment	150	0
Customer relationships	4,863	1,090
Right-of-use assets	762	27
Current assets	2,534	0
Total assets	8,319	1,661
Trade and other payables	1,956	80
Lease liabilities	762	27
Deferred tax liability	1,016	194
Total liabilities	3,734	301
Net assets	4,585	1,360
Consideration transferred	19,668	3,979
Net assets of acquisition target	-4,585	-1,360
Goodwill	15,083	2,619

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

If the acquisitions had taken place at the beginning of the financial year 2022, they would have increased the EBIT for the accounting period by an estimated EUR 296,000 and net sales by around EUR 7,470,000.

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 Kemppainen 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
Total				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
<i>Paid in cash</i>	<i>6,847</i>	<i>1,765</i>
<i>Paid in Talenom Plc shares</i>	<i>6,759</i>	<i>0</i>
<i>Contingent consideration recognised</i>	<i>4,346</i>	<i>440</i>
Total consideration transferred	17,951	2,205
Net assets of acquisition target	-4,933	-1,883
Goodwill	13,018	322

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	=	$\frac{\text{net profit of the review period}}{\text{Weighted average number of shares outstanding during the review} \times 100 \text{ period}} \times 100$
Compound annual growth rate (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 + amortisation
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 financial 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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