

**TALENOM PLC. BUSINESS REVIEW JANUARY–SEPTEMBER 2018
(UNAUDITED): EBIT UP BY 78.0%, NET SALES UP BY 18.6% -
THE SCALABLE BOOKKEEPING PRODUCTION LINE IS PROVING
ITS CAPABILITIES**

1 January–30 September 2018

Talenom is an accounting company established in 1972. Talenom offers a wide range of accounting services as well as other expert and advisory services for its clients. Talenom also provides its clients with electronic financing tools and engages in its own software development.

Talenom has 37 offices in Finland and had an average of 656 employees during the period (1 Jan.–30 Sep. 2018). Talenom reported net sales of 36.4 (30.7) million euros for 1 January–30 September 2018, representing a year-on-year increase of 18.6%.



TALENOM

yrityksen iloa

TALENOM PLC. BUSINESS REVIEW JANUARY–SEPTEMBER 2018 (UNAUDITED): EBIT UP BY 78.0%, NET SALES UP BY 18.6% - THE SCALABLE BOOKKEEPING PRODUCTION LINE IS PROVING ITS CAPABILITIES

JANUARY–SEPTEMBER 2018 IN BRIEF:

- Net sales 36.4 (30.7) million euros, increase 18.6 (11.7) %
- Operating profit (EBIT) 7.1 (4.0) million euros, 19.4 (12.9) % of net sales
- Net profit 5.4 (2.8) million euros
- Earnings per share 0.78 (0.41) euros
- Net investments 7.1 (5.2) million euros, of which the share of acquisitions is 1.1 million euros

Group	1–9/2018	1–9/2017	Change
Net sales, thousand euro	36,423	30,722	5,701
Net sales, increase %	18.6%	11.7%	6.9 percentage points
EBITDA, thousand euro *)	10,642	7,080	3,562
Operating profit (EBIT), thousand euro *)	7,079	3,977	3,102
Operating profit (EBIT), as % of net sales	19.4%	12.9%	6.5 percentage points
Return on investment (ROI), % (rolling 12 months)	20.7%	13.0%	7.7 percentage points
Net investments, thousand euro	7,123	5,226	1,897
Liquid assets (cash in hand and in banks), thousand euro	3,804	4,069	-265
Earnings per share, euro	0.78	0.41	0.37
Net profit, thousand euro *)	5,362	2,823	2,539

*) The period 1 Jan.–30 Sep. 2017 includes 310 thousand euros in one-off IPO expenses.

Group	7–9/2018	7–9/2017	Change
Net sales, thousand euro	11,145	9,302	1,843
Net sales, increase %	19.8%	12.9%	6.9 percentage points
EBITDA, thousand euro **)	3,051	1,916	1,134
Operating profit (EBIT), thousand euro **)	1,852	785	1,067
Operating profit (EBIT), as % of net sales	16.6%	8.4%	8.2 percentage points
Return on investment (ROI), % (rolling 12 months)	20.7%	13.0%	7.7 percentage points
Net investments, thousand euro	1,631	1,616	15
Liquid assets (cash in hand and in banks), thousand euro	3,804	4,069	-265
Earnings per share, euro	0.21	0.07	0.14
Net profit, thousand euro **)	1,415	480	935

***) The period 1 Jan.–30 Sep. 2017 includes 23 thousand euros in one-off IPO expenses.

This Business Review is not an Interim Financial Report prepared in accordance with the IAS 34 standard. The Company prepares its interim financial reporting in accordance with the Securities Market Act, in addition to which the Company releases Business Reviews for the first three and first nine months of the year. The Business Reviews contain key information regarding the financial position and development of the Talenom Group.

GUIDANCE FOR 2018

Talenom's goal is to continue growing more quickly than the accounting sector in general. The company's net sales growth is expected to be clearly faster than the previous year (12.1%, 2017). Relative profitability, as measured by EBIT, is expected to improve year-on-year, reaching 7.4–8.0 million euros.

JUSSI PAASO, CEO

Continued long-term investments in our bookkeeping production line are at the core of our success. Talenom's production line is now proving its outstanding capabilities: today's profitable growth would be impossible to achieve without scalable processes and determined technological development.

The trajectory of our bookkeeping production line required us to develop the digitalisation of our clients' accounting materials in order to harmonise various types of materials that arrive through several channels, both on paper and electronically. In the next stage of development, we focused on the automatic recording of transactions, i.e. entering digitised material into the accounts without the need for human input. Increasing the degree of automation has played a key role in achieving our present financial position; in practice, this has enabled us to scale our operations and grow profitably without increasing our accounting personnel, which is unusual for a service business. It is also positive that our employee satisfaction has improved at the same time.

The increased degree of automation frees the accountants' time for customer service, which in turn improves customer satisfaction. We are on the path toward fully automated accounting, combined with accountants providing higher value-added services. During the review period, we got the first pieces of evidence showing that accountants are also able to provide clients with highly advanced accounting expertise that is subject to a charge.

Our technological development work has and will continue to require high levels of expertise in financial management and product development, both among our technology developers and accountants. We will continue to invest in technology, and the outlook for a continued positive development in profitability remains excellent.

Talenom's net sales showed excellent development during the period under review. Due to our own sales activities and the successful efforts of our franchise entrepreneurs, the number of clients using our accounting services continued to follow a strong growth path: net sales for January–September grew by 18.6% and that for July–September by 19.8%, year on year. We expect our commercial capabilities to remain strong also in the future periods.

During the period under review, Talenom's operating profit (EBIT) increased substantially due to improved operational efficiency. The EBIT of January–September increased by 78.0% and that of July–September by an astonishing 135.9%. January–September EBIT was 7.1 million euros, representing 19.4 % of net sales. During the review period, the cash flow from business operations after investments was clearly positive.

During the review period, net sales from value-added services grew by 66% year-on-year, to 2.4 million euros. This growth demonstrates that our efforts in the field of concept development are progressing in the right direction.

FINANCIAL DEVELOPMENT

KEY FIGURES

Group	1-9/2018	1-9/2017	Change
Net sales, thousand euro	36,423	30,722	5,701
Net sales, increase %	18.6%	11.7%	6.9 percentage points
EBITDA, thousand euro *)	10,642	7,080	3,562
Operating profit (EBIT), thousand euro *)	7,079	3,977	3,102
Operating profit (EBIT), as % of net sales	19.4%	12.9%	6.5 percentage points
Return on investment (ROI), % (rolling 12 months)	20.7%	13.0%	7.7 percentage points
Interest-bearing net liabilities, thousand euro	18,923	19,360	-437
Net gearing ratio, %	107%	145%	-38 percentage points
Equity ratio, %	37.2%	30.8%	6.4 percentage points
Working capital, thousand euro	-2,379	-2,400	21
Net investments, thousand euro	7,123	5,226	1,897
Liquid assets, thousand euro	3,804	4,069	-265
Earnings per share, euro	0.78	0.41	0.37
Weighted average number of shares during the period	6,864,813	6,812,046	52,767
Net profit, thousand euro *)	5,362	2,823	2,539

*) The period 1 Jan.–30 Sep. 2017 includes 310 thousand euros in one-off IPO expenses.

NET SALES, PROFITABILITY AND FINANCIAL PERFORMANCE, JANUARY–SEPTEMBER 2018

On the period from January to September, Talenom's net sales increased by 18.6% compared to the corresponding period the preceding year. Amounting to 36.4 (30.7) million euros, net sales grew by 5.7 million euros. The growth was mainly due to the increase in the number of clients in the accounting services.

In the review period, personnel expenses amounted to 19.5 (17.5) million euros, being 53.5 (57.1) % of net sales. The ratio of the personnel expenses to net sales decreased year on year.

Other operating expenses, including materials and services, totalled 6.8 (6.3) million euros, being 18.6 (20.6) % of net sales.

EBIT was 7.1 (4.0) million euros (19.4 (12.9) % of net sales) and net profit was 5.4 (2.8) million euros in the review period. The improved profitability was due to the increased efficiency of bookkeeping.

BALANCE SHEET, FINANCING AND INVESTMENTS

CONSOLIDATED BALANCE SHEET

Thousand euro	30 Sep. 2018	30 Sep. 2017	31 Dec. 2017
ASSETS			
Non-current assets			
Goodwill	18,420	18,420	18,420
Other intangible assets	10,103	7,256	7,787
Property, plant and equipment	2,277	2,492	2,521
Other non-current financial assets	237	237	237
Deferred tax assets	68	364	191
Capitalised contract costs	7,904	6,338	6,417
Total non-current assets	39,009	35,108	35,573
Current assets			
Trade and other receivables	4,948	4,273	5,457
Current tax assets	0	0	21
Cash and cash equivalents	3,804	4,069	4,879
Total current assets	8,752	8,343	10,357
Total assets	47,761	43,451	45,930
CAPITAL AND RESERVES			
Share capital	80	80	80
Reserve for invested unrestricted equity	10,850	12,373	12,373
Fair value reserve	-93	-130	-114
Retained earnings	6,825	990	1,603
Total equity	17,663	13,313	13,942
LIABILITIES			
Non-current liabilities			
Financial liabilities	22,000	21,500	22,000
Trade and other payables	299	182	372
Other non-current financial liabilities	116	162	143
Deferred tax liabilities	44	30	44
Total non-current liabilities	22,459	21,874	22,560
Current liabilities			
Financial liabilities	0	1,000	500
Trade and other payables	6,836	6,639	8,352
Other current liabilities	0	6	1
Current tax liabilities	803	620	575
Total current liabilities	7,639	8,264	9,429
Total liabilities	30,098	30,138	31,989
Total equity and liabilities	47,761	43,451	45,930

On 30 September 2018, the consolidated balance sheet total was 47.8 (43.5) million euros. The Group's equity ratio was 37.2 (30.8) % and the net gearing ratio was 107 (145) %.

At the end of the review period, the Group's interest-bearing financial loans were 22.0 million euros, excluding instalment debts. Other non-current interest-bearing liabilities (instalment debts)

were 0.3 million euros and other current interest-bearing liabilities (instalment debts) were 0.3 million euros.

The Group recognises the costs of new customer contracts, such as costs of obtaining and fulfilling a contract, as investments as specified in the IFRS 15 standard. 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 the IAS 38 standard. These costs are presented in the Balance Sheet under "Other intangible assets". Investments arisen from new customer contracts amounted to 2.6 (2.5) million euros in the review period. Investments concerning software and digital services amounted to 2.9 (2.1) million euros.

During the review period, Talenom acquired the businesses of Tilitoimisto K. Ollila Ltd, Tilitoimisto Tuloslaskenta Ltd and ATT Yrityspalvelut Ltd. These business acquisitions accounted for 1.1 million euros of Talenom's net investments.

The company's total net investments during the period 1 January–30 September 2018 were 7.1 (5.2) million euros. Liquid assets at the end of the review period were 3.8 (4.1) million euros. In addition, the company had unused overdraft limits of 1.0 million euros on 30 September 2018.

PERSONNEL AND MANAGEMENT

The average number of personnel during the review period 1 January–30 September 2018 was 656. The members of the executive board were Jussi Paaso (CEO), Otto-Pekka Huhtala (deputy CEO), Antti Aho (CFO and CHRO) and Sakari Jorma (CIO and CTO), as well as Tuomas Iivanainen (Director, Business Development) as of 21 May 2018, Nina Lukkari (Director, Value-added Services) as of 27 August 2018 and Timo Hintsala (CCOO) until 21 May 2018.

SHARES AND SHAREHOLDERS

On 30 September 2018, Talenom Plc. had a total of 6,871,863 shares entered in the Trade Register. The company held 5,100 treasury shares (0.07% of the total number of shares and votes) at the end of the review period. On 30 September 2018, Talenom had a total of 2,538 (2,172) shareholders, representing an increase of 366 shareholders, year on year.

There were 189 trading days in the review period (1 January–30 September 2018). A total of 1,430,105 shares were traded during this period, and the value of the shares traded was 19,632,712 euros. The highest price of the share was 19.70 euros and the lowest price was 11.20 euros. The volume weighted average price was 13.73 euros and the closing price at the end of the review period (30 September 2018) was 19.15 euros. In accordance with the closing price, the combined market value of the shares was approximately 131.6 million euros.

SIGNIFICANT EVENTS IN THE REVIEW PERIOD

During the review period, the company signed a franchise agreement with ten new entrepreneurs and opened new franchise offices in Lempäälä, in the Espoonlahti and Leppävaara areas of Espoo, in the Lielähti area of Tampere, and in Hyvinkää. The number of franchise entrepreneurs grew to 23 entrepreneurs during this time.

In February 2018, Talenom announced that according to a survey performed by Great Place to Work Finland, Talenom is one of the best workplaces in Finland: it was ranked fifth in the Large Companies category.

On 16 January 2018, Talenom's Board of Directors decided on a directed share issue as part of the business deal with the shareholders of Tilitoimisto K. Ollila Ltd. In the directed share issue, part of the purchase price for the business of Tilitoimisto K. Ollila Ltd was paid in Talenom Plc. shares. Correspondingly, on 1 February 2018, the Board of Directors decided on a directed share issue, whereby part of the purchase price of the business acquisitions agreed with the shareholders of Tilitoimisto Tuloslaskenta Ltd and the shareholders of ATT Yrityspalvelut Ltd was paid in Talenom Plc. shares.

In its meeting of 25 April 2018, Talenom's Board of Directors decided to cancel 48,858 option rights, marked as 2016A, held by the company. The other options in the 2016A series have been used earlier to subscribe for shares. Thus, following the cancellation, the company has no more outstanding stock options of the 2016A series.

On 21 May 2018, Tuomas Iivanainen (Director, Business Development) joined Talenom's executive board. In the same connection, Timo Hintsala stepped down from the executive board to assume

a new position in the company. On 27 August 2018, Nina Lukkari assumed the position of Director responsible for Talenom's other businesses, and joined the executive board.

On 14 June 2018, Talenom arranged a Capital Markets Day for investors and media representatives in order to provide them with an in-depth view of Talenom's business and the developments in its operating environment. The presentation material of the Capital Markets Day is available on Talenom's investor website at Talenom.fi/sijoittajat.

On 30 August 2018, Talenom announced that it had entered into a liquidity providing agreement with Lago Kapital Ltd for the company's shares. According to the agreement, Lago Kapital Ltd will provide Talenom's share with bids and offers so that the maximum difference between the bid and offer prices is 4% calculated on the bid quotation. The bids and offers quoted must be for at least 4,000 euros worth of shares.

On 17 September 2018, Talenom announced that it will revise its guidance for 2018 regarding EBIT. The improved profitability outlook has resulted from technological development, enabling faster-than-anticipated improvements in operational efficiency.

EVENTS AFTER THE REVIEW PERIOD

On 15 October 2018, Talenom announced that it had been awarded another Great Place to Work® certificate. This certificate is awarded to companies achieving sufficiently high scores in terms of employee experience as demonstrated by the Trust Index© Employee Survey.

On 17 October 2018, Talenom signed a new credit agreement with OP Corporate Bank Plc. The credit will mature in three years from the date of signature, and it will be fully repaid on the last maturity date. The agreement involved a refinancing of previous loans at the amount of 23.5 million euros. The credit agreement also includes an additional withdrawal option of 6.5 million euros. The credit agreement is subject to ordinary financial covenants, such as net debt to EBITDA and equity ratio.

No other significant events took place after the review period.

BASIS OF PREPARATION

This Business Review is not an Interim Financial Report prepared in accordance with the IAS 34 standard. The Company prepares its interim financial reporting in accordance with the Securities Market Act, in addition to which the Company releases Business Reviews for the first three and first nine months of the year. The Business Reviews contain key information regarding the financial position and development of the Talenom Group.

The figures of the Business Review 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 i.e. performance measures not based on IFRS standards provide notable supplemental information to management, investors and other interested parties. Alternative performance measures may not be considered as a substitute for measures of performance in accordance with the IFRS.

Alternative performance measures used by the Company include EBITDA, 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 can be found under the title "Formulas".

FINANCIAL REPORTING

Talenom will publish the Financial Statement Bulletin for 2018 on Monday 4 February 2019 at 13:30.

The Financial Statement Reports, Half-year Reports and Business Reviews as well as Stock Exchange Releases can be found in Finnish on the Company's investor pages at www.talenom.fi/sijoittajat.

DISCLAIMER

This is an unofficial translation into english of the finnish original text. The translation is made for information purposes only. The finnish version prevails in case of conflict between the english translation and the finnish original.

FORMULAS

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