

**TALENOM PLC. FINANCIAL STATEMENT 2018 (AUDITED):
OPERATING PROFIT IMPROVED BY 76.5% AND NET SALES
INCREASED BY 18.0% – SUCCESSFUL INVESTMENTS IN
INFORMATION SYSTEMS ARE REFLECTED IN THE HIGH
OPERATING PROFIT LEVEL**

1 January–31 December 2018

Talenom is an accountancy company established in 1972, and it offers its customers a wide range of accountancy and other services supporting their customers' business activities. Talenom engages in its own software development and offers its accountancy customers digital financial management tools.

Talenom has 40 offices in Finland and had an average of 657 employees in 2018 (1 January–31 December 2018). Talenom reported net sales of EUR 48.9 (41.4) million for 1 January–31 December 2018, representing a year-on-year increase of 18.0%. According to Statistics Finland's Statistics on the Structure and Financial Statement Statistics of Companies, Finland had 4,249 (4,235) accounting companies in 2017 and the total market size was EUR 998 (970) million. In 2017, Talenom's market share was 4.1%, as measured in net sales. In 2018, the market share would have been 4.8% assuming that the annual growth of the industry remained at the 2017 level.



TALENOM

yrityksensä iloa

TALENOM PLC. FINANCIAL STATEMENT 2018 (AUDITED): OPERATING PROFIT IMPROVED BY 76.5% AND NET SALES INCREASED BY 18.0% – SUCCESSFUL INVESTMENTS IN INFORMATION SYSTEMS ARE REFLECTED IN THE HIGH OPERATING PROFIT LEVEL

YEAR 2018 IN BRIEF:

- Net sales EUR 48.9 (41.4) million, an increase of 18.0 (12.1)%
- Operating profit (EBIT) EUR 8.5 (4.8) million *)
- Net profit EUR 6.4 (3.4) million *)
- Earnings per share EUR 0.93 (0.50)
- Board of Directors' proposal for dividend EUR 0.55/share (EUR 0.32/share **)

*) The period 1 Jan.–31 Dec. 2017 includes EUR 310 thousand in one-off IPO expenses

***) In the financial year 1 Jan.–31 Dec. 2017, funds were distributed as repayment of capital instead of dividend payments

Group	1-12/2018	1-12/2017	Change
Net sales, thousand euro	48,871	41,421	7,450
Net sales, increase %	18.0%	12.1%	5.9 percentage points
Operating profit (EBIT), thousand euro *)	8,545	4,840	3,705
Operating profit (EBIT), as % of net sales	17.5%	11.7%	5.8 percentage points
Return on investment (ROI), % (rolling 12 months)	21.4%	13.5%	7.9 percentage points
Net investments, thousand euro	9,503	7,429	2,073
Liquid assets (cash in hand and in banks), thousand euro	5,914	4,879	1,034
Earnings per share, euro	0.93	0.50	0.43
Net profit, thousand euro *)	6,363	3,414	2,950

*) The period 1 Jan.–31 Dec. 2017 includes EUR 310 thousand in one-off IPO expenses

Group	10-12/2018	10-12/2017	Change
Net sales, thousand euro	12,467	10,699	1,768
Net sales, increase %	16.5%	13.2%	3.3 percentage points
Operating profit (EBIT), thousand euro	1,466	864	602
Operating profit (EBIT), as % of net sales	11.8%	8.1%	3.7 percentage points
Return on investment (ROI), % (rolling 12 months)	21.4%	13.5%	7.9 percentage points
Net investments, thousand euro	2,380	2,204	176
Liquid assets (cash in hand and in banks), thousand euro	5,914	4,879	1,034
Earnings per share, euro	0.15	0.09	0.06
Net profit, thousand euro	1,001	590	411

The financial statements presented in the Financial Statements Bulletin are based on the audited financial statements of the company. The audit report was issued on 4 February 2019.

The IFRS 16 Leases standard must be applied to financial periods beginning on or after 1 January 2019. The group will adopt the standard starting from the effective date of the standard. The effects of the standard on the group's financial statements are outlined in the Accounting principles chapter.

GUIDANCE FOR 2019

The company's net sales is expected to grow at the same rate as in 2018 (18.0%). The operating profit margin (17.5%, 2018) is expected to still improve slightly compared to 2018.

JUSSI PAASO, CEO

Next summer it will be four years since we listed for public trading. In connection with the company's listing, we stated that our objective in the medium term is to reach an average annual net sales growth of 15–20% and an EBITDA level of approximately 20%. We are pleased to say that our operations have developed as planned and we have achieved our objectives both in terms of growth and profitability. In fact, the development of profitability has been clearly faster than anticipated and the level of profitability is higher.

Our ambitious strategic objectives have been fully justified. We have been able to develop our core business into a scalable bookkeeping production line with technological capabilities that are unparalleled, including the degree of automation. Product development provides our customers with increasingly effortless routines for financial administration. However, we have not allowed digitalisation blur our understanding of the fact that caring for our customers and having high-quality customer encounters are the lifeline of our operations.

We plan to continue our strong performance as the trendsetter in the industry. Our technological expertise has proven to be excellent and it will enable us to increase our level of automation in the future as well. With increased operational efficiency, we expect further improvement in our excellent profitability level. In addition, with the increasing automation, we are developing into a direction in which financial management experts will be freed from routines and can use their time for consulting and customer care. This added value to our customers will facilitate their business operations and increase the joy of entrepreneurship.

Year 2018 was extremely important for the company, both operationally and financially. With technological advances, our operational efficiency increased faster than anticipated, which led to profitability improvement that was stronger than expected. Even though the final phases of the development work related to the bookkeeping production line are still continuing, our product development is not limited only to the bookkeeping production line. In the financial period, we continued to develop our customer systems. Based on surveys, the experiences on these systems and their ease of use are excellent.

During the financial period, Talenom's operating profit improved significantly (76.5%) and amounted to EUR 8.5 million. Cash flow after investments and financial items was positive. Net sales continued to grow strongly (18.0%) and amounted to EUR 48.9 million. It should be noted that over 90% of net sales was generated from renewable billing. The strong growth was driven by the new customer accounts brought in by the sales organisation and franchise entrepreneurs. In addition to the number of customers, the growth rate of our franchise chain was good, with 14 new entrepreneurs joining us. In total, we have already 26 franchise entrepreneurs. We will continue to expand our network and are looking for franchise entrepreneurs in several locations.

In the financial period, other business operations grew by 62.8% and amounted to EUR 3.4 million. We continued and will continue the productisation related to other business operations and the

concept development for new services. For example, we have achieved good results in the first phase of the productisation and sales of financing services offered to customer companies. Regarding other business operations, we expect a further increase in the demand for the taxation, legal and financial consultation services provided by Talenom's team of experts.

We will continue investing in growth and the positive profitability development enabled by technological know-how. As a result, we expect the strong development in both growth and profitability to continue. In 2019, we expect the relative growth to continue at the same level as in 2018 (18.0%, 2018), while the relative profitability (operating profit (EBIT) as % of net sales 17.5%, 2018) is expected to still improve slightly.

FINANCIAL DEVELOPMENT OF THE GROUP

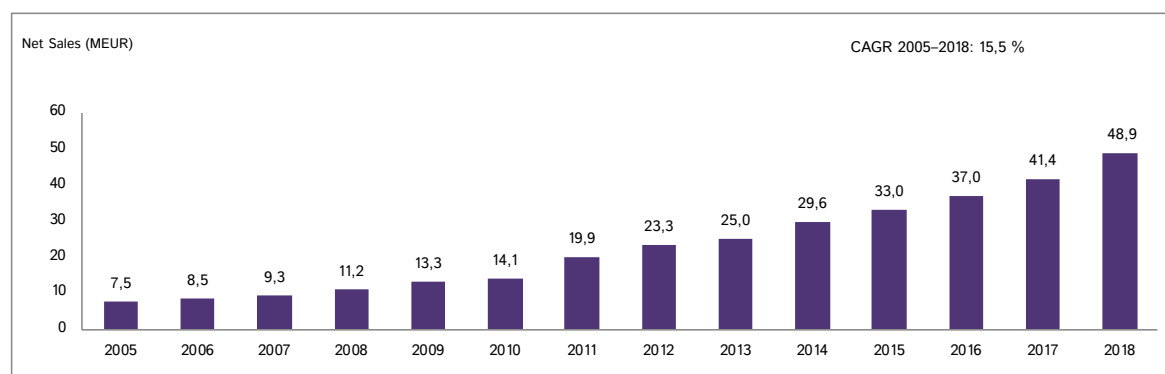
KEY FIGURES

Group	1-12/2018	1-12/2017	Change
Net sales, thousand euro	48,871	41,421	7,450
Net sales, increase %	18.0%	12.1%	5.9 percentage points
Operating profit (EBIT), thousand euro *)	8,545	4,840	3,705
Operating profit (EBIT), as % of net sales	17.5%	11.7%	5.8 percentage points
Return on investment (ROI), % (rolling 12 months)	21.4%	13.5%	7.9 percentage points
Interest-bearing net liabilities, thousand euro	18,250	18,570	-320
Net gearing ratio, %	98%	133%	-36 percentage points
Equity ratio, %	36.7%	30.5%	6.2 percentage points
Working capital, thousand euro	-2,712	-2,887	175
Net investments, thousand euro	9,503	7,429	2,073
Liquid assets (cash in hand and in banks), thousand euro	5,914	4,879	1,034
Earnings per share, euro	0.93	0.50	0.43
Weighted average number of shares during the period **)	6,861,476	6,806,946	54,530
Net profit, thousand euro *)	6,363	3,414	2,950

*) The period 1 Jan.–31 Dec. 2017 includes EUR 310 thousand in one-off IPO expenses

***) 5,100 shares held by the company were subtracted from the figure

NET SALES, PROFITABILITY AND FINANCIAL PERFORMANCE



Since 2014, the company's financial period has coincided with the calendar year. For comparability reasons, net sales for the years prior to 2014 will also be shown in calendar years.

JANUARY–DECEMBER 2018

Talenom's net sales increased by 18.0% year on year. Net sales grew by EUR 7.5 million and amounted to EUR 48.9 (41.4) million. The growth was mainly due to the increase in the number of accounting service customers.

Personnel expenses during the review period were EUR 26.2 (23.8) million, amounting to 53.7 (57.4)% of net sales. The ratio of the personnel expenses to net sales decreased year on year.

Other operating expenses, including materials and services, totalled EUR 9.6 (8.5) million, being 19.7 (20.5)% of net sales.

In the review period, operating profit (EBIT) was EUR 8.5 (4.8) million (17.5 (11.7)% of net sales), with net profit of EUR 6.4 (3.4) million. The improved profitability was due to the increased efficiency of bookkeeping.

BALANCE SHEET, FINANCING AND INVESTMENTS

On 31 December 2018, the consolidated balance sheet total was EUR 51.2 (45.9) million. The Group's equity ratio was 36.7 (30.5)% and the net gearing ratio was 98 (133)%.

On 31 December 2018, the Group's interest-bearing financial loans were EUR 23.5 million, excluding instalment debts. Other non-current interest-bearing liabilities (instalment debts) stood at EUR 0.2 million, with other current interest-bearing liabilities (instalment debts) amounting to EUR 0.3 million.

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 a 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 stemming from new customer contracts amounted to EUR 3.7 (3.2) million in the review period. Investments concerning software and digital services amounted to EUR 4.0 (3.4) million.

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 EUR 1.1 million of Talenom's net investments.

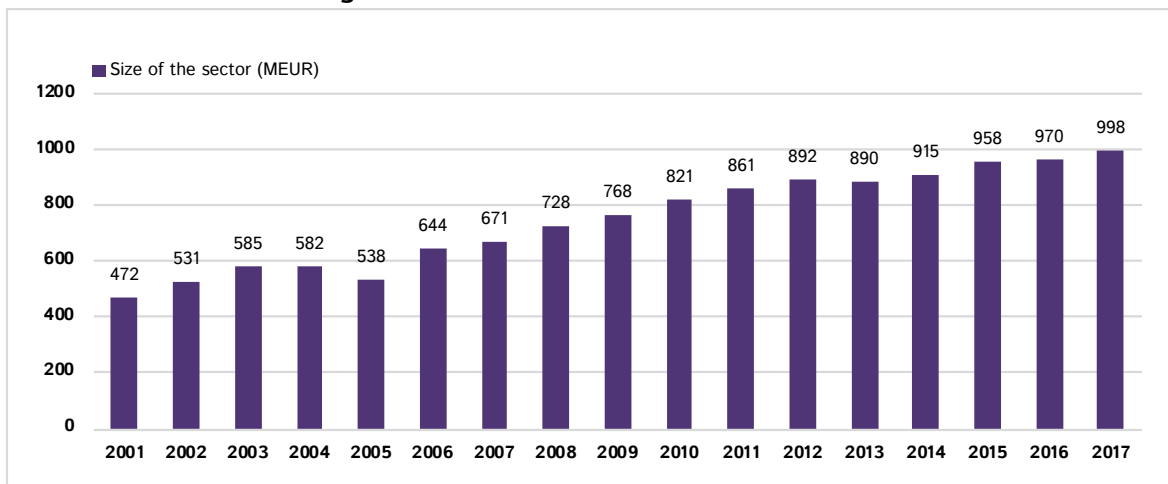
The company's total net investments during the period from 1 January to 31 December 2018 were EUR 9.5 (7.4) million. On 31 December 2018, liquid assets stood at EUR 5.9 (4.9) million. In addition, the company's unused overdraft limits stood at EUR 1.0 million euros on 31 December 2018.

MARKET AND SECTORAL REVIEW

The accounting market in Finland is fragmented. According to Statistics Finland's corporate and financial statistics, the number of companies in the sector was 4,249 (4,235) in 2017 and the average size of company was 2.8 employees. The accountancy market has a lot of one-person offices and part-time entrepreneurs. Market fragmentation offers the opportunity for growth and creates scalable benefits. Scale benefits are significant, for example, in information systems, sales and marketing, and in organising activities.

The market for accountancy services is defensive, due to the statutory need of companies to arrange accounting. 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 Statistics on the Structure and Financial Statement Statistics of Companies and the preceding year's Business Register statistics, growth in the annual net sales in the accountancy market totalled 4.8% for the period from 2001 to 2017.

Net sales of the accounting market in 2001–2017.



According to Statistics Finland's Statistics on the Structure and Financial Statement Statistics of Companies, the total size of the accountancy market was EUR 998 (970) million in 2017, with Talenom's market share being 4.1% (measured in net sales). In 2018, Talenom's market share would have been 4.8% assuming that the annual growth of the industry remained at the 2017 level.

THE BUSINESS ENVIRONMENT

The accountancy market is affected by the aspirations of both clients and accounting offices to engage in paperless financial management. Accounting is arranged so that the customer's receipts and printouts are not handled in paper form, but are moved electronically between the client company and the organiser of the accounting service. Accounting services, especially bookkeeping, are automated so that time spent by experts on routine work can be used for the most demanding work phases. It is primarily the large companies that are able to respond to the changes in the operating environment since they have the most intellectual capital and the ability to invest in product development. Small accounting firms are expected to face challenges due to customers' increasing demands, which will in turn accelerate consolidation in the accounting industry. In the view of Talenom, approximately 80% of the Finnish accounting market is still held by small accounting firms.

The intense digitalisation of financial management is changing familiar operating models. Talenom aims to be a technological pioneer and will continue investing heavily in software development. The company's own software production expertise is a major competitive factor in both the organisation of financial administration services and the development of electronic customer solutions.

In the view of Talenom, customers expect accounting companies to provide a more diverse and proactive service offering. At the same time, the automation and digitalisation of routine work is enabling the expansion of service portfolios in the direction of consultancy. The service offering is increasingly focusing on routine work, in order to support the management of client companies in developing and guiding their businesses.

This is reinforced by the increasing complexity of the customer's business environment, which is creating a growing need for expert and other business support services. The development of customer needs is driving accounting firms to expand their services, which is enabling accounting customers to concentrate their purchases. This trend is supported by a relatively close relationship between the customer and the accounting firm.

SERVICES PROVIDED BY TALENOM

ACCOUNTING SERVICES

Accounting services are offered through ongoing, lengthy customer relationships with highly predictable billing accrual. Talenom's accounting services include the following:

- **Financial process outsourcing services**, including bookkeeping, sales invoicing, invoice payment, payroll and performance monitoring. In the case of performance monitoring, a monthly report, at the level of an interim financial statement, is produced for the customer through Talenom Online. The production of outsourcing services has been centralised at highly automated units in Oulu and Tampere.
- **Care services**, including designated accountants and industry-specific specialist teams, the customer service centre and the reviews of the customers' financial situation. Care services are part of the service as a fixed addition for certain customer groups.
- **Financial management software**, including Talenom Online, developed by the company's own software development unit, and Talenom App, the smartphone application supporting it. In addition, the company has built ready-made interfaces for nearly a thousand other financial management and ERP programs (Talenom Link).

Accounting services are sold as a monthly billing service package, with pricing depending on the scope of services selected by the customer. Accountancy services are arranged as industry-specific solutions for the customer's business environment, with a focus on industry-specific system entities and industry-specific know-how.

DIGITAL SERVICES

The Digital Services Unit aims to re-engineer processes in order to create efficient, transparent and broad-based digital practices. The unit is responsible for the company's technological trends, digital innovations, software robotics, information system interfaces and support for service provision. In 2018, the unit had a total of around 60 employees engaged in digital services, software design and business processes.

The main task of the Digital Services Unit is the continuous development and maintenance of software needed for organising the company's own operations and the software offered to customers. Software developed for use by clients is as follows:

- **Talenom Online** is an integral part of the customer service system for accountancy services. For Talenom's customers, Online is an electronic financial administration centre enabling effortless processing of day-to-day financial management operations. In addition, Online offers value-added services provided by Talenom's partners, such as financing and credit information services.
- **Talenom App** a mobile application that is offered to customers as an integral part of the accountancy services. Using this App, the customer can capture and send data to accounting. For example, a receipt for bank or credit card purchases can be scanned and

sent to bookkeeping by Talenom App, after which the receipt is no longer needed. Talenom's customers can also use the App to manage their travel bills.

- In the case of **Talenom Link**, the customer's own systems are integrated to interact with Talenom's financial management processes. Thus, for example, a company that switches to Talenom for accounting services may continue using its own ERP in the same way as before, while Talenom Link manages automated information exchange between the systems. The Talenom Link service already includes nearly one thousand implemented, ready-to-use interfaces.
- **Talenom Erp** is a cloud service that uses Microsoft technologies, and it includes a full range of ERP and financial management tools for growing and medium-sized enterprises.
- **Talenom Business Intelligence** is a solution for managing large-scale business information and information management. In this case, the data source is typically economic data already available at Talenom, enriched with data from the customer's other systems.

OTHER SERVICES: ADVISORY SERVICES AND NEW SERVICES

The company's team of experts offers customer companies legal, tax and financial advisory services, the provision of which is always agreed upon separately with regard to implementation and pricing. Legal services include company law and contract law assignments, such as the design and implementation of changes in company structures, change of generation and ownership arrangements. Taxation assignments are mainly related to corporate tax planning and corporate restructuring. Taxation and legal services for companies include activities such as appraisals of financial management processes or internal accounting and the related development projects, change management, and outsourced financial manager services.

In the past strategic period, in addition to advisory services, Talenom decided to expand its services to other services outside the accounting company business. With the new value-added services, the company is aiming to widen its service offering, aiming to meet the administrative needs of small and medium-sized enterprises. The services are called Support Services. The company continues to conceptualise its new services.

PERSONNEL AND MANAGEMENT

During the current strategy period, improving employee satisfaction is one of the company's strategic goals and working to promote this is viewed as a priority. As in previous years, Talenom's development programme for the Best Workplace in Finland was continued.

During the review period, the company's values were updated in a manner that engaged all employees. Courage, caring and will were chosen as the company's values, because they were considered to best reflect the company culture and help achieve the most important objectives. The uptake of values was supported in a number of different ways during the financial year.

With digitalisation changing job descriptions, the importance of interaction skills increases in many jobs in the industry. Interaction skills also play a key role in the development of personnel experience and in managerial work. During the review period, Talenom implemented a training

package involving all employees, with the topic regularly discussed in internal communication and joint gatherings.

Talenom regularly measures its employee satisfaction. The personnel satisfaction survey of 2018 indicated that employee satisfaction was at an excellent level. Accordingly, Talenom was again awarded the Great Place to Work® certification. In addition, Talenom was awarded as one of Finland's best places to work. Talenom was ranked fifth in the Large Companies category.

Talenom monitors the number of KLT graduates as part of the development of its expertise. The KLT degree is a highly acclaimed financial management degree, administered by Taloushallintoliitto, for commercially trained financial management professionals with several years of work experience. During the review period, 23 Talenom employees completed a KLT degree, bringing the total number of KLT graduates to 100 by the end of the financial year.

The average number of personnel during the review period 1 January–31 December 2018 was 657. 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.

ANNUAL GENERAL MEETING 2018

Talenom's Annual General Meeting was held on 14 March 2018 in Helsinki. The AGM adopted the financial statements for 1 January–31 December 2017 and discharged the members of the Board of Directors and the CEO from liability. The AGM decided to return 0.32 euros per share of the invested capital for the financial year 1 January–31 December 2017. The repayment to shareholders was made on 23 March 2018.

The Annual General Meeting resolved to authorise the Board of Directors to decide on share issues and the issuance of special rights entitling to shares, as referred to in Chapter 10, Section 1 of the Limited Liability Companies Act. The maximum number of shares to be issued under the issued or special rights is 300,000 shares. The Board of Directors will use the authorisation to pay transaction prices in connection with acquisitions, or for other purposes decided by the Board of Directors.

In deviation from shareholders' pre-emptive rights, the Annual General Meeting decided to issue option rights to Talenom Group's key employees in accordance with the terms and conditions of Talenom Plc's Option Rights 2018. The terms and conditions are available (in Finnish) on Talenom's investor pages at: Talenom.fi/sijoittajat/yhtiokokoukset.

BOARD OF DIRECTORS AND AUDITOR

The Annual General Meeting re-elected the Board members Harri Tahkola, Mikko Siuruainen and Olli Hyyppä. Anne Riekkö and Johannes Karjula were elected as new members of the Board of Directors. In its organising meeting after the Annual General Meeting, the Board of Directors elected Harri Tahkola as Chairman of the Board.

The auditing firm KPMG Oy Ab was selected to continue as the auditor, with Tapio Raappana, APA, as the principal auditor.

BOARD OF DIRECTORS' PROPOSAL FOR THE TREATMENT OF PROFIT

The Board of Directors proposes that the parent company's profit of EUR 4,330,889.45 for the period be transferred to the Profit/Loss Account for the previous financial years. The Board of Directors proposes that a dividend of EUR 0.55 per share be paid.

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

SHARES AND SHAREHOLDERS

On 31 December 2018, Talenom Plc. had a total of 6,871,863 shares entered in the Trade Register. The company held 5,100 company shares (0.07% of the total number of shares and total number of votes) at the end of the review period. On 31 December 2018, Talenom had a total of 2,796 (2,299) shareholders, representing an increase of 497 shareholders, year on year.

There were 250 trading days in the review period (1 January–31 December 2018). A total of 1,696,300 shares were traded during this period, and the value of the shares traded was EUR 24,570,129. The highest share price was EUR 20.60, with the lowest price being EUR 11.20. The volume-weighted average price was EUR 14.48 and the closing price at the end of the review period (31 December 2018) was EUR 19.05. In accordance with the closing price, the combined market value of the shares was approximately EUR 130.9 million.

FLAGGING NOTIFICATIONS

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

According to a notification received on 2 January 2018, the number of Talenom Plc. shares owned by Ilmarinen Mutual Pension Insurance Company exceeded the 15% limit of all Talenom Plc. shares due to the merger of Ilmarinen Mutual Pension Insurance Company and Etera Mutual Pension Insurance Company.

According to a notification received on 6 March 2018, Tesi (Finnish Industry Investment Ltd) sold its entire holding of shares in Talenom Plc. on 5 March 2018. Hence, Tesi's holding fell below the 5% limit of all shares in Talenom Plc.

According to a notification received on 30 April 2018, Evli Bank's holding in Talenom Plc. exceeded 5% on 27 April 2018 due to a purchase of shares.

According to a notification received on 24 October 2018, the number of Talenom Plc. shares owned by Markus Tahkola fell below the 15% reporting limit due to shares being sold on 23 October 2018.

BOARD AUTHORISATIONS

In accordance with the Board of Directors' proposal, the Annual General Meeting of 2018 resolved to authorise the Board of Directors to decide on share issues and the issuance of special rights entitling to shares as referred to in Chapter 10, Section 1 of the Limited Liability Companies Act, in one or more instalments, either in return for payment or free of charge. The maximum number of shares to be issued under the issued or special rights is 300,000 shares. The Board of Directors may decide to issue new shares or transfer the company's own shares held by the Company.

In accordance with the decision of the Annual General Meeting, the Board of Directors is entitled to decide on the terms and conditions of the share issue and the granting of special rights entitling to shares, including the right to deviate from the subscription right of the shareholders. The authorisation remains in force until the end of the next Annual General Meeting, but no longer than until 30 June 2019. The authorisation cancelled all previous unused authorisations for share issues as well as issuing special rights entitling to option rights and other special rights.

In addition, the Annual General Meeting of 2018 authorised the Board of Directors to issue to the key employees of the Talenom group a total of 60,000 stock options entitling them to subscribe for a maximum of 60,000 new or existing shares in the company free of charge. In accordance with the authorisation, the Board of Directors may decide whether or not to issue the subscriber of the option with new shares or shares held by the company.

In addition to the abovementioned authorisations, the Board of Directors has no other valid authorisations to acquire or dispose of the company's own shares.

STOCK OPTION SCHEMES

Talenom has two stock option schemes, which were established in 2016 and 2018.

Under the terms of the Talenom Plc./Option Rights 2016, approved by the Annual General Meeting of Shareholders on 17 March 2016, stock options are distributed free of charge to key personnel employed by the Group company as part of the Group's incentive and commitment system for key personnel. An additional condition for the 2016 option scheme is the ownership obligation of the shares, which means that the stock option owner must use 20 percent of the gross earnings received from the stock options to acquire the company's shares. This number of shares must be owned for two years after their acquisition. The terms of the 2018 stock option scheme were approved by the AGM of 14 March 2018, and they correspond to the terms of the 2016 stock option scheme.

Under the terms of Talenom Plc./Option Rights 2016 and Talenom Plc./Option Rights 2018, the Board of Directors will decide on any further actions concerning stock options that are returned to the Company.

The options granted and the holdings or undistributed options of the company are divided into option categories (31 December 2018) as follows:

Option categories	2016B	2016C	2018
Options granted (pcs)	76,100	147,100	60,000
Talenom Plc.'s holding or undistributed	16,300	48,900	0
Total	92,400	196,000	60,000

The share subscription periods by option rights are as follows:

- Option right 2016B 1 March 2019–28 February 2020
- Option right 2016C 1 March 2020–28 February 2021
- Option right 2018 1 March 2020–28 February 2021

In its meeting of 25 April 2018, Talenom's Board of Directors decided to cancel 48,871 option rights, marked as 2016A, held by the company. The other options in the 2016A series had already been used to subscribe for shares. Thus, following the cancellation, the company has no more outstanding stock options of the 2016A series.

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	2016B	2016C	2018
The current subscription price of options	6.03	6.03	12.07
Total number of options	92,400	196,000	60,000
Talenom Plc.'s holding or undistributed options	16,300	48,900	0
Number of shares on 31 December 2018	6,871,863	6,871,863	6,871,863
Number of shares if all options are converted into new shares	6,964,263	7,067,863	6,931,863
Options and voting rights of options if all options are converted into new shares	1.327%	2.773%	0.866%

The total number of shares will increase from 6,871,863 to 7,220,263 if all of the three stock option options 2016B, 2016C and 2018 will be used to fully subscribe for new shares. The total number of votes and holdings of all three options is 4.825% if all stock options are used to fully subscribe for new shares.

Under the terms of Talenom Plc./Option Rights 2016 and Talenom Plc./Option Rights 2018, the subscription price of options may change if the company distributes dividends or funds from the unrestricted equity fund, or if the company reduces its share capital by issuing share capital to shareholders.

The Talenom Plc./Option Rights 2016 and Talenom Plc./Option Rights 2018 terms and conditions are available on Talenom's investor website at: Talenom.fi/sijoittajat (in Finnish).

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 provided by the company or its affiliates may be subject to security breaches, or to failures, faults or disturbances affecting the company's business, profitability and financial position.

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 a business's success and in creating ownership 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 team. The management is responsible for defining, implementing and monitoring the implementation of measures as part of normal operational guidance.

Risk management is coordinated by the Administration Director, 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.

SIGNIFICANT EVENTS IN THE REVIEW PERIOD

During the review period, the company signed a franchise agreement with 14 new entrepreneurs and opened new franchise offices in Lempäälä, Espoonlahti, Leppävaara (Espoo), Kempele, Lielähti (Tampere), Hyvinkää, Muurame, Lahti and Rovaniemi. With this, the number of franchise entrepreneurs grew to 26.

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. Furthermore, according to Talenom's announcement in October, the company had again been awarded the Great Place to Work® certificate.

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.

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.

Talenom increased its 2018 operating profit guidance on 17 September 2018 and again on 12 December 2018. In both occasions, the improved profitability outlook resulted from technological development, which enabled faster-than-anticipated improvement in operational efficiency.

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.

EVENTS AFTER THE REVIEW PERIOD

After the review period, there have been changes in Talenom's executive board. Juho Ahosola joined the executive board as the director responsible for accounting services. In addition, CTO Sakari Jorma continues in his role outside the executive board and Nina Lukkari has left the company. Information on the executive board is available on the company's investor pages at www.talenom.fi/sijoittajat.

No other significant events took place after the review period.

ACCOUNTING PRINCIPLES

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 2018 published by the company. The financial statement is available on the company's investor pages at www.talenom.fi/sijoittajat. In the IFRS reporting, the Group has one reporting business segment, its accounting services. Since 1 January 2015, the Group has complied with the IFRS15 and IFRS9 standards, prior to their mandatory entry into force (1 January 2018). The figures in the financial statements have been audited.

The IFRS 16 Leases standard must be applied to financial periods beginning on or after 1 January 2019. The group will adopt the standard starting from the effective date of the standard. The standard requires the lessee to recognise leases in the balance sheet as a lease liability and a related asset. The estimated amount of the asset recognised in the balance sheet on 1 January 2019 and the corresponding interest-bearing debt is EUR 8.2 million. A preliminary assessment suggests that the effects that the adoption of the IFRS 16 standard has on the income statement in 2019 are as follows:

depreciations	operating profit (EBIT)	profit for the financial period
+1.6 million euros	+0.1 million euros	-0.1 million euros

The effect of the adoption of IFRS 16 on the group's equity ratio is estimated to be -4 percentage points, +33 percentage points on net gearing and -3 percentage points on return on investment. In the Group's cash flow statement, lease payments were previously presented in the cash flow for operating activities. According to IFRS 16, lease payments are divided, starting from 1 January 2019, into the repayment of interest-bearing liabilities and interest expenses and are presented in the financial cash flow. The effects of the standard on the group's financial statements are presented in more detail in the financial statements for 2018 (Annex 3: Accounting principles for the consolidated financial statements).

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 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 Plc. will publish interim reports as follows:

January–June 2019 (H1) on Monday 29 July 2019 at 13:30

Financial Statement Bulletin 2019 on Monday 3 February 2020 at 13:30

In addition, the company will publish business reviews as follows:

January–March 2019 on Tuesday 23 April 2019 at 13:30

January – September 2019 on Monday 21 October 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: 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.

TABLES

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

Thousand euro	1-12/2018	1-12/2017
Net sales	48,871	41,421
Other operating revenue	658	338
Materials and services	-2,555	-2,143
Expenses arising from employee benefits	-26,226	-23,758
Depreciations and amortisations	-5,130	-4,669
Other operating expenses	-7,073	-6,349
Operating profit (EBIT)	8,545	4,840
Financial income	57	55
Financial expenses	-636	-602
Net financial expenses	-578	-547
Profit (loss) before taxes	7,966	4,294
Income taxes	-1,603	-880
Profit (loss) for the financial period	6,363	3,414
Other items of comprehensive income		
Items that may be subsequently transferred to profit or loss		
Cash flow hedging	27	67
Taxes on items that may be subsequently transferred to profit or loss	-5	-13
Other comprehensive income for the financial period after tax	22	54
Total comprehensive income for the financial period	6,385	3,467
Earnings per share calculated on the profit attributable to equity holders of the parent company		
Undiluted earnings per share (euro)	0.93	0.50
Diluted earnings per share (euro)	0.91	0.49

OPERATING SEGMENTS

The Group has one reporting business segment, the accounting services, that are evaluated monthly by the Board of Directors and the CEO as the highest operational decision-makers.

The Group's assets and liabilities are not allocated to the business segment because the top operating decision maker does not allocate resources based on segment assets or liabilities and does not review the segment assets or liabilities.

Financial income and expenses and income taxes are not allocated to the segment.

Income and expenses related to segments other than accounting services are presented in unallocated items because they do not form a separately reported business segment.

Operating segments 2018

Thousand euro	Accounting services	Unallocated items and eliminations	Group total
External net sales	45,569	3,302	48,871
Total net sales	45,569	3,302	48,871
Operating expenses	-32,218	-3,637	-35,855
Other income	452	207	658
Depreciations	-3,791	-454	-4,244
Amortisations	-885	0	-885
Operating result	9,127	-582	8,545

Operating segments 2017

Thousand euro	Accounting services	Unallocated items and eliminations	Group total
External net sales	39,339	2,081	41,421
Total net sales	39,339	2,081	41,421
Operating expenses	-29,830	-2,419	-32,250
Other income	338	0	338
Depreciations	-3,200	-275	-3,476
Amortisations	-1,193	0	-1,193
Operating result	5,454	-613	4,840

CONSOLIDATED BALANCE SHEET

Thousand euro	31 Dec. 2018	31 Dec. 2017
ASSETS		
Non-current assets		
Goodwill	18,420	18,420
Other intangible assets	10,493	7,787
Property, plant and equipment	2,248	2,521
Other non-current financial assets	237	237
Deferred tax assets	62	191
Capitalised contract costs	8,357	6,417
Total non-current assets	39,817	35,573
Current assets		
Trade and other receivables	5,473	5,457
Current tax assets	11	21
Cash and cash equivalents	5,914	4,879
Total current assets	11,398	10,357
Total assets	51,215	45,930
CAPITAL AND RESERVES		
Share capital	80	80
Reserve for invested unrestricted equity	10,850	12,373
Fair value reserve	-93	-114
Retained earnings	7,850	1,603
Total equity	18,688	13,942
LIABILITIES		
Non-current liabilities		
Financial liabilities	23,500	22,000
Trade and other payables	230	372
Other non-current financial liabilities	116	143
Deferred tax liabilities	50	44
Total non-current liabilities	23,896	22,560
Current liabilities		
Financial liabilities	0	500
Trade and other payables	7,728	8,352
Other current financial liabilities	0	1
Current tax liabilities	903	575
Total current liabilities	8,631	9,429
Total liabilities	32,528	31,989
Total equity and liabilities	51,215	45,930

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 Jan. 2018	80	12,373	-114	1,603	13,942
Comprehensive income					
Profit for the financial period				6,363	6,363
Cash flow hedging			22		22
Total comprehensive income for the financial period	0	0	22	6,363	6,385
Transactions with owners					
Dividend distribution and capital repayment		-2,197		0	-2,197
Share issue		675			675
Exercised stock options				-242	-242
Share-based payments				126	126
Transactions with owners, total	0	-1,523	0	-116	-1,639
Total equity 31 December 2018	80	10,850	-93	7,850	18,688

Thousand euro	Share capital	Reserve for invested unrestricted equity	Fair value reserve	Retained earnings	Total
Total equity 1 Jan. 2017	80	13,734	-168	-1,937	11,709
Comprehensive income					
Profit for the financial period				3,414	3,414
Cash flow hedging			54		54
Total comprehensive income for the financial period	0	0	54	3,414	3,467
Transactions with owners					
Dividend distribution and capital repayment		-1,361		0	-1,361
Share-based payments				126	126
Transactions with owners, total	0	-1,361	0	126	-1,235
Total equity 31 Dec. 2017	80	12,373	-114	1,603	13,942

CONSOLIDATED CASH FLOW STATEMENT

Thousand euro	1-12/2018	1-12/2017
Cash flow from operating activities		
Profit (loss) before taxes	7,966	4,293
Adjustments:		
Depreciations and amortisations	5,130	4,669
Financial income	-57	-55
Financial expenses	636	602
Other adjustments	125	125
Changes in working capital:		
Change in trade receivables and other receivables	-16	-641
Change in trade payables and other liabilities	-496	1,166
Interest income	57	55
Taxes paid	-1,136	-357
Net cash flow from operating activities	12,208	9,858
Cash flow from investing activities		
Revenue from the sale of property, plant and equipment	239	295
Procurement of property, plant and equipment	-560	-1,015
Capitalisation of contract expenditure	-3,740	-3,166
Procurement of intangible assets	-4,345	-3,543
Acquired businesses	-505	0
Net cash flow from investing activities	-8,910	-7,429
Cash flow from financing		
Interest paid	-647	-637
Repayment of capital	-2,197	-1,361
Realisation of options	-160	0
Change in instalment payment liabilities	-259	115
Loan withdrawals	23,500	0
Loan repayments	-22,500	0
Net cash flow from financing	-2,263	-1,883
Change in cash and cash equivalents	1,035	546
Cash and cash equivalents on 1 Jan.	4,879	4,332
Net effect of exchange rate fluctuations on cash and cash equivalents		
Cash and cash equivalents on 31 Dec.	5,914	4,879

COLLATERAL AND CONTINGENT LIABILITIES

Thousand euro	2018	2017
Collateral on own behalf		
Deposits	3,074	3,074
Loans from financial institutions	23,500	22,500
Mortgages	31,860	31,860
Other*	2,547	2,806
Total	60,982	60,240

*Other contingent liabilities are related to the issued, unused overdraft limit, bank guarantee limit, and commitments for instalment payment liabilities.

FORMULAS

Net sales, increase %	=	$\frac{\text{net sales} - \text{net sales of the preceding year}}{\text{net sales of the preceding year}}$	x 100
Operating profit (EBIT)	=	$\text{net sales} + \text{other operating income} - \text{materials and services} - \text{personnel expenses} - \text{depreciations and amortisations} - \text{other operating expenses}$	
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 liabilities	=	$\text{interest-bearing liabilities} - \text{cash in hand and in banks}$	
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	=	$\text{inventories} + \text{non-interest-bearing current receivables} - \text{non-interest-bearing current liabilities}$	
Net investments	=	$\text{investments in tangible and intangible assets} - \text{sales of assets}$	
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)	=	$(\text{net sales at the end of the period} / \text{net sales in the beginning of the period})^{1/\text{number of years} - 1}$	