

TALENOM PLC. FINANCIAL STATEMENT 2019 (AUDITED): OPERATING PROFIT IMPROVES BY 20.5% AND NET SALES GROW BY 18.6% – STRONG DEVELOPMENT IS EXPECTED TO CONTINUE IN 2020

1 January – 31 December 2019

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 operations at 40 locations, including service centres in Oulu and Tampere. Talenom had an average of 746 employees during the period from 1 January–31 December 2019. Talenom reported net sales of 58.0 (48.9) million euros for 1 January–31 December 2019, representing a year-on-year increase of 18.6%.

According to Statistics Finland's structural business and financial statement statistics, Finland had 4,134 (4,249) accounting offices in 2018 and the total market size was 1,099 (998) million euros. In 2018, Talenom's market share was 4.4%, as measured in net sales. In 2019, the market share would have been 4.8% assuming that the annual growth of the sector remained at the 2018 level.



TALENOM

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TALENOM PLC. FINANCIAL STATEMENT 2019 (AUDITED): OPERATING PROFIT IMPROVES BY 20.5% AND NET SALES GROW BY 18.6% – STRONG DEVELOPMENT IS EXPECTED TO CONTINUE IN 2020 *)

YEAR 2019 IN BRIEF:

- Net sales 58.0 (48.9) million euros, an increase of 18.6% (18.0%)
- Operating profit (EBIT) 10.4 (8.5) million euros, 18.0% (17.5%) of net sales *)
- Net profit 7.6 (6.4) million euros *)
- Earnings per share 1.10 (0.93) euros
- Board of Directors' proposal for dividend 0.75 euros/share (0.55 euros/share)
- 2020 is expected to be in line with 2019 in terms of relative growth in net sales and relative profitability.

Group	1–12/2019	1–12/2018	Change
Net sales, thousands of euro	57,955	48,871	9,084
Net sales, increase %	18.6%	18.0%	0.6 percentage points
Operating profit, thousands of euro *)	10,409	8,545	1,864
Operating profit, as % of net sales *)	18.0%	17.5%	0.5 percentage points
Return on investment (ROI), % (rolling 12 months) *)	20.2%	21.4%	-1.2 percentage points
Liquid assets, thousands of euro	7,786	5,914	1,873
Earnings per share, euro	1.10	0.93	0.17
Net profit, thousands of euro *)	7,615	6,363	1,251

*) The Talenom Group adopted IFRS 16 Leases on 1 January 2019, due to which the review periods are not fully comparable. During the period 1-12/2019, the standard had a positive effect on operating profit (+115 thousand euros) and a negative effect on net profit (-73 thousand euros) and return on investment (-2.4 percentage points). The effects of adopting the standard on the Group's financial information are described in detail under the section Basis of Preparation.

Group	10–12/2019	10–12/2018	Change
Net sales, thousands of euro	14,913	12,449	2,464
Net sales, increase %	19.8%	16.4%	3.4 percentage points
Operating profit (EBIT), thousands of euro **)	1,458	1,466	-8
Operating profit (EBIT), as % of net sales **)	9.8%	11.8%	-2.0 percentage points
Return on investment (ROI), % (rolling 12 months) **)	20.2%	21.4%	-1.2 percentage points
Liquid assets, thousands of euro	7,786	5,914	1,873
Earnings per share, euro	0.15	0.15	0.00
Net profit, thousands of euro **)	1,016	1,001	15

***) The Talenom Group adopted IFRS 16 Leases on 1 January 2019, due to which the review periods are not fully comparable. During the period 10-12/2019, the standard had a positive effect on operating profit (+41 thousand euros) and a negative effect on net profit (-11 thousand euros) and return on investment (-2.4 percentage points). The effects of adopting the standard on the Group's financial information are described in detail under the section Basis of Preparation.

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 3 February 2020.

GUIDANCE FOR 2020

2020 is expected to be in line with 2019 in terms of relative growth in net sales and relative profitability.

CEO OTTO-PEKKA HUHTALA

Our mission and the foundation of our business is encapsulated in the phrase: “the joy of entrepreneurship!” We want to make the world into a better place to be an entrepreneur. We are committed to making the working days of entrepreneurs as easy as possible by providing exceptionally good services. Thanks to our services, our customers can experience the joy of entrepreneurship – we free up their time from routine work so they can do more interesting and inspiring things.

We have successfully implemented our strategy, which has three core elements: effortlessness, automation and value-added services. We have created a unique service concept guided by the concept of making daily life effortless for our customers. We have received excellent feedback on our intuitive customer user interfaces and financial routines that save time for entrepreneurs. Thanks to our own software development, we have been able to harness digitalisation to step up the degree of automation in our operations to a far higher degree than others in our field of business. We are heading towards fully paperless operations – we are proud of both the business and environmental benefits this yields. Effortless user interfaces and automated service provision give us even more time to provide customer service and value-added services to our customers. This is evident in the improvement in our customer satisfaction for the fifth year running, which we are particularly pleased about.

2019 was a year of strong growth and forward-looking investments. Net sales grew by 18.6% and our strong profitability improved further, with our operating profit rising by 20.5%. Most of our growth was organic – our own sales staff and franchise entrepreneurs acquired a record number of new customers. We have been investing in automation and process development for about ten years now, which has raised our profitability to the top of our field. In 2019, too, we made substantial investments in automation and customer user interfaces. We introduced the latest version of our bookkeeping production line, thanks to which we are well poised to expand our services to even smaller companies. I would like to warmly thank our excellent Talenom staff for this! We also successfully launched our new financial services.

In 2019, we initiated our internationalisation by acquiring a firm in Sweden. We started up service production automation projects and organic growth efforts in Sweden. Based on our experiences to date, we expect to be able to harness our strong sectoral expertise in Sweden. We also carried out an acquisition in Finland, buying two firms in the Vaasa region. This bolsters our ability to provide Swedish-language services in Finland.

We believe that our sector will increasingly adopt a consultative approach – during the course of this journey, accountants will become consultants. Customers want ever-more proactive and effortless solutions for their needs. A comprehensive service experience is key – and technology functions in the background as an enabler. Those who can seamlessly combine services and technology into a single end-to-end solution in many channels will come out on top. We believe that, heading into the 2020s, we are in great shape as our sector evolves in a more consultative

and comprehensive direction. We will continue to make investments in effortless customer experience, further development of automation and the creation of new solutions to enable our customers to pursue the joy of entrepreneurship!

FINANCIAL DEVELOPMENT

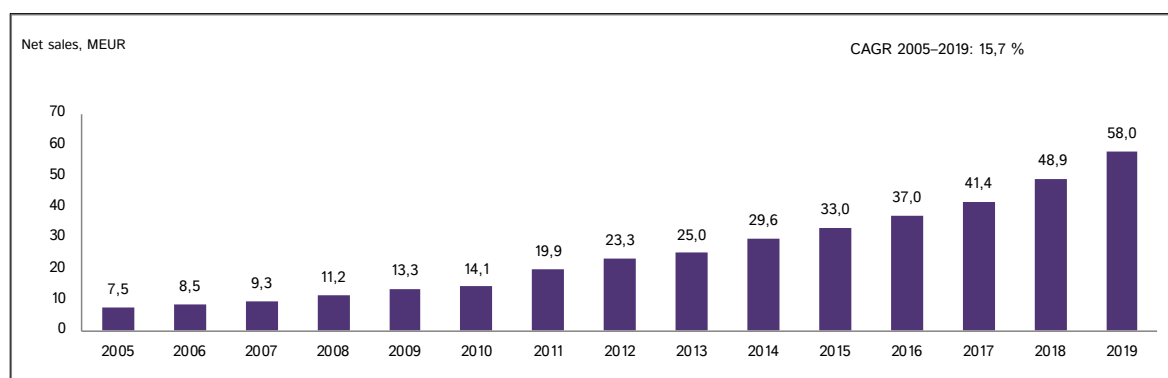
KEY FIGURES

Group	1–12/2019	Effect of IFRS 16 **)	Adjusted 1–12/2019	1– 12/2018	Adjusted change
Net sales, thousands of euro	57,955	0	57,955	48,871	9,084
Net sales, increase %	18.6%	0.0 percentage points	18.6%	18.0%	0.6 percentage points
Operating profit (EBIT), thousands of euro	10,409	+115	10,294	8,545	1,749
Operating profit (EBIT), as % of net sales	18.0%	+0.2 percentage points	17.8%	17.5%	0.3 percentage points
Return on investment (ROI), % (rolling 12 months)	20.2%	-2.4 percentage points	22.6%	21.4%	1.2 percentage points
Interest-bearing net liabilities, thousands of euro	29,204	+8,492	20,711	18,250	2,461
Net gearing ratio, %	124%	+36 percentage points	88%	98%	-10 percentage points
Equity ratio, %	33.2%	-4.6 percentage points	37.7%	36.7%	1.1 percentage points
Working capital, thousands of euro	-3,780	0	-3,780	-2,712	-1,068
Net investments, thousands of euro	15,439	0	15,439	9,503	5,936
Liquid assets, thousands of euro	7,786	0	7,786	5,914	1,873
Earnings per share, euro	1.10	-0.01	1.11	0.93	0.18
Weighted average number of shares during the period *)	6,929,159	0	6,929,159	6,861,476	67,683
Net profit, thousands of euro	7,615	-73	7,688	6,363	1,324

*) Weighted average of treasury shares held by the company during the period has been deducted from the figure

***) The Talenom Group adopted IFRS 16 Leases on 1 January 2019; its impacts are presented in this column

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 2019

In the period from January to December, Talenom's net sales increased by 18.6% compared to the corresponding period of the preceding year. Amounting to 58.0 (48.9) million euros, net sales grew by about 9.1 million euros. The growth was mainly due to the increase in the number of accounting service customers.

In the review period, personnel expenses were 29.9 (26.2) million euros, amounting to 51.6% (53.7%) of net sales. The ratio of the personnel expenses to net sales decreased year on year.

Other operating expenses, including materials and services, totalled 9.5 million euros, being 16.4% of net sales. Due to the adoption of IFRS 16 Leases, other operating expenses are not directly comparable in periods 1-12/2018 and 1-12/2019 (see Tables: Consolidated statement of comprehensive income).

In the review period, operating profit (EBIT) was 10,409 thousand euros (18.0% of net sales), with a net profit of 7,615 thousand euros. Adoption of IFRS 16 Leases had a positive effect on operating profit (+115 thousand euros) and a negative effect on net profit (-73 thousand euros). Operating profit (EBIT) adjusted to ignore the standard's effects was 10,294 (8,545) thousand euros (17.8% (17.5%) of net sales) and net profit 7,688 (6,363) thousand euros.

The improved profitability was due to the increased efficiency of bookkeeping.

In the period from October to December, Talenom's net sales increased by 19.8% compared to the corresponding period of the preceding year. Amounting to 14.9 (12.4) million euros, net sales grew by about 2.5 million euros. In the review period, operating profit (EBIT) was 1,458 thousand euros (9.8% of net sales), with a net profit of 1,016 thousand euros. *)

Fourth-quarter profitability was depressed relative to the comparison period due to the more even spread of net sales from annual declarations over the financial period as a result of the introduction of the Incomes Register, as described earlier. This change had an effect of 330 thousand euros on net sales and operating profit in the fourth quarter.

*) Adoption of IFRS 16 had a positive effect on operating profit in the 10-12/2019 period (+41 thousand euros) and a negative effect on net profit (-11 thousand euros).

BALANCE SHEET, FINANCING AND INVESTMENTS

On 31 December 2019, the consolidated balance sheet total was 71.3 (51.2) million euros. The Group's equity ratio was 33.2% and the net gearing ratio was 124%.

With the adoption of IFRS 16, the Group's equity ratio has decreased by 4.6 percentage points, and its net gearing ratio increased by 36 percentage points. Equity ratio adjusted to ignore the effects of IFRS 16 stood at 37.7% (36.7%) and net gearing ratio at 88% (98%).

The Group's interest-bearing financial loans at the end of the review period were 28.0 million euros, excluding instalment debts. Other non-current interest-bearing liabilities (instalment debts) stood at 0.2 million euros, with other current interest-bearing liabilities (instalment debts) amounting to 0.2 million euros.

In accordance with IFRS 16 Leases, as of 1 January 2019, the Group recognises leases of business premises in the balance sheet mainly as assets and liabilities. In accordance with IFRS 16, non-current lease liabilities stood at 6.6 million euros and current lease liabilities at 1.9 million euros on 31 December 2019.

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 a part of the development costs related to software and digital services as investments according to the requirements outlined in IAS 38. These costs are presented in the balance sheet under “other intangible assets”. Investments stemming from new customer contracts amounted to 4.6 (3.7) million euros in the review period. Investments concerning software and digital services amounted to 5.3 (4.0) million euros.

The company’s total net investments in the review period were 15.4 (9.5) million euros.

During the review period, the company acquired the share capital of Wakers Consulting Ab in Stockholm and the business operations of Oy Wasa tilit Ab and Företagstjänster Ab Oy. These transactions accounted for 4.2 million euros of net investments and half was paid for with new Talenom Plc shares subscribed for in a directed issue.

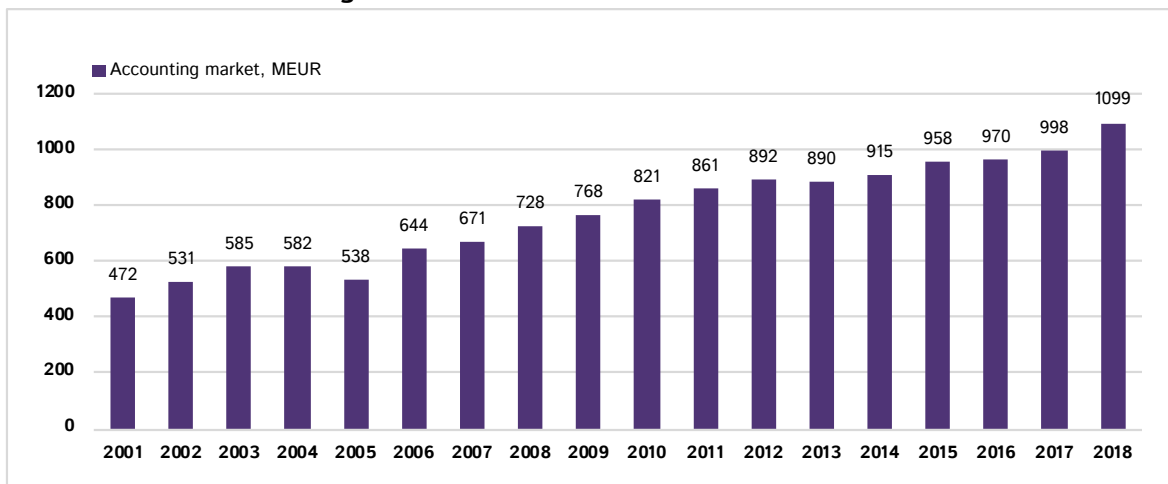
On 31 December 2019, liquid assets amounted to 7.8 (5.9) million euros. In addition, the company had unused overdraft limits of 1.0 million euros at the end of the review period.

MARKET AND SECTORAL REVIEW

The accounting market in Finland is fragmented. According to Statistics Finland's structural business and financial statement statistics, the number of companies in the sector was 4,134 (4,249) in 2018 and the average size of company was 3.0 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 structural business and financial statement statistics, and the preceding Business Register statistics, average growth in annual net sales in the accountancy market totalled 5.1% in the period 2001–2018.

Net sales of the accounting market in 2001–2018.



According to Statistics Finland's structural business and financial statement statistics, the total size of the accountancy market was 1,099 (998) million euros in 2018, while Talenom's market share was 4.4%, measured in net sales. In 2019, Talenom's market share would have been 4.8% assuming that the annual growth of the sector remained at the 2018 level.

DEVELOPMENT OF 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. The unit has around 65 experts 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 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, FINANCE 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.

Talenom's Financing Services is a new service area launched in 2019 that provides flexible financing for accounts receivable, instalment financing and corporate loans. The service area has been well received and will continue to be developed.

In the past strategic period, 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 financial and administrative needs of small and medium-sized enterprises. 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.

In line with our strategy, special attention has been paid to coaching staff towards a more consultative approach in the review period. At the same time, we have updated the company's recruitment profiles and practices to correspond to the changing roles of financial management experts. Hiring choices focus not only on expertise in the field, but also increasingly on communication and interaction skills.

Talenom's already extensive range of internal training offerings, the Talenom Academy, also integrates coaching on working life skills. Coaching on self-management, interaction and business expertise has been organised to support employees in their evolving roles.

Talenom regularly measures its employee satisfaction. The personnel satisfaction survey of 2019 indicated that employee satisfaction was at an excellent level. Accordingly, Talenom was awarded Great Place to Work® certification for the third time running. In addition, Talenom was awarded as one of Finland's best places to work. Talenom was ranked seventh in the Large Companies category.

Talenom monitors the number of KLT graduates as part of the development of its expertise. KLT is a highly respected degree in financial management administered by the Association of Finnish Accounting Firms, intended for commercially trained financial management experts with several years of professional experience. During the review period, 23 Talenom employees completed a KLT degree, bringing the total number of KLT graduates to 120 by the end of the financial year. In addition, 14 employees completed the PHT degree during the review period. PHT is a highly respected degree in payroll expertise administered by the Association of Finnish Accounting Firms, which testifies to wide-ranging competence in payroll tasks.

The average number of personnel during the review period 1 January–31 December 2019 was 746. The members of the Executive Board were Otto-Pekka Huhtala (CEO), Antti Aho (CFO and CHRO), Tuomas Iivanainen (Director, International Business), Juho Aholainen (Director, Accounting Services) as of 4 February 2019, Juha Jutila (Director, Business Development) as from 13 August 2019, Juusi Paaso (CEO) until 29 July 2019, Nina Lukkari (Director, Value-added Services) until 4 February 2019, and Sakari Jorma (CIO and CTO) until 4 February 2019.

ANNUAL GENERAL MEETING 2019

Talenom's Annual General Meeting was held on 26 February 2019 in Helsinki. The Annual General Meeting decided to issue a dividend of 0.55 euros per share for the financial period 1 January–31 December 2018. The dividend was paid to shareholders on 7 March 2019.

The Annual General Meeting authorised the Board of Directors to decide on the buyback of up to 50,000 of the company's shares in one or more instalments with the company's unrestricted equity. The share buyback will be conducted as public trading arranged by Nasdaq Helsinki Oy at the market price valid at the moment of buyback, without consideration to the proportions of shares held by shareholders.

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, including shares received under special rights, is 300,000 shares in total. 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 2019. The terms and conditions are available (in Finnish) on Talenom's investor pages at: Talenom.fi/sijoittajat/yhtiokokoukset.

BOARD OF DIRECTORS AND AUDITOR

The composition of the Board of Directors remained unchanged as the Annual General Meeting resolved to renew the terms of Harri Tahkola, Mikko Siuruainen, Olli Hyyppä, Anne Riekkö and Johannes Karjula. 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 6,279,009.73 euros for the period be transferred to the Profit/Loss Account for the previous financial years. The Board of Directors proposes that a dividend of 0.75 euros 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 2019, Talenom Plc. had a total of 6,972,672 shares entered in the Trade Register. The company held 25,100 of its own shares (0.36% of the total number of shares and total number of votes) at the end of the review period. On 31 December 2019, Talenom had a total of 3,937 (2,796) shareholders, representing an increase of 1,141 shareholders, year on year.

There were 250 trading days in the review period 1 January–31 December 2019. A total of 1,611,953 shares were traded during this period, and the value of the shares traded was 51,051,258 euros. The highest price of the share was 47.10 euros and the lowest price was 18.90 euros. The volume weighted average price was 31.67 euros and the closing price at the end of the review period (31 December 2019) was 45.00 euros. In accordance with the closing price, the combined market value of the shares was approximately 313.8 million euros.

FLAGGING NOTIFICATIONS

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

According to a notification received on 30 April 2019, the number of Talenom Plc shares owned by Ilmarinen Mutual Pension Insurance Company decreased below the 15% limit of all Talenom Plc shares due to share transactions.

BOARD AUTHORISATIONS

The 2019 Annual General Meeting authorised the Board of Directors to decide on the buyback of up to 50,000 of the company's shares in one or more instalments with the company's unrestricted equity. According to the authorisation, the share buyback will be conducted as public trading

arranged by Nasdaq Helsinki Oy at the market price valid at the moment of buyback, without consideration to the proportions of shares held by shareholders.

The authorisation remains in force until the end of the next Annual General Meeting, but no longer than until 30 June 2020. The company has no earlier valid authorisations to buy back shares.

The 2019 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, including shares received under special rights, is 300,000 shares in total. 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.

The authorisation entitles the Board of Directors to decide on all the terms and conditions of the issuance shares and on special rights entitling to shares, including the right of shareholders to deviate from the preemptive subscription right. 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.

The authorisation remains in force until the end of the next Annual General Meeting, but no longer than until 30 June 2020. 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 deviation from shareholders' pre-emptive rights, the 2019 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 2019. A maximum of 200,000 option rights will be issued. The terms and conditions are available (in Finnish) on Talenom's investor pages at: Talenom.fi/sijoittajat/yhtiokokoukset.

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 three stock option schemes, which were established in 2016, 2018 and 2019.

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 per cent 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 Annual General Meeting of 14 March 2018, and they correspond to the terms of the 2016 stock option scheme. The terms of the 2019 stock option scheme were approved by the Annual General Meeting of 26 February 2019, and they correspond to the terms of the 2016 stock option scheme.

Under the terms of Talenom Plc/Option Rights 2016, Talenom Plc/Option Rights 2018, and Talenom Plc/Option Rights 2019, 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 2019) as follows:

Option categories	2016C	2018	2019
Options given (no.)	119,050	58,000	164,000
Talenom Plc.'s holding or undistributed	76,950	2000	36,000
Total	196,000	60,000	200,000

The subscription periods for the stock options are as follows:

- Option right 2016C 1 March 2020–28 February 2021
- Option right 2018 1 March 2020–28 February 2021
- Option right 2019 1 March 2022–28 February 2023

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	2016C	2018	2019
The current subscription price of options	5.48	11.52	20.25
Total number of options	196,000	60,000	200,000
Talenom Plc.'s holding or undistributed	76,950	2,000	36,000
Number of shares outstanding, 31 Dec. 2019	6,947,572	6,947,572	6,947,572
Number of shares outstanding, if all options are converted into new shares	7,143,572	7,007,572	7,147,572
Options and voting rights of options if all options are converted into new shares	2.744%	0.856%	2.798%

The total number of shares will increase from 6,972,672 to 7,428,672 if all of the three stock option options 2016C, 2018 and 2019 will be used to fully subscribe for new shares. The total number of votes and holdings of all three options is 6.138% if all stock options are used to fully subscribe for new shares.

Under the terms of Talenom Plc/Option Rights 2016, Talenom Plc/Option Rights 2018 and Talenom Plc/Option Rights 2019, 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, Talenom Plc/Option Rights 2018 and Talenom Plc/Option Rights 2019 terms and conditions are available on Talenom's investor website at: [Talenom.fi/sijoittajat/yhtiokokoukset](https://www.talenom.fi/sijoittajat/yhtiokokoukset) (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, Talenom signed franchising agreements with four new entrepreneurs and opened new franchise offices in Rauma, Kirkkonummi and Nurmijärvi. Talenom now has a total of 24 franchisees.

In February 2019, 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 seventh in the Large Companies category. In October 2019, Talenom was awarded the Great Place to Work certificate for the third time running.

On 4 April 2019, Talenom Plc agreed with the owners of Stockholm-based Swedish accounting firm Wakers Consulting AB on the purchase of the entire share capital of said accounting firm. A part of the purchase price was paid with shares of Talenom Plc in a share issue for the owners of Wakers Consulting AB. The acquisition changed Talenom's financial outlook, and the company adjusted its guidance for 2019.

Wakers Consulting AB is a Stockholm-based authorised accounting firm, with approximately 30 employees at the time of acquisition. The firm's net sales were 27.2 million krona (2.6 million euros) in the financial period 1 September 2017-31 August 2018. Profitability over the financial period was good (EBITDA of 4.0 million krona (0.4 million euros), 14.7% of net sales). The sale price was 27.0 million krona (2.6 million euros), of which 13.5 million krona (1.3 million euros) was paid in cash and financed by the liquid assets of Talenom Plc. The remainder of the sale price was paid by means of new subscribed shares of Talenom Plc in a special issue.

In accordance with the terms of sale, the new shares were subscribed for and their subscription price was considered paid with all the shares in Wakers Consulting AB as consideration in kind on 2 May 2019. The subscription price for the new shares was fully booked in Talenom Plc's invested unrestricted equity fund. In the directed issue, 48,678 new shares were offered for subscription. The number of new shares issued corresponded to around 0.71% of all Talenom Plc shares before the directed issue.

In its meeting of 23 April 2019, the Board of Directors decided to cancel 60,549 option rights, marked as 2016B, held by the company. The other options in the 2016B series had been used earlier to subscribe for shares. Thus, following the cancellation, the company has no more outstanding stock options of the 2016B series.

On 31 May 2019, Talenom Plc agreed with the owners of Vaasa-based accounting firms Oy Wasa Tilit Ab and WT Företagstjänster Ab Oy to acquire the businesses of the firms. Part of the purchase price was paid with the shares of Talenom Plc subscribed in a directed share issue to the owners of the acquired companies.

The acquired businesses employed a total of 30 people. The combined net sales of the businesses amounted to 2.2 million euros between 1 March 2018 and 28 February 2019 (unaudited) and the operating margin (EBITDA) was 0.2 million euros. The purchase price totalled 1,590 thousand euros, of which 690 thousand euros was paid with new Talenom Plc shares subscribed for in a directed share issue. The rest of the purchase price was paid with cash and financed through the liquid assets of Talenom Plc and by taking over the holiday pay reserves of the acquired businesses.

20,280 new shares were offered for subscription in accordance with the terms and conditions of the purchase agreement in the directed share issue. The number of new shares issued was equivalent to approximately 0.29% of all Talenom shares before the issue of the new shares.

In accordance with the terms and conditions of the purchase agreement, the new shares were subscribed and their subscription price was considered to be paid with the businesses of Oy Wasa Tilit Ab and WT Företagstjänster Ab Oy, which were delivered as a contribution in kind at the same time. The subscription price for the new shares was fully booked in Talenom Plc's invested unrestricted equity fund.

Otto-Pekka Huhtala stepped into the position of CEO on 29 July 2019. The previous CEO, Jussi Paaso, remains in the company's employ.

On 13 August 2019, Talenom announced that it had signed a market making agreement with Lago Kapital Ltd in compliance with the requirements of Nasdaq Helsinki Ltd's Liquidity Providing (LP) operations. A market making agreement with Lago Kapital Ltd had already been in force for the Talenom Plc share. The agreement was updated to meet the requirements of Nasdaq Helsinki Ltd's Liquidity Providing (LP) operations.

On 22 August 2019, Talenom started repurchasing its own shares. The share buyback ended on 20 September 2019. During this period, Talenom acquired 20,000 of its own shares at an average price of 33.7208 euros per share. The shares were acquired at the market price quoted at the time of the repurchase in public trading on Nasdaq Helsinki Ltd. The share buyback was based on the authorisation granted by the Annual General Meeting of 2019, in which the Board of Directors was authorised to decide on the repurchase of a maximum of 50,000 of its own shares, and the decision of the Board on 22 August 2019 to carry out a repurchase programme for 20,000 shares.

After the buyback, Talenom Plc holds a total of 25,100 own shares, representing about 0.36% of all shares in the company.

The company aims to be fully paper-free in the modern accounting services it provides. Thanks to its determined environmental efforts, Talenom was granted Green Office certification by WWF on 4 December 2019. Talenom is the first accounting firm to receive this certificate.

EVENTS AFTER THE REVIEW PERIOD

After the end of the review period, Talenom announced that the Board of Directors is planning to organise a personnel share issue in Finland: Talenom shares will be offered for subscription to Talenom Group employees and franchise entrepreneurs. The Board of Directors plans to decide on the detailed terms and conditions as well as the schedule of the personnel share issue in April 2020 at the latest.

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 2019 financial statement published by the company. The financial statement is available on the company's investor pages on 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 IFRS 15 and IFRS 9, prior to their mandatory entry into force (1 January 2018).

The Talenom Group adopted IFRS 16 Leases on 1 January 2019. The standard affects the Group's financial information in cases where leases of premises are recognised in the balance sheet mainly as assets and liabilities.

The standard concerns the Group's fixed-term lease agreements for business premises and those continuous leases for which the lease has continued for over 12 months. The lease periods of continuous leases are determined based on the estimate given by the Group management. IFRS 16 includes exemptions for short-term leases and leases of low-value assets, which the company has applied. The related payments have been recognised as expenses in equal instalments in the income statement. In the interest of comparability, in its key figures and consolidated balance sheet for the review period, the company presents both the effects of the IFRS 16 standard and information adjusted to ignore the effects of IFRS 16.

The amount of the asset recognised in the balance sheet on 1 January 2019 and the corresponding interest-bearing debt was 8.0 million euros. Other operating lease commitments on 31 December 2018 amounted to 11.8 million euros. Lease liabilities and operating lease commitments differed at the time of adoption mainly because the company has separated out the non-lease component of lease agreements for business premises (maintenance charges) and has recognised an asset according to IFRS 16 only for the net rent component. This difference is also affected by the application of exemptions for short-term leases and leases of low-value assets as well as the interest rate used in discounting lease liabilities, 2.5% on average. Interest on lease liabilities is disclosed in financial expenses.

The figures in the financial statements have been audited.

The Company reports commonly applied alternative performance measures to reflect the underlying business performance and enhance comparability between financial periods. Alternative performance measures, i.e. performance measures not based on IFRS, 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 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".

In addition to the aforementioned, the company presents alternative performance metrics in describing the effects of IFRS 16 on its financial information.

FINANCIAL REPORTING

Talenom Plc. will publish interim reports as follows:

January–June 2020 (H1) on Monday, 3 August 2020 at 13:30

Financial Statement Bulletin 2020 on Monday, 8 February 2021 at 13:30

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

January – March 2020 on Monday, 27 April 2020 at 13:30

January – September 2020 on Monday, 26 October 2020 at 13:30

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

TABLES

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

Thousand euro	1-12/2019	1-12/2018
Net sales	57,955	48,871
Other operating income	372	658
Materials and services	-3,598	-2,555
Employee benefit expenses	-29,912	-26,226
Depreciation and amortisations	-8,498	-5,130
Other operating expenses	-5,911	-7,073
Operating profit	10,409	8,545
Financial income	64	57
Financial expenses	-906	-636
Net financial expenses	-843	-578
Profit before taxes	9,566	7,966
Income taxes	-1,951	-1,603
Profit for the financial period	7,615	6,363
Other comprehensive income		
Items that may be subsequently transferred to profit or loss		
Cash flow hedging	60	27
Taxes on items that may be subsequently transferred to profit or loss	-12	-5
Other comprehensive income for the financial period after tax	48	22
Total comprehensive income for the financial period	7,663	6,385
Earnings per share calculated on the profit attributable to equity holders of the parent company		
Undiluted earnings per share (euro)	1.10	0.93
Diluted earnings per share (euro)	1.06	0.91

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.

Of the consolidated net sales, 56,398 thousand euros were generated in Finland and 1,557 thousand euros in Sweden.

Operating segments 2019

Thousand euro	Accounting services	Unallocated items and eliminations	Group total
External net sales	55,143	2,812	57,955
Total net sales	55,143	2,812	57,955
Operating expenses	-36,425	-2,996	-39,421
Other income	344	28	372
Depreciations	-6,809	0	-6,809
Amortisations	-1,689	0	-1,689
Operating result	10,565	-156	10,409

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
Impairment losses	-885	0	-885
Operating result	9,127	-582	8,545

CONSOLIDATED BALANCE SHEET

Thousand euro	31 Dec. 2019	31 Dec. 2018
ASSETS		
Non-current assets		
Goodwill	20,728	18,420
Other intangible assets	14,930	10,493
Right-of-use assets	8,400	0
Property, plant and equipment	2,584	2,248
Other non-current financial assets	237	237
Deferred tax assets	67	62
Capitalised contract costs	10,054	8,357
Total non-current assets	57,000	39,817
Current assets		
Trade and other receivables	6,521	5,473
Current tax assets	34	11
Cash and cash equivalents	7,786	5,914
Total current assets	14,342	11,398
Total assets	71,342	51,215
CAPITAL AND RESERVES		
Share capital	80	80
Reserve for invested unrestricted equity	11,234	10,608
Fair value reserve	-45	-93
Retained earnings	12,304	8,092
Total equity	23,573	18,688
LIABILITIES		
Non-current liabilities		
Liabilities to credit institutions	28,000	23,500
Trade and other payables	215	230
Lease liabilities	6,553	0
Other non-current financial liabilities	56	116
Deferred tax liabilities	307	50
Total non-current liabilities	35,130	23,896
Current liabilities		
Trade and other payables	10,208	7,728
Lease liabilities	1,940	0
Current tax liabilities	491	903
Total current liabilities	12,638	8,631
Total liabilities	47,769	32,528
Total equity and liabilities	71,342	51,215

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Thousand euro	Share capital	Reserve for invested unrestricted equity	Fair value reserve	Retained earnings	Total
Total equity, 1 January 2019	80	10,608	-93	8,092	18,688
Comprehensive income					
Profit for the financial period				7,615	7,615
Cash flow hedging			48		48
Total comprehensive income for the financial period	0	0	48	7,615	7,663
Transactions with owners					
Dividend distribution and capital repayment				-3,777	-3,777
Average exchange rate difference and translation differences				3	3
Share issue		2,159			2,159
Redeemed options		-859			-859
Purchase of treasury shares		-674			-674
Share-based payments				370	370
Transactions with owners, total	0	625	0	-3,403	-2,778
Total equity, 31 December 2019	80	11,234	-45	12,304	23,573

Thousand euro	Share capital	Reserve for invested unrestricted equity	Fair value reserve	Retained earnings	Total
Total equity, 1 January 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			-2,197
Share issue		675			675
Redeemed options		-242			-242
Share-based payments				126	126
Transactions with owners, total	0	-1,765	0	126	-1,639
Total equity, 31 December 2018	80	10,608	-93	8,092	18,688

CONSOLIDATED CASH FLOW STATEMENT

Thousand euro	1–12/2019	1–12/2018
Cash flow from operating activities		
Profit (loss) before taxes	9,566	7,966
Adjustments:		
Depreciation and amortisations	8,498	5,130
Financial income	-64	-57
Financial expenses	906	636
Other adjustments	330	125
Changes in working capital:		
Change in trade and other receivables	-559	-16
Change in trade payables and other liabilities	1,995	-496
Interest income	64	57
Paid taxes	-2,399	-1,136
Net cash flow from operating activities	18,337	12,208
Cash flow from investing activities		
Revenue from the sale of property, plant and equipment	240	239
Acquisition of property, plant and equipment	-1,107	-560
Capitalisation of contract costs	-4,567	-3,740
Acquisition of intangible assets	-5,580	-4,345
Acquired businesses	-2,080	-505
Net cash flow from investing activities	-13,094	-8,910
Cash flow from financing		
Purchase of treasury shares	-674	0
Paid interest	-888	-647
Dividend distribution and repayment of capital	-3,777	-2,197
Realisation of options	-684	-160
Change in instalment payment liabilities	-106	-259
Repayment of lease liabilities	-1,746	0
Loan withdrawals	4,500	23,500
Loan repayments	0	-22,500
Net cash flow from financing	-3,375	-2,263
Change in cash and cash equivalents	1,869	1,035
Cash and cash equivalents, 1 January	5,914	4,879
Net effect of exchange rate fluctuations on cash and cash equivalents	3	
Cash and cash equivalents, 31 December	7,786	5,914

COLLATERAL AND CONTINGENT LIABILITIES

Thousand euro	2019	2018
Liabilities secured by an enterprise mortgage		
Loans from financial institutions	28,000	23,500
Mortgages	31,860	31,860
Other pledges and commitments		
Pledges (free)	3,072	3,074
Other*	2,441	2,547

*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	=	$\text{net sales} + \text{other operating income} - \text{materials and services} - \text{personnel expenses} - \text{depreciations and amortisations} - \text{other operating expenses}$	
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	=	$\frac{\text{net profit of the review period}}{\text{Weighted average number of shares outstanding during the review period}}$	x 100
Compound annual growth rate (CAGR)	=	$\left(\frac{\text{net sales at the end of the period}}{\text{net sales in the beginning of the period}} \right)^{1/\text{number of years} - 1}$	

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

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

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

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

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

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

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

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