

# TALENOM PLC. FINANCIAL STATEMENT 2017 (AUDITED): NET SALES CONTINUED THEIR STRONG GROWTH, RISING BY 12.1%, AND EBITDA IMPROVED BY 39.4% YEAR-ON-YEAR

1 January–31 December 2017

*Talenom is an accounting firm established in 1972. Talenom offers a wide range of accounting services as well as other expert and advisory services for its clients.*

*Talenom also provides its clients with electronic financing tools and engages in its own software development.*

*Talenom has 36 offices in Finland and had an average of 597 employees in 2017 (1 Jan.–31 Dec. 2017). Talenom reported net sales of 41.4 (37.0) million euros for 1 January–31 December 2017, representing a year-on-year increase of 12.1%. According to Statistics Finland's Statistics on the Structure and Financial Statement Statistics of Companies, Finland had 4,235 (4,295) accounting offices in 2016 and the total market size was 970 (958) million euros. In 2016, Talenom's market share was 3.8% (3.4%), as measured in net sales.*



## TALENOM

*yrittämisen iloa*

## TALENOM PLC. FINANCIAL STATEMENT 2017 (AUDITED): NET SALES CONTINUED THEIR STRONG GROWTH, RISING BY 12.1%, AND EBITDA IMPROVED BY 39.4% YEAR-ON-YEAR

### YEAR 2017 IN BRIEF:

- Net sales 41.4 (37.0) million euros, increase 12.1 (12.0) %
- EBITDA 9.5 (6.8) million euros, 23.0 (18.5) % of net sales (before IPO one-time expenses 9.8 (6.8) million euros, 23.7 (18.5) % of net sales)
- Operating profit (EBIT) 4.8 (4.2) million euros \*)
- Net profit 3.4 (2.9) million euros \*)
- Earnings per share 0.50 (0.43) euros
- Board of Directors' proposal on return on capital 0.32 euros per share
- On June 15, 2017, the company moved to the main market from the Nasdaq FN list

Group	1-12/2017	1-12/2016	Change
Net sales, thousand euro	41,421	36,957	4,464
Net sales, increase %	12.1%	12.0%	0.1 percentage points
EBITDA, thousand euro *)	9,509	6,820	2,689
EBITDA before IPO expenses, thousand euro	9,820	6,820	3,000
EBITDA, as % of net sales	23.0%	18.5%	4.5 percentage points
EBITDA before IPO expenses, as % of net sales	23.7%	18.5%	5.3 percentage points
Operating profit (EBIT), thousand euro *)	4,840	4,177	663
Operating profit (EBIT), as % of net sales	11.7%	11.3%	0.4 percentage points
Return on investment (ROI), % (rolling 12 months)	13.5%	12.2%	1.3 percentage points
Net investments, thousand euro	7,429	5,734	1,695
Liquid assets, thousand euro	4,879	4,332	548
Earnings per share, euro	0.50	0.43	0.08
Net profit, thousand euro *)	3,414	2,902	511

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

Group	10-12/2017	10-12/2016	Change
Net sales, thousand euro	10,699	9,453	1,246
Net sales, increase %	13.2%	7.0%	6.2 percentage points
EBITDA, thousand euro	2,429	1,361	1,068
EBITDA, as % of net sales	22.7%	14.4%	8.3 percentage points
Operating profit (EBIT), thousand euro	864	615	249
Operating profit (EBIT), as % of net sales	8.1%	6.5%	1.6 percentage points
Return on investment (ROI), % (rolling 12 months)	13.5%	12.2%	1.3 percentage points
Net investments, thousand euro	2,204	2,023	181
Liquid assets, thousand euro	4,879	4,332	548
Net profit, thousand euro	590	373	217

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 7 February 2018.

## **GUIDANCE FOR 2018**

Talenom's goal is to continue growing more quickly than the accounting sector in general. The company's net sales growth is expected to be clearly faster than the previous year (12.1%, 2017). The operating profit margin (11.7%, 2017) is expected to improve slightly from the previous year.

### **JUSSI PAASO, CEO**

The year 2017 was very good and we moved ahead with the strategy we have chosen. By developing support services for everyday life, we made financial routines for entrepreneurs more and more effortless. Greater digitalisation enabled growth in the automation rate and scalable accounting line, which provide a basis for continuous profitable growth. These measures have released resources for personal care and value-adding services, as well as for expanding our service offerings.

During 2017, our strong growth in net sales continued, increasing by 12.1% year on year. Over 90% of net sales comprises renewable billing. Profitability rose significantly, with EBITDA improving by 39.4% year on year. During the review period, EBITDA was 23.0% of net sales, and the company's cash flow after investments and financial items was positive. Typically for this business sector, negative working capital will continue to support strong growth also in the future.

The sales organisation performed well in acquiring new customers in line with the budget. We also performed excellently in the development of our sales network, as evidenced by the growth in the number of franchising entrepreneurs from 6 to the current 18. This year, we will continue actively expanding our network and seek franchising entrepreneurs in several locations.

Talenom's bookkeeping production line is functioning as planned. The efficiencies that this brings have enabled us to significantly improve our profitability. During 2017, we continued to develop our bookkeeping production line by elevating the degree of digitalisation and automation. Likewise, we continued developing our technology ecosystem, which already includes over a thousand interfaces to information systems important to entrepreneurs.

During 2018, we will continue developing our own bookkeeping production line and will extensively automate our payroll operations. These will further improve the company's overall efficiency and strengthen the outlook for its positive profitability development.

Alongside the increasing automation of routine work, we have invested in training so that we can provide our customers with unique financial management skills. A total of 17 people obtained the highly acclaimed KLT Accountant Degree last year, and 22 did so in early 2018.

With regard to new businesses, we have progressed in line with our strategy, developing new support services for our clients. In 2017, we significantly expanded our Taxation and Legal services product range and expertise via an expert portal that already has a network of 38 experts assisting customers. Sales by Taxation and Legal services totalled 1.63 million euros for the last accounting period. We developed processes to provide services for Staffing. As a result of high customer demand, net sales for the Staffing services totalled 355 thousand euros in 2017. Net sales for other new businesses were 94 thousand euros, with a strong focus on the second

half of the year. Net sales for new businesses is expected to increase significantly in 2018. In the new business areas, we continue to strongly develop service concepts intended to meet customer demand.

Profitability and growth will continue to be strong, primarily via new customers, but also via new services and digital solutions. Both our present and future customers will receive an increasingly modern high quality service that is more diverse and more specialized.

## FINANCIAL DEVELOPMENT

### KEY FIGURES

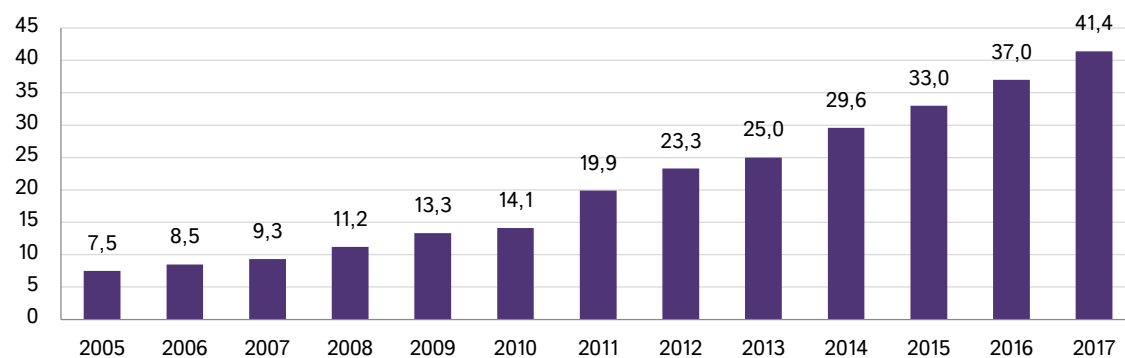
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Return on investment (ROI), % (rolling 12 months)	13.5%	12.2%	1.3 percentage points
Interest-bearing net liabilities, thousand euro	18,570	19,069	-499
Net gearing ratio, %	133%	163%	-29.7 percentage points
Equity ratio, %	30.5%	27.8%	2.7 percentage points
Working capital, thousand euro	-2,887	-2,135	-752
Net investments, thousand euro	7,429	5,734	1,695
Liquid assets, thousand euro	4,879	4,332	548
Earnings per share, euro	0.50	0.43	0.08
Number of shares	6,812,046	6,812,046	0
Net profit, thousand euro *)	3,414	2,902	511

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

### NET SALES, PROFITABILITY AND FINANCIAL PERFORMANCE

Development of Talenom's net sales  
million euros

CAGR 2005–2017: 15,3 %



The company's financial year has been the calendar year since 2014. For comparability reasons, net sales for the years prior to 2014 will also be shown in calendar years.

### JANUARY-DECEMBER 2017

Talenom's net sales increased by 12.1% year on year. Amounting to 41.4 (37.0) million euros, net sales grew by 4.5 million euros. Growth was mainly due to the increase in the number of clients in accounting services.

Personnel expenses during the review period were 23.8 (22.3) million euros. Personnel expenses were 57.4 (60.5) % of net sales. The ratio of the personnel expenses to net sales decreased year on year.

Other operating expenses decreased by 0.3 million euros year on year, amounting to 6.3 (6.7) million euros. The ratio of other expenses to net sales was 15.3 (18.0) %.

EBITDA was 9.5 (6.8) million euros (23.0 (18.5) % of net sales) and net profit was 3.4 (2.9) million euros in the review period. Both EBITDA and the net profit for the review period include 310 thousand euro in one-off IPO expenses. The improved profitability was due to the improvement in the efficiency of bookkeeping.

#### **BALANCE SHEET, FINANCING AND INVESTMENTS**

On 31 December 2017, the consolidated balance sheet total was 45.9 (42.3) million euros. The Group's equity ratio was 30.5 (27.8) % and the net gearing ratio was 133 (163) %.

At the end of the review period, the Group's interest-bearing financial loans were 22.5 million euros, excluding instalment debts. Other non-current interest-bearing liabilities (instalment debts) were 0.4 million euros and other current interest-bearing liabilities (instalment debts) were 0.4 million euros.

The Group recognises the costs of new customer contracts, such as costs of obtaining and fulfilling a contract, as investments as specified in the IFRS 15 standard. These costs are presented in the Balance Sheet under "Capitalised contract costs". Furthermore, the Group recognises part of the development costs related to software and digital services as investments according to the requirements outlined in the IAS 38 standard. These costs are presented in the Balance Sheet under "Other intangible assets". Investments arisen from new customer contracts amounted to 3.2 (1.5) million euros in the review period. Investments concerning software and digital services amounted to 3.4 (2.7) million euros in the review period.

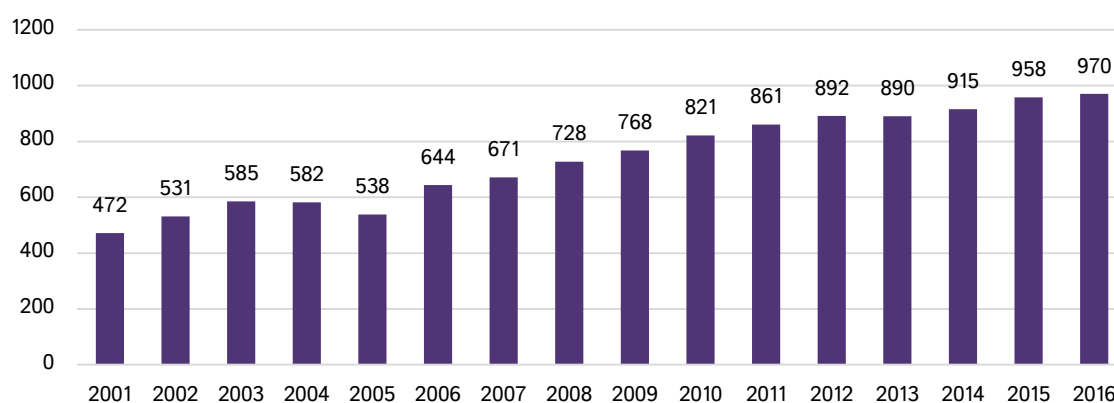
Total net investments in the review period were 7.4 (5.7) million euros. Liquid assets at the end of the review period were 4.9 (4.3) million euros. In addition, the Company had unused overdraft limits of 1.0 million euros at the end of the review period.

## MARKET AND SECTORAL REVIEW

The accounting market in Finland is fragmented. According to Statistics Finland's corporate and financial statistics, the number of companies in the sector was 4,235 (4,295) in 2016 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 4.9% in the period 2001–2016.

### Net sales of the accounting market in 2001–2016 (million euros).



According to Statistics Finland's Statistics on the Structure and Financial Statement Statistics of Companies, the total size of the accountancy market was 970 (958) million euro in 2016, when Talenom's market share was 3.8% (3.4%), measured in net sales.

## DEVELOPING 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.

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 solutions for customers.

In the view of Talenom, customers expect a more diverse, proactive and unified service offering from accounting offices. 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 PRODUCED 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 in Talenom Online. The production of outsourcing services is concentrated in Talenom's highly automated units in Oulu and Tampere.
- **Care services**, including a designated Accountant, a personal Customer Manager, a Customer Service Centre, customer financial situation reviews, and Talousaamu events. Care services form 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 more than a thousand other financial management or ERP programs (Talenom Link).

Accounting services are sold as a monthly billing service entity, whose pricing depends on the extent of the customer's choice of services. Accountancy services are arranged as industry-specific solutions for the customer's business environment, with a focus on industry-specific system components and industry-specific know-how.

### TAXATION AND LEGAL SERVICES

The Company's Expert Unit offers a wide range of legal, tax and financial advisory services, each of which is always agreed upon separately with regard to its implementation and pricing. Legal services include company law and contract law assignments, such as the design and implementation of changes in company structures, generational changeovers and ownership arrangements. Taxation assignments are mainly related to corporate tax planning and corporate restructuring. Taxation and Legal services include activities such as appraisals of business financial management processes or internal accounting and the related development projects, change management, and outsourced financial manager services.

In addition to its own experts, Talenom offers its customers advice from its expert partners. Services provided by expert partners include internationalisation, public finance, risk management, business development and management, and human resource consulting services.

### 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 2017, the unit included a total of around 50 employees engaged in digital services,

software design and business processes (average personnel count, in proportion to working hours).

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 customer-oriented software. 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 where day-to-day financial management operations are effortlessly handled.
- **Talenom App** is also an integral part of the mobile application offered to customers by 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 more than a thousand implemented, ready-to-use interfaces.
- **Talenom Erp** is a cloud computing technology produced together with Microsoft technologies, which includes the full range of tools needed for ERP and financial management 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.

The accountancy sector is undergoing an intense digital transformation, due to which the technological expertise of Talenom's own Digital Services unit is a major competitive factor both in terms of arranging financial administration services and developing electronic solutions for customers.

## **SUPPORT SERVICES**

Talenom announced a new strategy cycle in its semi-annual review of January–June 2016, which led to the development of new value-added services to better meet the administrative needs of SMEs. The services developed during the new strategy period are called Support Services.

The expansion of Talenom's product portfolio in Value Adding Services has developed as expected. Among the new services, Staffing Service was the first to mature operationally in terms of volumes. 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. The year 2017 was the first full financial year for the company, when personnel management formed part of the company's management team work. Antti Aho is Human Resources Director at the Executive Board.

During the financial year, Talenom continued its 'Best workplace in Finland' development programme decided on at the end of 2016, together with the fulfilment of its proven development targets. The development targets included the balanced and incentivising rewarding of personnel, communication of the company's key goals to personnel, the involvement of employees in the decision-making process, and a special focus on competence development.

During the review period, personnel were given greater autonomy in their own working conditions and tasks. In addition, during the review period, new ways of consulting employees were developed in order to facilitate feedback and improve the communication of company targets. For example, the company began regular Executive Board drop-ins to meet personnel, which improved internal communications and gave various staff groups more involvement in decision-making.

Talenom regularly measures its employee satisfaction. The personnel satisfaction survey of 2017 indicated a significant improvement in employee satisfaction over the previous year. Accordingly, Talenom was awarded Great Place to Work® certification.

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 the Financial Administration, for commercially trained financial management experts with several years of professional experience. During the review period, 22 Talenom employees completed a KLT degree, bringing the total number of KLT graduates to 75 by the end of the financial year.

The average number of personnel during the review period 1 January–31 December 2017 was 597. The members of the executive board were Jussi Paaso (CEO), Otto-Pekka Huhtala (deputy CEO), Antti Aho (CFO and CHRO), Timo Hintsala (CCOO) and Sakari Jorma (CIO and CTO).

## **ANNUAL GENERAL MEETING 2017**

The Annual General Meeting was held on 16 March 2017 in Helsinki. The Annual General Meeting confirmed the financial statements from 1 January to 31 December 2016 and discharged the members of the Board of Directors and the CEO from liability. The Annual General Meeting decided to return 0.20 euros per share of the invested capital. The payment date for the repayment of capital was 28 March 2017. No dividends were distributed.

In accordance with the Board of Directors' proposal, 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, 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 did not replace the previous authorisations given to the Board. The authorisation is valid until the next Annual General Meeting, however, until 30 June 2018 at the latest.

## **BOARD OF DIRECTORS AND AUDITOR**

The Annual General Meeting selected Harri Tahkola, Seppo Laine, Taisto Riski, Olli Hyypä and Mikko Siuruainen to the Board of Directors. The Board of Directors chose Harri Tahkola as its chairman at its organising meeting.

The auditing firm KPMG Ltd 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 878,804.19 euros for the period be transferred to the Profit/Loss Account for the previous financial years. The Board of Directors proposes that a return on capital of 0.32 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 2017, Talenom Plc. had a total of 6,812,046 shares entered in the Trade Register. The company held 5,100 treasury shares (0.07% of the total number of shares and votes) at the end of the review period.

On 31 December 2017, Talenom had a total of 2,299 (991) shareholders, representing an increase of 1,308 shareholders, year on year.

Talenom Plc. has been listed on the main list of Nasdaq Helsinki Ltd since 15 June 2017. The Company's shares were in public trading on the First North Finland marketplace until 14 June 2017.

There were 251 trading days in the review period (1 January–31 December 2017). A total of 1,401,273 shares were traded during this period, and the value of the shares traded was 15,091,520 euros. The highest price of the share was 12.98 euros and the lowest price was 7.24 euros. The volume weighted average price was 10.77 euros and the closing price at the end of the review period (31 December 2017) was 12.79 euros. In accordance with the closing price, the combined market value of the shares was approximately 87.1 million euros.

## **FLAGGING NOTIFICATIONS**

There were no changes in ownership during the financial year that would have led to a notification of changes in the holdings in accordance with Chapter 9, Section 10 of the Securities Markets Act.

## **BOARD AUTHORISATIONS**

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The Annual General Meeting of 2016 authorised the Board of Directors to issue a total of 350,000 stock options entitling to subscribe for a maximum of 350,000 new or existing shares in the company. 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**

The company has only the stock option scheme set up in 2016. The company has no other stock option schemes.

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.

Under the terms of Talenom Plc./Stock Options 2016, the Board of Directors will decide on the subsequent reallocation of the redeemed stock options to the Company.

The options granted and the holdings or undistributed options of the company are divided into option categories (31 December 2017) as follows:

Option categories	2016A	2016B	2016C
Options given (pcs)	54,400	81,600	157,000
Talenom Plc.'s holding or undistributed	7,200	10,800	39,000
Total	61,600	92,400	196,000

The subscription period for the stock option is as follows:

- Option right 2016A 1.3.2018—28.2.2019
- Option right 2016B 1.3.2019—28.2.2020
- Option right 2016C 1.3.2020—28.2.2021

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	2016A	2016B	2016C
The current subscription price of options	6.35	6.35	6.35
Total number of options	61,600	92,400	196,000
Talenom Plc.'s holding or undistributed	7,200	10,800	39,000
Number of shares at 31 Dec. 2017	6,812,046	6,812,046	6,812,046
Number of shares if all options are converted into new shares	6,873,646	6,904,446	7,008,046
Proportion of holdings and votes if all options are converted into new shares	0.896%	1.338%	2.797%

The total number of shares will increase from 6,812,046 to 7,162,046 if all of the three stock option options 2016A, 2016B and 2016C will be used to fully subscribe for new shares. The total number of votes and holdings of all three options is 4.887% if all stock options are used to fully subscribe for new shares.

Under the terms of Talenom Plc./Option Rights 2016, 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 terms and conditions are available on the Talenom investor's pages at: [Talenom.fi/sijoittajat](http://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.

A more detailed description of the risks is presented in the listing published on 12 June 2017, which is available on the company's investor pages on [www.talenom.fi/sijoittajat](http://www.talenom.fi/sijoittajat) (in Finnish).

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**

In the Organization Meeting of the Board on 16 March 2017, following the Annual General Meeting, the Board of Directors decided on a specified schedule for transfer to the Nasdaq Helsinki main market from the Nasdaq Helsinki First North market during the year 2017.

In the Business Review 8 May 2017, the Company released its financial information in accordance with the International Financial Reporting Standards (IFRS) for the first time. The Company also introduced the effects of IFRS reporting on the financial years 2015 and 2016.

On 24 May 2017, Talenom Plc.'s Board of Directors decided to apply to enter the Company's shares for trading on the main list of Nasdaq Helsinki Ltd. The Company submitted its listing application on 12 June 2017. The Finnish Financial Supervisory Authority approved the listing prospectus prepared for the transfer to the main market on 12 June 2017. Trading on the Company's shares on the main list began on 15 June 2017.

On 2 January 2017 Talenom announced that it had acquired the business of Trust Accounts TKG Oy from Trust Kapital Group TKG Oy as part of an overall arrangement to cooperate with Trust Kapital Group TKG Oy on sales invoice solutions besides the acquisition. However, cooperation aiming towards the development of sales invoicing systems was never fulfilled to the planned extent.

S-Bank Ltd decided to cease offering liquidity provider services as a consequence of which the liquidity provider agreement between Talenom Plc. and S-Bank Ltd expired on 30 June 2017.

During the period under review, the company signed an agreement with eight new franchisees, expanding to Riihimäki, Kerava, Mikkeli, Laukaa, Kauhajoki, Kirkkonummi and Kauniainen. Thus, the franchising chain extended to a total of 14 entrepreneurs. In addition, the Company agreed with Gigantti Oy Ab on nation-wide sales cooperation, using its distribution channels to offer SME entrepreneurs Gigantti's products.

Talenom was awarded Great Place to Work® certification in the last quarter of 2017.

## **EVENTS AFTER THE REVIEW PERIOD**

After the review period, the company signed a franchise agreement with four new entrepreneurs and opened new franchise offices in Lempäälä and Espoonlahti. The number of franchise entrepreneurs grew to 18 entrepreneurs during this time.

On 3 January 2018, pursuant to Chapter 9, Section 10 of the Securities Markets Act, the company announced a change in the holdings after receiving on 2 January 2018 a notification from Ilmarinen Mutual Pension Insurance Company that the number of shares owned by Talenom Plc. exceeded the 15% limit due to Ilmarinen Mutual Pension Insurance Company and Mutual Pension Insurance Company Etera's merger on January 1, 2018. After the merger, the number of shares and votes held by Ilmarinen Mutual Pension Insurance Company amounted to 1,181,174, with 6,812,046 of the total number of shares and votes held on 1 January 2018.



On 16 January 2018, the company announced that the Board of Directors had decided to issue 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.

In the directed share issue, 18,200 new shares were subscribed for. The number of new shares to be issued corresponded to around 0.27 percent of all Talenom Plc. shares before the new shares were issued. The new shares were viewed as having been subscribed for in the same context and their subscription price was considered paid for in accordance with the terms and conditions of the Deed of Sale as an apportioned property comprising the Accounting Office K Ollila Ltd's business value. The subscription price for the new shares was fully booked in Talenom Plc.'s invested unrestricted equity fund. The shares subscribed for in the directed issue were entered in the Trade Register on 19 January 2018. The total number of Talenom Plc. shares was 6,830,246 shares following the registration of the new shares.

Correspondingly, on 1 February 2018 the company announced that the Board of Directors had decided on a directed share issue, whereby part of the purchase price of the business acquisitions agreed with the shareholders of Tilitoimisto Tuloslaskenta Ltd and the shareholders of ATT Yrityspalvelut Ltd was paid in Talenom Plc. shares.

In the directed share issue of 1 February 2018, a total of 28,888 new shares were subscribed for. The number of new shares to be issued corresponded to around 0.42 percent of all Talenom Plc. shares before the new shares were issued. The new shares were viewed as having been subscribed for in the same context and their subscription price was considered to have been paid for in accordance with the terms and conditions of the Deed of Sale as an apportioned property comprising the Accounting Office Tilitoimisto Tuloslaskenta Ltd and ATT Yrityspalvelut Ltd business value. The subscription price of the new shares was fully booked in Talenom Plc. invested unrestricted equity fund. The shares subscribed for in the directed issue were registered in the Trade Register on 2 February 2018. The total number of Talenom Plc. shares was 6,859,134 shares after the registration of the new shares.

Accounting for business transactions executed after the end of the reporting period was still in progress when this financial statement is published and the financial statements do not present all information in accordance with IFRS3.B64. The undisclosed information relates to assets acquired and liabilities assumed, and the amount of goodwill that may be deductible for tax purposes.

**Consideration paid for business acquisitions (€ 1,000):**

Cash	353
Equity instruments (47,088 shares)	616
<b>Total:</b>	<b>969</b>

The fair value of the issued shares was based on the trade volume-weighted average quotation of the shares in the pre-traded periods.

## **BASIS OF PREPARATION**

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 2017 published by the company. The financial statement is available on the company's investor pages on [www.talenom.fi/sijoittajat](http://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). Accounting for business transactions executed after the end of the reporting period was still in progress when this financial statement was published and the financial statement does not yet present all information in accordance with IFRS3.B64. The undisclosed information relates to assets acquired and liabilities assumed, and the amount of goodwill that may be deductible for tax purposes. 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 standards provide notable supplemental information to management, investors and other interested parties. Alternative performance measures may not be considered as a substitute for measures of performance in accordance with the IFRS.

Alternative performance measures used by the Company include EBITDA, EBITDA as % of net sales, EBITDA before IPO expenses, EBITDA before IPO expenses as % of net sales, 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 2018 (H1) on Thursday 2 August 2018 at 10:00

Financial Statement Bulletin 2018 on Thursday, 7 February 2019 at 10:00

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

January–March 2018 on Thursday 26 April 2018 at 10:00

January–September 2018 on Thursday 25 October 2018 at 10:00

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 on [www.talenom.fi/sijoittajat](http://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	1-12/2017	1-12/2016
<b>Net sales</b>	<b>41,421</b>	<b>36,957</b>
Other operating revenue	338	318
Materials and services	-2,143	-1,455
Expenses arising from employee benefits	-23,758	-22,347
Depreciations and amortisations	-4,669	-2,643
Other operating expenses	-6,349	-6,653
<b>Operating profit (EBIT)</b>	<b>4,840</b>	<b>4,177</b>
Financial income	55	38
Financial expenses	-602	-588
<b>Net financial expenses</b>	<b>-547</b>	<b>-550</b>
<b>Profit before taxes</b>	<b>4,294</b>	<b>3,627</b>
Income taxes	-880	-725
<b>Profit for the financial period</b>	<b>3,414</b>	<b>2,902</b>
<b>Other items of comprehensive income</b>		
<b>Items that may be subsequently transferred to profit or loss</b>		
Cash flow hedging	67	-210
Taxes on items that may be subsequently transferred to profit or loss	-13	42
<b>Other comprehensive income for the financial year after tax</b>	<b>54</b>	<b>-168</b>
<b>Total comprehensive income for the financial year</b>	<b>3,467</b>	<b>2,734</b>
<b>Earnings per share calculated on the profit attributable to equity holders of the parent company</b>		
Undiluted earnings per share (euro)	0.50	0.43
Diluted earnings per share (euro)	0.49	0.43

## 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 1–12/2017

thousand euro	Accounting services	Unallocated items and eliminations	Group total
External net sales	39,339	2,081	41,421
<b>Total net sales</b>	<b>39,339</b>	<b>2,081</b>	<b>41,421</b>
Operating expenses	-29,830	-2,419	-32,250
Other income	338	0	338
<b>EBITDA</b>	<b>9,847</b>	<b>-338</b>	<b>9,509</b>
Depreciations	-3,200	-275	-3,476
Amortisations	-1,193	0	-1,193
<b>Operating result</b>	<b>5,453</b>	<b>-613</b>	<b>4,840</b>

### Operating segments 1–12/2016

thousand euro	Accounting services	Unallocated items and eliminations	Group total
External net sales	35,514	1,443	36,957
<b>Total net sales</b>	<b>35,514</b>	<b>1,443</b>	<b>36,957</b>
Operating expenses	-28,804	-1,651	-30,456
Other income	318	0	318
<b>EBITDA</b>	<b>7,028</b>	<b>-208</b>	<b>6,819</b>
Depreciations	-2,374	-268	-2,643
<b>Operating result</b>	<b>4,654</b>	<b>-477</b>	<b>4,177</b>

## CONSOLIDATED BALANCE SHEET

thousand euro	31 Dec. 2017	31 Dec. 2016
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill	18,420	18,420
Other intangible assets	7,787	6,686
Property, plant and equipment	2,521	2,504
Other non-current financial assets	237	237
Deferred tax assets	191	487
Capitalised contract costs	6,417	4,775
<b>Total non-current assets</b>	<b>35,573</b>	<b>33,108</b>
<b>Current assets</b>		
Trade and other receivables	5,457	4,817
Current tax assets	21	59
Cash and cash equivalents	4,879	4,332
<b>Total current assets</b>	<b>10,357</b>	<b>9,207</b>
<b>Total assets</b>	<b>45,930</b>	<b>42,316</b>
<b>CAPITAL AND RESERVES</b>		
Share capital	80	80
Reserve for invested unrestricted equity	12,373	13,734
Fair value reserve	-114	-168
Retained earnings	1,603	-1,937
<b>Total equity</b>	<b>13,942</b>	<b>11,709</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Financial liabilities	22,000	21,500
Trade and other payables	372	368
Other non-current financial liabilities	143	210
Deferred tax liabilities	44	30
<b>Total non-current liabilities</b>	<b>22,560</b>	<b>22,108</b>
<b>Current liabilities</b>		
Financial liabilities	500	1,000
Trade and other payables	8,352	7,099
Other current liabilities	1	12
Current tax liabilities	575	387
<b>Total current liabilities</b>	<b>9,429</b>	<b>8,498</b>
<b>Total liabilities</b>	<b>31,989</b>	<b>30,606</b>
<b>Total equity and liabilities</b>	<b>45,930</b>	<b>42,316</b>

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

thousand euro	Share capital	Reserve for invested unrestricted equity	Fair value reserve	Retained earnings	Total
<b>Total equity 1 Jan. 2016</b>	<b>80</b>	<b>14,211</b>	<b>0</b>	<b>-4,906</b>	<b>9,385</b>
<b>Comprehensive income</b>					
Profit for the financial period				2,902	2,902
Cash flow hedging			-168		-168
<b>Total comprehensive income for the financial year</b>	<b>0</b>	<b>0</b>	<b>-168</b>	<b>2,902</b>	<b>2,734</b>
<b>Transactions with owners</b>					
Dividend and capital repayment		-476		0	-476
Share-based payments				66	66
<b>Transactions with owners, total</b>	<b>0</b>	<b>-476</b>	<b>0</b>	<b>66</b>	<b>-410</b>
<b>Total equity 31 Dec. 2016</b>	<b>80</b>	<b>13,734</b>	<b>-168</b>	<b>-1,937</b>	<b>11,709</b>

## CONSOLIDATED CASH FLOW STATEMENT

thousand euro	1-12/2017	1-12/2016
<b>Cash flows from operating activities</b>		
Profit (loss) before taxes	4,293	3,627
Adjustments:		
Depreciations and amortisations	4,669	2,643
Financial income	-55	-38
Financial expenses	602	588
Other adjustments	125	66
Changes in working capital:		
Change in trade receivables and other receivables	-641	-534
Change in trade payables and other liabilities	1,166	468
Retained interests	55	38
Paid taxes	-357	-34
<b>Net cash flow from operating activities</b>	<b>9,858</b>	<b>6,824</b>
<b>Cash flows from investing activities</b>		
Revenue from the sale of property, plant and equipment	295	368
Procurement of property, plant and equipment	-1,015	-1,204
Activation of expenditure incurred by the contract	-3,166	-1,507
Procurement of intangible assets	-3,543	-2,876
Acquired businesses	0	-435
<b>Net cash flow from investing activities</b>	<b>-7,429</b>	<b>-5,654</b>
<b>Cash flow from financing</b>		
Paid interest	-637	-546
Return on capital	-1,361	-476
Change in instalment payment liabilities	115	-176
Loan withdrawals	0	0
Loan repayments	0	-1,000
<b>Net cash flow from financing</b>	<b>-1,883</b>	<b>-2,199</b>
<b>Changes in cash and cash equivalents</b>	<b>546</b>	<b>-1,029</b>
Cash and cash equivalents 1 Jan.	4,332	5,361
Net effect of exchange rate fluctuations on cash and cash equivalents		
<b>Cash and cash equivalents 31 Dec.</b>	<b>4,879</b>	<b>4,332</b>

## COLLATERAL AND CONTINGENT LIABILITIES

thousand euro	2017	2016
<b>Collateral on own behalf</b>		
Deposits	3,074	3,074
Loans from financial institutions	22,500	22,500
Mortgages	31,860	31,860
Other*	2,806	3,063
<b>Total</b>	<b>60,240</b>	<b>60,497</b>

\* Other contingent liabilities are related to the issued, unused checksum limit, the bank guarantee limit, and the commitments for part payment liabilities.



## FORMULAS

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