

**TALENOM PLC FINANCIAL STATEMENT BULLETIN 2020  
(AUDITED): OPERATING PROFIT IMPROVED BY 23.8% AND NET  
SALES GREW BY 12.4% – OUTLOOK FOR GROWTH  
BROADENS AND PROFITABILITY REMAINS EXCELLENT**

1 January – 31 December 2020

*Talenom is an agile and progressive accounting firm established in 1972. Our business idea is to make day-to-day life easier for entrepreneurs with the easiest-to-use digital tools on the market and highly automated services. In addition to comprehensive accounting services, we support our customers' business with a wide range of expert services as well as financing and banking services. Our vision is to provide unbeatable accounting and banking services for SMEs.*

*Talenom has a history of strong growth – the average annual increase in net sales was approximately 15.5% between 2005 and 2020.*

*At the end of 2020, Talenom had 912 employees in Finland and Sweden at a total of 47 locations. Talenom's share is quoted on the main list of the Helsinki Stock Exchange.*

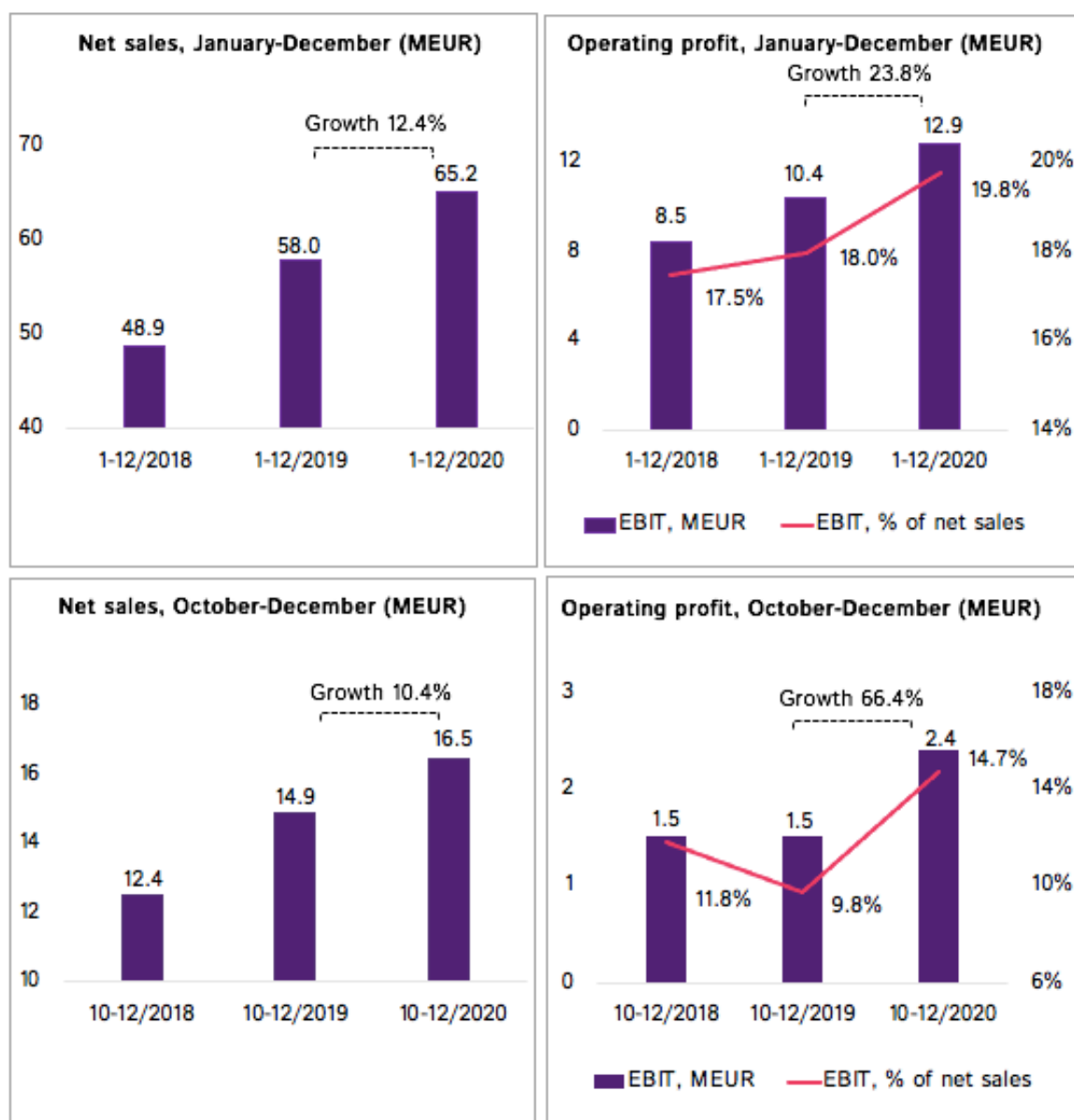


**TALENOM**  
*yritykselämän iloa*

# TALENOM PLC FINANCIAL STATEMENT BULLETIN 2020 (AUDITED): OPERATING PROFIT IMPROVED BY 23.8% AND NET SALES GREW BY 12.4% – OUTLOOK FOR GROWTH BROADENS AND PROFITABILITY REMAINS EXCELLENT

## YEAR 2020 IN BRIEF:

- Net sales 65.2 (58.0) million euros, increase 12.4% (18.6%)
- Operating profit (EBIT) 12.9 (10.4) million euros, 19.8% (18.0%) of net sales
- Net profit 9.6 (7.6) million euros
- Earnings per share 0.22 (0.18) euros
- Board of Directors' proposal for dividend 0.15 euros/share (0.125 euros/share)
- Guidance for 2021: Net sales for 2021 are expected to amount to 75–80 million euros and operating profit to 14–16 million euros.



<b>Group</b>	<b>1-12/2020</b>	<b>1-12/2019</b>	<b>Change</b>
Net sales, thousands of euro	65,161	57,955	7,206
Net sales, increase %	12.4%	18.6%	-6.2 percentage points
Operating profit (EBIT), thousands of euro	12,881	10,409	2,473
Operating profit (EBIT), as % of net sales	19.8%	18.0%	1.8 percentage points
Return on investment (ROI), % (rolling 12 months)	19.6%	20.2%	-0.6 percentage points
Liquid assets, thousands of euro	9,104	7,786	1,317
Earnings per share, euro	0.22	0.18	0.04
Net profit, thousands of euro	9,579	7,615	1,964

<b>Group</b>	<b>10-12/2020</b>	<b>10-12/2019</b>	<b>Change</b>
Net sales, thousands of euro	16,463	14,913	1,550
Net sales, increase %	10.4%	19.8%	-9.4 percentage points
Operating profit (EBIT), thousands of euro	2,425	1,458	968
Operating profit (EBIT), as % of net sales	14.7%	9.8%	5.0 percentage points
Return on investment (ROI), % (rolling 12 months)	19.6%	20.2%	-0.6 percentage points
Liquid assets, thousands of euro	9,104	7,786	1,317
Earnings per share, euro	0.04	0.02	0.02
Net profit, thousands of euro	1,803	1,016	787

## **GUIDANCE FOR 2021**

Net sales for 2021 are expected to amount to 75–80 million euros and operating profit to 14–16 million euros.

## **CEO OTTO-PEKKA HUHTALA:**

We will remember 2020 as an eventful year of development in exceptional circumstances. At the beginning of the year, I predicted that this will be the decade of consulting. The coronavirus pandemic accelerated our journey of evolving from accountants to consultants. On this journey, we want to support the business operations of our entrepreneur customers by providing them not only with accounting services, but also a range of expert services such as financial and tax advisory services and financing services. In the exceptional circumstances of 2020, entrepreneurs found our support and advisory services especially valuable.

In the autumn, we launched TiliJaska, a new concept for the small customer segment, and unveiled our new banking services. Our goal for this year is to offer Talenom bank accounts and Talenom bank cards to all our customers. The digital distribution of the TiliJaska concept will enable us to sell our services efficiently to small entrepreneurs. We estimate that the new small customer concept has almost doubled the market potential of our services in Finland. Furthermore, we believe that the concept has substantial potential also in other markets, and we intend to launch a similar service, KontoKalle, in Sweden this year.

Our business developed favourably during the review year. We continued to grow and improved our profitability in spite of the coronavirus pandemic. Operating profit for January–December 2020 saw year-on-year improvement of 23.8% and amounted to 12.9 million euros. Operating profit was 19.8% of net sales. Net sales for January–December increased year-on-year by only 12.4% to 65.2 million euros. The relative growth of net sales slowed down as the pandemic weakened sales to new customers and transaction-based invoicing. However, we successfully adjusted costs and stepped up automation, and as a result our relative profitability developed favourably.

In addition to organic growth, Talenom aims to pursue growth through acquisitions as well. In this respect, too, 2020 was a successful year, as we carried out several acquisitions in Finland. Our positive experiences of the Swedish market encouraged us to accelerate the growth of our business there. Through acquisitions, we expanded to new locations, Gothenburg, Malmö and, in January after the review year, to Växjö. Following the growth of our business operations in Sweden, we have achieved a sufficient level of net sales there to enable us to profitably localise and deploy our software in the country. We believe that the introduction of our own software will significantly boost the efficiency of our operations while making everyday life easier for our customers.

During the review year, we further increased our investments in software development. Our in-house software development combined with our accounting expertise is our strategic strength. We believe that this enables us to provide an excellent customer experience to our entrepreneur customers while automating our own routines. Cutting down on routines gives our experts more time to provide services with higher added value.

The boundaries between different sectors in our market are undergoing a transformation. The Payment Services Directive challenges the earnings logic of traditional banks and the EU's new e-Invoicing Directive spurs companies to digitalise their financial management. On the other hand, the digitalisation of financial management improves the transparency of business operations, boosts efficiency in tax collection and also plays a key role in the EU's green policy. We want to remain at the forefront of our industry and in October updated our vision: unbeatable accounting and banking services for SMEs. At the same time, we are building our future as a company that is going

international and venturing into the European market by relying on our strategic cornerstones – automation, making entrepreneurship easy and care.

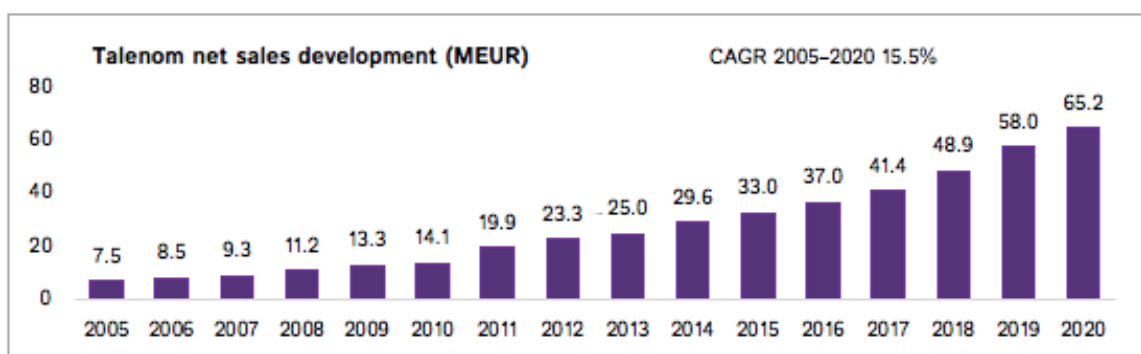
## FINANCIAL DEVELOPMENT

### KEY FIGURES

Group	1-12/2020	1-12/2019	Change
Net sales, thousands of euro	65,161	57,955	7,206
Net sales, increase %	12.4%	18.6%	-6.2 percentage points
Operating profit (EBIT), thousands of euro	12,881	10,409	2,473
Operating profit (EBIT), as % of net sales	19.8%	18.0%	1.8 percentage points
Return on investment (ROI), % (rolling 12 months)	19.6%	20.2%	-0.6 percentage points
Interest-bearing net liabilities, thousands of euro	29,328	29,204	124
Net gearing ratio, %	91%	124%	-33 percentage points
Equity ratio, %	38.1%	33.2%	4.9 percentage points
Working capital, thousands of euro	-6,039	-3,780	-2,259
Net investments, thousands of euro	20,295	15,439	4,856
Liquid assets, thousands of euro	9,104	7,786	1,317
Earnings per share, euro*	0.22	0.18	0.04
Weighted average number of shares during the period*	42,654,214	41,574,952	1,079,262
Net profit, thousands of euro	9,579	7,615	1,964

\*) The number of shares outstanding has been adjusted due to the share issue carried out free of charge during the review period by multiplying the preceding figures by six.

### NET SALES, PROFITABILITY AND FINANCIAL PERFORMANCE



During the period from January to December, Talenom's net sales increased by 12.4% year-on-year. Amounting to 65.2 (58.0) million euros, net sales grew by around 7.2 million euros. The growth in net sales was mainly due to the increase in the number of accounting service customers – around half came from the company's proactive new customer acquisition efforts and half via company acquisitions.

In January-December, personnel expenses amounted to 33.9 (29.9) million euros, 52.1% (51.6%) of net sales.

Other operating expenses, including materials and services, totalled 8.1 (9.5) million euros, accounting for 12.4% (16.4%) of net sales.

In January–December, operating profit (EBIT) was 12.9 (10.4) million euros, 19.8% (18.0%) of net sales, and net profit was 9.6 (7.6) million euros. Operating profit improved by 23.8%. Savings on fixed costs and advances in automation enabled year-to-year improvement in profitability. Profitability in the review period was burdened by lower invoicing of transaction-based products and a slowdown in new customer acquisition due to pandemic-related restrictions. As Talenom's growth is based on acquisitions to a greater extent than before, the weaker profitability of the acquirees and integration costs weakened the profit.

During the period from October to December, Talenom's net sales increased by 10.4% year-on-year. Amounting to 16.5 (14.9) million euros, net sales grew by around 1.6 million euros. In October–December, operating profit (EBIT) was 2.4 (1.5) million euros, 14.7% (9.8%) of net sales, and net profit was 1.8 (1.0) million euros. Operating profit (EBIT) for October–December improved by 66.4% year-on-year.

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

On 31 December 2020, the consolidated balance sheet total was 84.9 (71.3) million euros. The Group's equity ratio was 38.1% (33.2%) and the net gearing ratio was 91% (124%).

The Group's interest-bearing non-current financial loans at the end of the review period were 30.0 (28.0) million euros, excluding instalment debts. Other non-current interest-bearing liabilities (instalment debts) were 0.1 (0.2) million euros and other current interest-bearing liabilities (instalment debts) were 0.2 (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 5.9 (6.6) million euros and current lease liabilities at 2.3 (1.9) million euros on 31 December 2020.

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 4.2 (4.6) million euros in the review period. Investments concerning software and digital services amounted to 10.1 (5.3) million euros.

The company's total net investments in the review period 1 January–31 December 2020 were 20.3 (15.4) million euros.

In February 2020, the company acquired the business operations of the accounting firm Addvalue Advisors Oy, in May the share capital of Niva Ekonomi AB, in September the entire share capital of Frivision AB and the entire business of Larsen & Co Tilitoimisto Oy, and in December the business operations of E-P:n Yrityspalvelu Oy. In addition, Talenom acquired Vanaja Technologies Oy's

software business in August. In January 2021, after the end of the review period, the ownership of the Swedish accounting firms Ekonomianalys KL AB and Persson & Thorin AB transferred to Talenom. More information on these acquisitions is presented under “Events after the review period”.

The purchase prices of the share transactions carried out in Sweden during the review year totalled 2.5 million euros and the purchase prices of asset deals in Finland amounted to 1.9 million euros. In the acquisitions, part of the purchase price was paid with new Talenom Plc shares subscribed for in a directed issue. These business acquisitions accounted for EUR 4.4 (4.2) million of Talenom’s net investments.

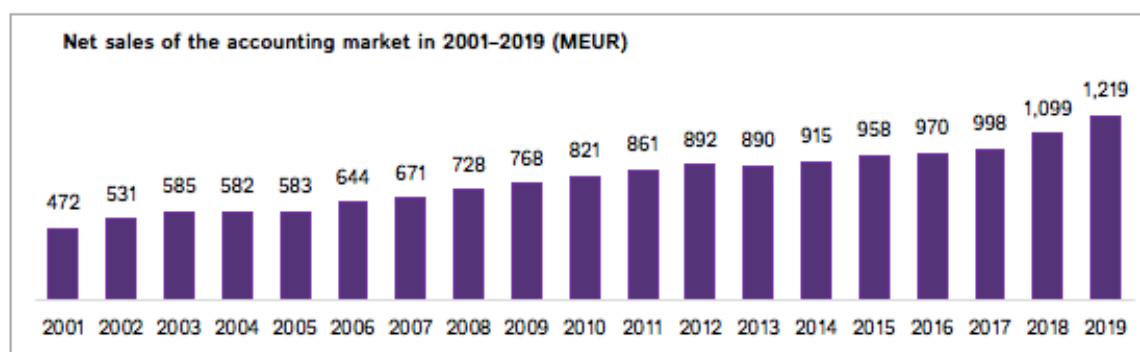
Thousand euro	Share transactions (Sweden)	Asset deals (Finland)
Purchase prices, total	2,500	1,878
12-month net sales at the time of acquisition, total	2,830	2,387
12-month operating profit at the time of acquisition, total	166	387

Talenom’s liquid assets at 31 December 2020 were 9.1 (7.8) million euros. In addition, the company had unused overdraft limits of 3.0 (1.0) million euros at the end of the review period.

## MARKET AND SECTORAL REVIEW

The accounting market in Finland is fragmented. Statistics Finland's structural business and financial statement statistics indicate that in 2019 the number of companies in the sector was 4,104 (2018: 4,135) and the average size of company was 2.9 (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 amounted to 5.4% in the period 2001–2019.



Source: Statistics Finland, Structural business and financial statement statistics



Statistics Finland's Structural business and financial statement statistics also indicate that the total size of the accounting market was 1,219 (1,099) million euros in 2019, when Talenom's market share was 4.8% (4.4%), measured in net sales.

## **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 as well as the digitalisation projects of the authorities. 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 freed and 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 60% 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 substantial investments 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. The automation and digitalisation of routine work enables the expansion of service offering in the direction of consultancy. The service offering is increasingly focusing on supporting the management of client companies in developing and guiding their businesses, alongside the routine work.

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

The digital transformation of the accounting and banking sector enables the pioneer to provide and distribute services in a more customer-friendly way and with greater efficiency. The platform economy is transforming working life – ever more people are seeking their livelihood from entrepreneurship and thus there is growing demand for financial management services.

Legislative changes contribute to the digital transformation of the accounting and banking sector. Due to the e-Invoicing Directive that came into force in April 2020, companies have the right to receive an e-invoice from another company. The Payment Services Directive PSD2 obligates opening up bank interfaces across the EU, which makes it possible to include banking services in the service portfolios of accounting firms. Basel regulations have tightened the solvency

requirements of banks, for instance, which has created the need for new financing channels for SMEs.

## **MISSION, VISION AND STRATEGY**

### **Talenom's mission: Joy of entrepreneurship**

We want to free up the time of our customers so they can focus on their own core functions – to this end, we do our own work exceptionally well and provide the joy of entrepreneurship.

### **Talenom's vision: Unbeatable accounting and banking services for SMEs**

Talenom provides its SME customers in Europe with effortless access to unbeatable accounting and banking services under a one-stop shop principle.

### **Talenom's strategy**

Talenom's strategy is based on making day-to-day life easier for entrepreneur customers, highly automated services and proactively taking care of customers. The key to the implementation of the strategy is the combination of Talenom's in-house software production and accounting market expertise.

- **Development of automation**

Thanks to automation, experts' resources are freed up from manual routines to supporting customers. Automation has already reduced the need for labour and thereby improved Talenom's capacity to take on new customers without hiring more accountants.

- **An unbeatable customer experience yields a competitive edge**

Talenom's objective is to provide an unbeatable customer experience, which is created by combining a digital user experience with high-quality, highly personal service. Talenom wants to stand out as an active player – a company that helps its customers not only with accounting services, but also with added value services for finance, taxation and administration as well as banking services.

- **Growth organically and through acquisitions**

Talenom wants to keep pursuing strong growth. The aim is to increase the number of both in-house sales personnel and franchising entrepreneurs as well as to seek geographical coverage also through distance sales. Talenom's substantial investments in software and achievements in developing efficiency support increasing business volume through acquisitions as well.

- **Internationalisation**

The aim is to keep growing and expanding in Sweden. Talenom is also pursuing growth in other European countries, which provide the company with significant opportunities for expansion into new markets as a pioneer in the digitalisation of the accounting sector.

- **Small customer concept and Talenom Light Entrepreneur expand growth opportunities**

Talenom reached an important milestone in its growth strategy in autumn 2020 when it launched the TiliJaska service in the Finnish market in line with its small customer concept. This new service provides small entrepreneurs with a free accounting application, banking

services (IBAN accounts and cards) and accounting services that are scaled to each customer's needs. A similar service will be introduced in Sweden. The small customer concept opens up an entirely new target market for Talenom in Finland – the small customer sector of SMEs, consisting of companies with net sales of under 400,000 euros.

In connection with TiliJaska, Talenom also launched the Light Entrepreneur service. Talenom Light Entrepreneur is the easiest and most affordable way on the market that enables budding entrepreneurs to go into business. The ongoing transformation of work is leading more and more people to take a second job or become part-time entrepreneurs. At the same time, work is increasingly changing into platform economy work performed through entrepreneurship. With its Light Entrepreneur service, Talenom wants to be involved in this megatrend. In the past five years, the Finnish light entrepreneur market has grown threefold.

- **Added value for customers with banking and financing services under the same roof**  
Talenom has been providing its customers with financing services since 2018. The services have been well-received by customers. Talenom intends to launch its own bank account and card services developed with the TiliJaska™ service to all Talenom customers, so that it can offer the accounting and banking services customers want under the same roof.

## SERVICES PROVIDED BY TALENOM

Talenom offers entrepreneurs a wide selection of accounting services, financial management software and digital services, as well as a variety of expert, advisory, financing and banking services. In-house software development combined with accounting expertise is Talenom's competitive edge that enables the company to provide an unbeatable customer experience to entrepreneurs while automating its own routines.

### ACCOUNTING SERVICES

- **Financial process outsourcing services** include bookkeeping, sales invoicing, invoice payment, payroll and performance monitoring and HR services. In the case of performance monitoring, a monthly report, at the level of an interim financial statement, is produced for the customer in the Talenom Online service.
- **Care services** include, for instance, accountants designated to customers and industry-specific specialist teams, the customer service centre and reviews of the customers' financial situation. Care services form part of the service, as a fixed addition for certain customer groups.

Accounting services are offered through ongoing, lengthy customer relationships with highly predictable billing accrual. Services are sold as a monthly billing service package, with pricing depending on the scope of services selected by the customer. The customer is provided with system packages tailored to its own industry and Talenom's sectoral expertise.

## DIGITAL SERVICES FOR FINANCIAL MANAGEMENT

Talenom engages in its own software development, aiming to modernise and boost efficiency in the financial management processes of customers, promote electronic financial management and support Talenom's own processes. Talenom has around 80 experts in digital services, software design and business processes.

- **Talenom Online** is an electronic financial management hub for Talenom's accounting customers, 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** is a mobile application offered to customers with accountancy services. Customers can use the App to scan and send materials such as bank and credit card receipts to bookkeeping and also use it to manage their travel bills.
- With **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. The data source is typically economic data already available at Talenom, enriched with data from the customer's other systems.

## ADVISORY SERVICES

Talenom provides its customers with legal, taxation and financial advisory services concerning, for instance, the planning and implementation of changes in corporate structures, generational handovers and ownership arrangements, tax planning and M&As, assessments of corporate financial management processes or internal accounting and related development projects, change management and outsourced financial manager services.

## FINANCING SERVICES

Talenom's Financing Services offers flexible financing of sales invoices, instalment financing services and corporate loans.

## TILIJASKA SERVICE FOR SMALL ENTREPRENEURS

Talenom unveiled its latest value-added service in October 2020: TiliJaska provides small entrepreneurs with a free accounting application, banking services (IBAN accounts and cards) and accounting services that are scaled to each customer's needs. A similar service will be introduced also in Sweden.

## **LIGHT ENTREPRENEUR SERVICES**

Talenom Light Entrepreneur service enables solo entrepreneurs that do not have a Business ID to sell their expertise in an easy and affordable way.

## **BANKING SERVICES**

Talenom intends to launch its own account and card services developed with the TiliJaska service to all its customers, so that the company can meet its customers' wishes to purchase accounting and banking services under the same roof.

## **PERSONNEL AND MANAGEMENT**

Satisfied personnel is one of Talenom's strategic objectives. The company continued to promote job satisfaction also during the review year. The main focus of development efforts is still on building a culture of trust through high-quality interactions. To this end, interaction skills and caring in line with Talenom's values – such as taking the needs and feelings of individuals into consideration – must be enhanced throughout the organisation. Talenom measures personnel satisfaction regularly, which facilitates the identification of development areas at the unit and organisation levels. The personnel satisfaction survey of 2020 indicated that personnel satisfaction was at an excellent level. For the third time in a row, Talenom was one of Finland's best workplaces in the Great Place to Work survey, ranking fourth in the Large Companies category.

Due to the coronavirus pandemic, Talenom employees started working mainly at their home offices in the spring – and telework continued on a large scale for the remainder of the year. The transition to remote work went smoothly thanks to Talenom's digital way of working. As physical interactions decreased, Talenom considered it particularly important to foster regular team meetings and discussions between employees and their supervisors.

Personnel training made further outlays on coaching employees to adopt a more consultative operating model. A special financial manager training programme was established to support development. In addition, the salary model and performance assessment criteria were updated to better account for changes in job descriptions caused by digitalisation. To ensure sufficient development of leadership skills, Talenom for the first time selected in-house employees to enrol in the Talenom Leadership School, which will prepare them to work in senior management positions at Talenom.

Talenom monitors the number of KLT graduates as part of the development of its expertise. The KLT degree is a financial management degree for commercially trained financial management experts with several years of professional experience. During the review year, 21 (23) Talenom employees completed a KLT degree. At the end of the year, a total of 130 (120) Talenom employees were KLT graduates. In addition, during the review period, 7 (14) employees completed the PHT degree in payroll administration, which demonstrates extensive expertise in the field. At the end of the year, a total of 25 (14) Talenom employees had a PHT degree.

Talenom had 912 (799) employees at the end of the year. The average number of personnel during the review period 1 January–31 December 2020 was 868 (746). During the review period, the members of the company's Executive Board were Otto-Pekka Huhtala (CEO), Antti Aho (CFO and CHRO), Tuomas Iivanainen (Director, International Business), Juho Aho (Director, Accounting

Services) and Juha Jutila (Director, Business Development). There were no changes in the composition of the Executive Board during the review period.

## **ANNUAL GENERAL MEETING 2020**

Talenom's Annual General Meeting was held on 25 February 2020 in Helsinki. The AGM decided to issue a dividend of 0.125 euros per share for the financial period 1 January–31 December 2019 (the share issue without payment has been taken into consideration). The dividend was paid to shareholders on 5 March 2020.

In order to enhance the liquidity of the share, the AGM resolved to issue new shares to shareholders without payment in proportion to their holdings so that five new shares was issued for each share. In addition, it was decided that new shares would be issued to the company on the basis of treasury shares held by the company. A total of 34,863,360 new shares were issued. The new shares were entered in the Trade Register on 27 February 2020 and recorded on the book-entry accounts of shareholders on 28 February 2020. After the issue, the number of Talenom shares totalled 41,836,032. After the share issue without payment, Talenom held 150,600 treasury shares.

The AGM authorised the Board of Directors to resolve on the repurchase of maximum of 300,000 shares in the company in one or several tranches using the company's unrestricted shareholders' equity. The shares will be repurchased otherwise than in proportion to the shareholdings of the shareholders in public trading arranged by Nasdaq Helsinki Ltd for the market price at the moment of purchase.

The Annual General Meeting authorised the Board of Directors to resolve on the issuance of shares and the issuance of special rights entitling to shares as referred to in Chapter 10 Section 1 of the Finnish Limited Liability Companies Act in one or several tranches, either against payment or without payment. The aggregate amount of shares to be issued, including the shares to be received based on special rights, must not exceed 1,800,000 shares. The authorisation is used for the purposes of paying purchase prices of corporate acquisitions, share issues directed to personnel or share award schemes or for other purposes decided by the Board of Directors.

## **BOARD OF DIRECTORS AND AUDITOR**

The AGM re-elected Harri Tahkola, Mikko Siuruainen, Olli Hyyppä, Anne Rieki and Johannes Karjula to new terms of office and Sampsa Laine as a new member of the Board of Directors. In its organisational meeting after the AGM, the Board of Directors elected Harri Tahkola as Chairman of the Board.

The Board of Directors re-elected KPMG Oy Ab, authorised public accountant organisation, as the auditor of the company, with Juho Rautio, authorised public accountant, 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 8,440,559.94 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 0.15 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 2020, Talenom Plc had a total of 43,214,780 shares entered in the Trade Register. The company held 150,600 treasury shares (0.35% of the total number of shares and votes) at the end of the review period. On 31 December 2020, Talenom had a total of 6,636 (3,937) shareholders, representing an increase of 2,699 shareholders, year on year.

There were 252 trading days in the review period 1 January–31 December 2020. A total of 16,506,856 shares were traded during this period, and the value of the shares traded was 129,342,779 euros. The highest price of the share was 15.20 euros and the lowest price was 4.93 euros. The volume weighted average price was 7.84 euros and the closing price at the end of the review period was 15.05 euros. In accordance with the closing price, the combined market value of the shares was approximately 650.38 million euros.

## **FLAGGING NOTIFICATIONS**

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

According to a notification received on 14 February 2020, the number of Talenom Plc shares owned by Ilmarinen Mutual Pension Insurance Company decreased below the 10% limit of all Talenom Plc shares due to share transactions.

According to a notification received on 18 February 2020, the number of Talenom Plc shares owned by Evli Bank Plc decreased below the 5% limit of all Talenom Plc shares due to share transactions.

According to a notification received on 27 February 2020, the number of Talenom Plc shares owned by Danske Bank A/S decreased below the 5% limit of all Talenom Plc shares due to share transactions.

According to a notification received on 3 March 2020, the number of Talenom Plc shares owned by Danske Bank A/S rose above the 5% limit of all Talenom Plc shares due to share transactions.

According to a notification received on 19 August 2020, the number of Talenom Plc shares owned by Ilmarinen Mutual Pension Insurance Company decreased below the 5% limit of all Talenom Plc shares due to share transactions.

## **BOARD AUTHORISATIONS**

The 2020 AGM authorised the Board of Directors to resolve on the repurchase of a maximum of 300,000 shares in the company in one or several tranches using the company's unrestricted shareholders' equity. The shares will be repurchased otherwise than in proportion to the shareholdings of the shareholders in public trading arranged by Nasdaq Helsinki Ltd for the market price at the moment of purchase. The authorisation remains valid until the closing of the next Annual General Meeting, but no longer than until 30 June 2021.

The 2020 AGM authorised the Board of Directors to resolve on the issuance of shares and the issuance of special rights entitling to shares as referred to in Chapter 10 Section 1 of the Finnish Limited Liability Companies Act in one or several tranches, either against payment or without payment. The aggregate amount of shares to be issued, including the shares to be received based on special rights, must not exceed 1,800,000 shares. The Board of the Directors may resolve to issue new shares or to transfer own shares possibly held by the company.

The Board of Directors is authorised to decide on all other matters related to the issuance of shares and special rights entitling to shares, including the right to deviate from the pre-emptive right of shareholders to subscribe for shares to be issued. The authorisation is used for the purposes of paying purchase prices of corporate acquisitions, share issues directed to personnel or share award schemes or for other purposes decided by the Board of Directors. The authorisation remains valid until the closing of the next Annual General Meeting, but no longer than until 30 June 2021. The authorisation revokes all previous unused authorisations to resolve on the issuance of shares, option rights and other special rights entitling to shares.

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. More information on the use of authorisations in 2020 can be found in the section "Significant events in the review period".

## **STOCK OPTION SCHEMES**

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

The terms of the 2016 stock option scheme were approved by the AGM of 17 March 2016. Under the terms of the option scheme, 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 and conditions of the 2018 and 2019 stock option schemes are in line with the terms of the 2016 stock option scheme. The terms of the 2018 stock option scheme were approved by the AGM of 14 March 2018 and the terms of the 2019 stock option scheme by the AGM of 26 February 2019.

The Board of Directors decides on any further actions concerning stock options that are later returned to the company.



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

In order to enhance the liquidity of the share, the 2020 AGM resolved to issue new shares to shareholders without payment in proportion to their holdings so that five new shares was issued for each share. The shares were issued to shareholders who were registered in the shareholder list maintained by Euroclear Finland Oy on the record date, 27 February 2020. Due to the share issue without payment, the Board of Directors decided on 25 February 2020 to change the number and subscription price of the shares subscribed for with the options. After these amendments, the total number of shares to be subscribed with 2016 option rights is 1,176,000, the total number of shares to be subscribed with 2018 option rights is 360,000 and the total number of shares to be subscribed with 2019 option rights is 1,200,000.

The options granted and the holdings or undistributed options of the company are divided into option categories (31 December 2020) as follows:

<b>Option categories (pcs)</b>	<b>2016C</b>	<b>2018</b>	<b>2019</b>
Options given	1,176,000	360,000	1,200,000
Options exercised	694,150	348,000	0
Talenom Plc's holding or undistributed	467,100	12,000	276,000
Options given but not exercised	14,750	0	924,000

The table below shows the shareholding and voting rights that may be exercised under the issued stock options and the effect of the options on the number of shares.

<b>Option categories</b>	<b>2016C</b>	<b>2018</b>	<b>2019</b>
The current subscription price of options	0.79	1.80	3.25
Total number of unexercised options	14,750	0	924,000
Exercised or Talenom Plc's holding or undistributed	1,161,250	360,000	276,000
Number of shares at 31 Dec 2020	43,214,780	43,214,780	43,214,780
Number of shares if all options are converted into new shares	43,229,530	43,214,780	44,138,780
Proportion of holdings and votes if all options are converted into new shares	0.034%	0.000%	2.093%

The total number of shares will increase from 43,214,780 to 44,138,780 if all of the three stock options 2016C, 2018 and 2019 will be used in full to subscribe for new shares. The total number of votes and holdings of all three options is 2.126% if all stock options are used to fully subscribe for new shares.

Under the terms of the option rights, 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 terms and conditions are available (in Finnish) on Talenom's investor pages at: [Talenom.fi/sijoittajat/yhtiokokoukset](http://Talenom.fi/sijoittajat/yhtiokokoukset).

## SHARE-BASED INCENTIVE PLANS

Talenom has two share-based incentive plans for the Group's key personnel, which the Board of Directors decided to establish on 25 February 2020.

### Performance Share Plan 2020-2024

The Performance Share Plan 2020–2024 consists of three performance periods, covering the calendar years 2020–2022, 2021–2023 and 2022–2024. The Board of Directors resolves on the plan's performance criteria and the targets set for each criterion at the beginning of the performance period. During the performance period 2020-2022, approximately 50 persons are included in the target group of the plan, including the company's Executive Board members.

The potential reward based on the plan will be paid partly in the company's shares and partly in cash after the end of a performance period. The cash proportion is intended to cover taxes and tax-related expenses arising from the reward to a participant. The rewards to be paid correspond to the value of an approximate maximum total of 330,000 Talenom Plc shares, including also the proportion to be paid in cash.

### Restricted Share Plan 2020

The Restricted Share Plan 2020 is intended for selected key employees only, including the Executive Board members. The reward from the Restricted Share Plan is paid partly in the company's shares and partly in cash after the end of a 12-60-month vesting period. The rewards to be granted based on the Restricted Share Plan in 2020-2025 correspond to the value of a maximum total of 185,950 Talenom Plc shares, including also the proportion to be paid in cash.

## 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 of the company or those provided by its partners may be subject to security breaches, or to failures, faults or disturbances during maintenance and updates that affect the company's business, profitability and financial position.
- The coronavirus pandemic poses uncertainties to Talenom's financial forecasts. Uncertainties will increase if exceptional circumstances continue for a long time, causing bankruptcies among Talenom's customer companies, weaker sales to new customers and a decline in transaction-based invoicing.

The company has a risk management policy, endorsed by the Board, which supports strategic and business objectives, and ensures the continuity of operations in all circumstances. The ability to take risks and manage them efficiently is a key factor in business success and creating shareholder value.

In accordance with the risk management policy approved by the Board of Directors, risk preparedness and identification are continuous and systematic activities, and are the responsibility of the management. The management is responsible for defining, implementing and monitoring the implementation of measures as part of normal operational guidance.

Risk management is coordinated by the head of IT security and safety, who reports to the Group's CEO. The company's Board of Directors is provided, at least once a year, with a separate inventory of the risks and uncertainties that the Board of Directors uses to define risk management measures.

## **SIGNIFICANT EVENTS IN THE REVIEW PERIOD**

Talenom carried out several acquisitions during the review period: in February 2020, it acquired the business operations of the accounting firm Addvalue Advisors Oy in Vantaa, in May the share capital of Niva Ekonomi AB in Stockholm, in August the software business of Vanaja Technologies Oy in Hämeenlinna, in September the entire share capital of Frivision AB in Gothenburg and Malmö as well as the entire business operations of Larsen & Co Tilitoimisto Oy in Helsinki, and in December the business operations of E-P:n Yrityspalvelu Oy in Seinäjoki. With its acquisitions in Sweden, Talenom expanded its operations to new locations in Malmö and Gothenburg. The companies acquired through share transactions in Sweden during the review year had 12-month net sales of 2.8 million euros in total and operating profit of 0.2 million euros in total at the time of acquisition. The operations acquired through asset deals during the review year had 12-month net sales of 2.4 million euros in total and operating profit of 0.4 million euros in total at the time of acquisition. The purchase prices of the share transactions carried out in Sweden totalled 2.5 million euros and the purchase prices of asset deals in Finland totalled 1.9 million euros.

In the acquisitions, part of the purchase price was paid with new Talenom Plc shares subscribed for in a directed issue. A total of 216,598 shares were subscribed for in directed share issues related to acquisitions during the review period.

On 14 February 2020, Talenom announced that it was ranked as one of Finland's best workplaces for the third time in a row in the Great Place to Work survey. Talenom was ranked fourth in the Large Companies category.

On 25 February 2020, the Board of Directors resolved, based on the terms and conditions of Talenom's 2016, 2018 and 2019 option rights, to amend the number of shares to be subscribed with the option rights and their subscription price due to the Annual General Meeting's decision to carry out a share issue without payment.

On 25 February 2020, the Board of Directors decided to establish two new share-based incentive plans for the Group's key employees, the Performance Share Plan 2020–2024 and the Restricted Share Plan 2020. The Performance Share Plan 2020–2024 consists of three performance periods, covering the calendar years 2020–2022, 2021–2023 and 2022–2024. The Board of Directors resolves on the plan's performance criteria and targets to be set for each criterion at the beginning of the performance period.

On 11 March 2020, Talenom announced that its market making agreement with Lago Kapital Ltd in compliance with the Liquidity Providing (LP) requirements issued by Nasdaq Helsinki Ltd will end. Talenom estimated that the liquidity of the share will be sufficient without market making operations. The agreement ended on 9 June 2020.

In February-March 2020, Talenom carried out a brand survey on the brand awareness of the company, the impressions that potential customers have of the company and Talenom's positioning amongst its competitors. The results indicate that Talenom is clearly the best known, top-of-mind accounting firm among its core target group.

In April, Talenom agreed on a 30 million euro collateralised loan with Danske Bank A/S, Finland branch. Following the arrangement, Talenom's annual financing costs will decline by a total of around 0.12 million euros. The loan period is three years and can be extended by one year if necessary. With this new loan, Talenom repaid its collateralised loans from OP Financial Group, which totalled 28 million euros. In addition, Talenom agreed on an additional loan of 10 million euros for potential acquisitions and projects in support of growth.

In May, Talenom carried out a share issue directed to the company's personnel and franchise entrepreneurs. The subscription commitments given during the subscription period from 11 May to 22 May 2020 covered 200,447 shares, which means that the personnel share issue was oversubscribed 1.7 times. The Board of Directors of Talenom approved on 27 May 2020 the subscriptions for the maximum number of new shares in the personnel share issue, a total of 120,000 new shares. Shares were subscribed for by 252 persons, which corresponds to approximately 32% of those eligible. The members of the company's Board of Directors, the CEO and the members of the Executive Board were not entitled to participate in the personnel share issue. The approved subscriptions were paid in accordance with the terms and conditions of the personnel share issue. The share subscription price was 5.86 euros, based on the trade volume-weighted average price of the share on Nasdaq Helsinki Ltd in the 1 March to 31 March 2020 period, with a 10 per cent discount.

The 120,000 new Talenom Plc shares subscribed for in the personnel share issue were entered in the Trade Register on 28 May 2020. The total subscription price, 703,200.00 euros, was fully recorded in the company's invested unrestricted equity fund. The shares subscribed for in the personnel issue represent 0.28% of the total number of shares in the company before the issue of the shares and after the issue of shares.

A total of 1,042,150 new Talenom Plc shares were subscribed for with 2016C and 2018 stock options during the review period. The new shares were registered in the Trade Register on 13 March 2020, 28 May 2020 and 10 September 2020. The total subscription price, 1,202,507.50 euros, was fully recorded in the company's invested unrestricted equity fund.

Talenom appointed Olli Lätti as its new Commercial Director as of 3 August 2020. At Talenom, Olli Lätti's area of responsibility includes field sales, customer service and the franchising network. Lätti reports to Juho Ahosola, Director, Accounting Services.

On 31 August 2020, Talenom announced that it had concluded a new franchise agreement in Keilaniemi, Espoo. At the end of the review period, Talenom had a total of 21 franchise entrepreneurs.

On 26 October 2020, Talenom announced new services to implement its growth strategy: the TiliJaska (KontoKalle) service in line with the small customer concept, the Talenom Light Entrepreneur service, and new banking transaction services (Talenom bank account and cards). With its new services, Talenom also released its new vision: unbeatable accounting and banking services for SMEs.

The new services, small customer concept and Talenom's strategy of profitable growth were presented at the Capital Markets Day on 11 November 2020. Talenom's strategy is based on making day-to-day life easier for entrepreneur customers, highly automated accounting services and proactively taking care of customers. In addition to organic growth, Talenom's objective is to export its expertise to new markets in Europe and to grow through acquisitions as well.

## EVENTS AFTER THE REVIEW PERIOD

On 10 December 2020, Talenom agreed to acquire the accounting firms Ekonomianalys KL AB and Persson & Thorin AB in Sweden. The acquired businesses were transferred to Talenom on 4 January 2021. The combined total purchase prices amounted to 2.9 million euros. The transactions were carried out by acquiring the entire share capital of the companies and paid in the form of new Talenom Plc shares subscribed for in a directed share issue and with cash. The 136,807 new shares subscribed for in the directed share issue related to the transaction were registered in the Trade Register on 7 January 2021.

With these acquisitions, Talenom further strengthened its position in the Swedish market and expanded its operations to a new municipality, Växjö.

The combined net sales of the acquirees in the period of last 12 months was around 3.5 million euros (previous 12-month comparison period: 2.8 million euros) and their operating profit was around 0.3 million euros (previous 12-month comparison period: 0.5 million euros).

The preliminary estimates of the combined values of acquired assets and liabilities at the time of acquisition are as follows:

### 1,000 euros, pro forma

Property, plant and equipment	153
Customer relationships	1,141
Current assets	794
<b>Total assets</b>	<b>2,088</b>
Trade and other payables	650
Deferred tax liabilities	235
<b>Total liabilities</b>	<b>886</b>
<b>Net assets</b>	<b>1,203</b>
Consideration transferred	4,386
Net assets of acquirees	-1,203
<b>Goodwill</b>	<b>3,183</b>

No other significant events took place after the review period.

## ACCOUNTING PRINCIPLES

The financial statement bulletin has been prepared in accordance with IAS 34 Interim Financial Reporting and its accounting policies are presented in the financial statement 2020 published by the company. The financial statement is available on the company's investor pages on [www.talenom.fi/investors](http://www.talenom.fi/investors). In IFRS reporting, the Group has one reporting business segment, its accounting services.

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 IFRS.

Alternative performance measures used by the company include operating profit (EBIT), operating profit (EBIT) as % of net sales, return on investment (ROI) %, interest-bearing net liabilities, net gearing ratio %, equity ratio %, working capital and net investments. The formulas can be found under the title "Formulas".

## FINANCIAL REPORTING IN 2021

Talenom's publication schedule for financial reports in 2021:

- The Financial Statement bulletin, Financial Statements and Report of the Board of Directors for 2020 on Monday, 8 February 2021
- The Business Review for January–March 2021 on Monday, 26 April 2021 at around 13:30
- Half-year report for January–June 2021 (H1) on Monday, 2 August 2021 at around 13:30
- The Business Review for January–September 2021 on Monday, 1 November 2021 at around 13:30

The reports will be available on the company's website at [www.talenom.fi/en/investor](http://www.talenom.fi/en/investor) immediately after publication.

## TABLES

### CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

Thousand euro	2020	2019
<b>Net sales</b>	<b>65,161</b>	<b>57,955</b>
Other operating income	121	372
Materials and services	-2,466	-3,598
Employee benefit expenses	-33,947	-29,912
Depreciation and amortisations	-10,398	-8,498
Other operating expenses	-5,589	-5,911
<b>Operating profit</b>	<b>12,881</b>	<b>10,409</b>
Financial income	82	64
Financial expenses	-939	-906
<b>Net financial expenses</b>	<b>-857</b>	<b>-843</b>
<b>Profit (loss) before taxes</b>	<b>12,024</b>	<b>9,566</b>
Income taxes	-2,445	-1,951
<b>Profit (loss) for the financial period</b>	<b>9,579</b>	<b>7,615</b>
<b>Other items of comprehensive income</b>		
<b>Items that may be subsequently transferred to profit or loss</b>		
Cash flow hedging	0	60
Taxes on items that may be subsequently transferred to profit or loss	0	-12
<b>Other comprehensive income for the financial period after tax</b>	<b>0</b>	<b>48</b>
<b>Total comprehensive income for the financial period</b>	<b>9,579</b>	<b>7,663</b>
<b>Earnings per share calculated on the profit attributable to equity holders of the parent company</b>		
Undiluted earnings per share (euro)	0.22	0.18
Diluted earnings per share (euro)	0.22	0.18



## CONSOLIDATED BALANCE SHEET

Thousand euro	31 Dec. 2020	31 Dec. 2019
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill	23,956	20,728
Other intangible assets	22,921	14,930
Right-of-use assets	7,965	8,400
Property, plant and equipment	2,479	2,584
Other non-current financial assets	337	237
Deferred tax assets	64	67
Capitalised contract costs	11,033	10,054
<b>Total non-current assets</b>	<b>68,754</b>	<b>57,000</b>
<b>Current assets</b>		
Trade and other receivables	7,055	6,521
Current tax assets	10	34
Cash and cash equivalents	9,104	7,786
<b>Total current assets</b>	<b>16,168</b>	<b>14,342</b>
<b>Total assets</b>	<b>84,923</b>	<b>71,342</b>
<b>CAPITAL AND RESERVES</b>		
Share capital	80	80
Reserve for invested unrestricted equity	14,818	11,234
Fair value reserve	0	-45
<b>Retained earnings</b>	<b>17,271</b>	<b>12,304</b>
<b>Total equity</b>	<b>32,169</b>	<b>23,573</b>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Financial liabilities	30,000	28,000
Trade and other payables	556	215
Lease liabilities	5,859	6,553
Other non-current financial liabilities	0	56
Deferred tax liabilities	732	307
<b>Total non-current liabilities</b>	<b>37,147</b>	<b>35,130</b>
<b>Current liabilities</b>		
Trade and other payables	12,134	10,208
Lease liabilities	2,280	1,940
Current tax liabilities	1,193	491
<b>Total current liabilities</b>	<b>15,607</b>	<b>12,638</b>
<b>Total liabilities</b>	<b>52,754</b>	<b>47,769</b>
<b>Total equity and liabilities</b>	<b>84,923</b>	<b>71,342</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 January 2020</b>	<b>80</b>	<b>11,234</b>	<b>-45</b>	<b>12,304</b>	<b>23,573</b>
<b>Comprehensive income</b>					
Profit for the financial period				9,579	9,579
Cash flow hedging					0
<b>Total comprehensive income for the financial period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,579</b>	<b>9,579</b>
<b>Transactions with owners</b>					
Dividend distribution and repayment of capital				-5,211	-5,211
Average exchange rate difference and translation differences				-2	-2
Share issue		3,585			3,585
Redeemed options					0
Purchase of treasury shares					0
Share-based payments				643	643
<b>Transactions with owners, total</b>	<b>0</b>	<b>3,585</b>	<b>0</b>	<b>-4,570</b>	<b>-986</b>
<b>Other adjustments</b>	<b>0</b>	<b>0</b>	<b>45</b>	<b>-42</b>	<b>3</b>
<b>Total equity 31 December 2020</b>	<b>80</b>	<b>14,818</b>	<b>0</b>	<b>17,271</b>	<b>32,169</b>
<b>Thousand euro</b>	<b>Share capital</b>	<b>Reserve for invested unrestricted equity</b>	<b>Fair value reserve</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Total equity 1 January 2019</b>	<b>80</b>	<b>10,608</b>	<b>-93</b>	<b>8,092</b>	<b>18,688</b>
<b>Comprehensive income</b>					
Profit for the financial period				7,615	7,615
Cash flow hedging			48		48
<b>Total comprehensive income for the financial period</b>	<b>0</b>	<b>0</b>	<b>48</b>	<b>7,615</b>	<b>7,663</b>
<b>Transactions with owners</b>					
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
<b>Transactions with owners, total</b>	<b>0</b>	<b>625</b>	<b>0</b>	<b>-3,403</b>	<b>-2,778</b>
<b>Total equity 31 December 2019</b>	<b>80</b>	<b>11,234</b>	<b>-45</b>	<b>12,304</b>	<b>23,573</b>

## CONSOLIDATED CASH FLOW STATEMENT

Thousand euro	2020	2019
<b>Cash flow from operating activities</b>		
Profit (loss) before taxes	12,024	9,566
Adjustments:		
Depreciation and amortisations	10,398	8,498
Financial income	-82	-64
Financial expenses	939	906
Other adjustments	636	330
Changes in working capital:		
Change in trade and other receivables	182	-559
Change in trade payables and other liabilities	1,169	1,995
Interest income	82	64
Paid taxes	-1,912	-2,399
<b>Net cash flow from operating activities</b>	<b>23,436</b>	<b>18,337</b>
<b>Cash flow from investing activities</b>		
Revenue from the sale of property, plant and equipment	252	240
Acquisition of property, plant and equipment	-792	-1,107
Capitalisation of contract costs	-4,239	-4,567
Acquisition of intangible assets	-10,332	-5,580
Acquired businesses	-2,352	-2,080
Investments	-100	0
<b>Net cash flow from investing activities</b>	<b>-17,563</b>	<b>-13,094</b>
<b>Cash flow from financing</b>		
Proceeds from share issue	1,878	0
Purchase of treasury shares	0	-674
Paid interest	-943	-888
Dividends paid	-5,211	-3,777
Realisation of options	0	-684
Change in instalment payment liabilities	-148	-106
Repayment of lease liabilities	-2,129	-1,746
Loan withdrawals	30,000	4,500
Loan repayments	-28,000	0
<b>Net cash flow from financing</b>	<b>-4,554</b>	<b>-3,375</b>
<b>Change in cash and cash equivalents</b>	<b>1,320</b>	<b>1,869</b>
Cash and cash equivalents, 1 Jan.	7,786	5,914
Net effect of exchange rate fluctuations on cash and cash equivalents	-2	3
<b>Cash and cash equivalents, 31 Dec.</b>	<b>9,104</b>	<b>7,786</b>

## 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.

Assets and liabilities are reviewed at Group level.

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 2020

Thousand euro	Accounting services	Unallocated items and eliminations	Group total
External net sales	62,480	2,681	65,161
<b>Total net sales</b>	<b>62,480</b>	<b>2,681</b>	<b>65,161</b>
Operating expenses	-39,533	-2,470	-42,003
Other income	121	0	121
Depreciations	-8,542	0	-8,542
Amortisations	-1,856	0	-1,856
<b>Operating result</b>	<b>12,670</b>	<b>211</b>	<b>12,881</b>

### Operating segments 2019

Thousand euro	Accounting services	Unallocated items and eliminations	Group total
External net sales	55,143	2,812	57,955
<b>Total net sales</b>	<b>55,143</b>	<b>2,812</b>	<b>57,955</b>
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
<b>Operating result</b>	<b>10,565</b>	<b>-156</b>	<b>10,409</b>

## COLLATERAL AND CONTINGENT LIABILITIES

<b>Liabilities secured by an enterprise mortgage, thousand euro</b>	<b>31 Dec. 2020</b>	<b>31 Dec. 2019</b>
Loans from financial institutions	30,000	28,000
Enterprise mortgages provided as security	45,360	31,860

<b>Other deposits and contingent liabilities, thousand euro</b>		
Deposits	3,072	3,072
Other *)	3,895	2,441

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

<b>Interest rate swaps</b>		
Fair value	0	-56
Value of the underlying instrument	0	11,805

## FORMULAS

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

**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.