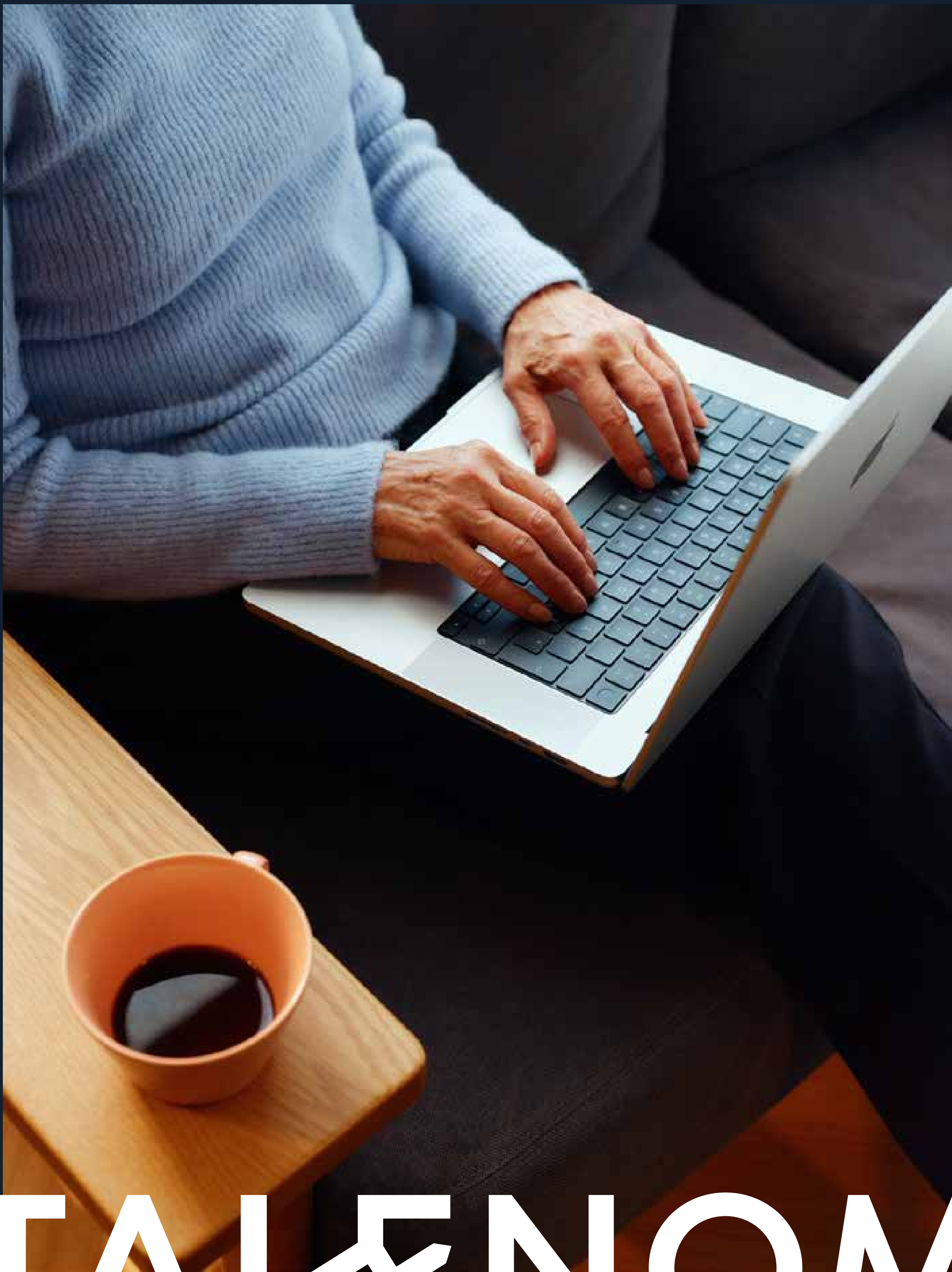


TALENOM

Annual review 2022

Content

Talenom in brief

Talenom is an agile and progressive accounting firm established in 1972. Our business idea is to make daily life easier for entre-preneurs 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, account and payment traffic services. Our vision is to provide superior accounting, account and payment traffic services for SMEs.

Talenom's growth history has been strong – average annual net sales growth was 16.6% in 2005–2022.

Talenom operates in Finland, Sweden, Spain and Italy. Talenom's share is quoted on the Main Market of Nasdaq Helsinki.

Established	Employees	Locations
1972	1,336	74

Net sales 2022	EBIT 2022	Dividend proposal
102.1	15.3	0.18
EUR million growth 23.3%	EUR 15.3 million, 15.0% of net sales	EUR/share

Strategy

Talenom's vision is to provide superior accounting, account and payment traffic services for SMEs, and the strategy is based on facilitating the daily lives of corporate customers, highly automated accounting services and active customer care.

As a pioneer in the industry, Talenom combines the development of own systems and accounting services in a unique way. Own software development combined with expertise in the accounting industry gives the company a clear competitive advantage. Automation frees up expert resources from manual routines to customer support, enabling an unrivaled customer experience for entrepreneur customers.

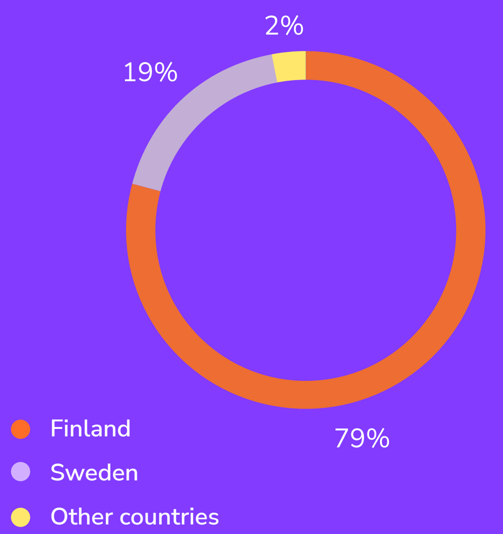
In recent years, Talenom's net sales growth has clearly exceeded market growth and profitability has scaled heavily. The company's business model and strategy are well in line with the digital transformation of the industry and Talenom is well positioned to accelerate its internationalization.

On 25 October 2022, Talenom published medium-term financial targets, which emphasize net sales growth. Growth is expected to come primarily from the international markets and is based on active sales development, digital sales and acquisitions. Due to depreciation of significant software development investments and lower profitability of acquisition targets, the relative profitability of the next few years is expected to decline. The profitability of an acquisition target will rise to the level of Talenom's core business in an estimated three years when new systems have been implemented in full at the target.

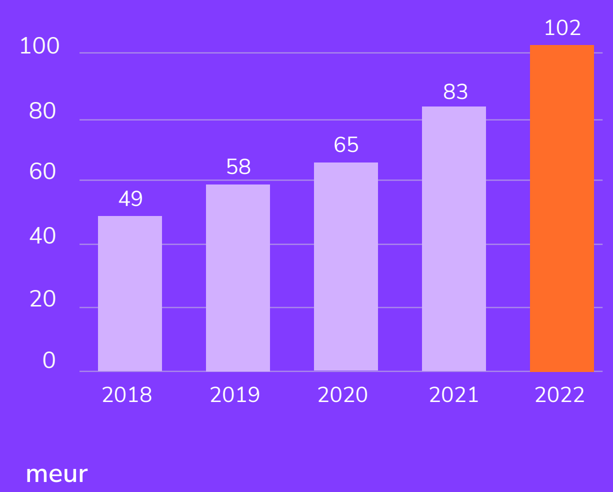
Talenom's medium-term (2023–2025) financial targets are as follows:

- annual net sales growth of over 30%,
- annual EBITDA growth of over 15%,
- growing EBIT in euros and
- increasing dividend per share.

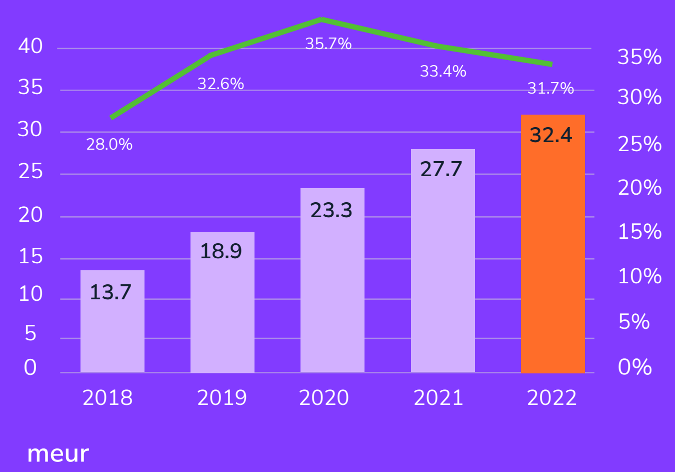
Net sales by country



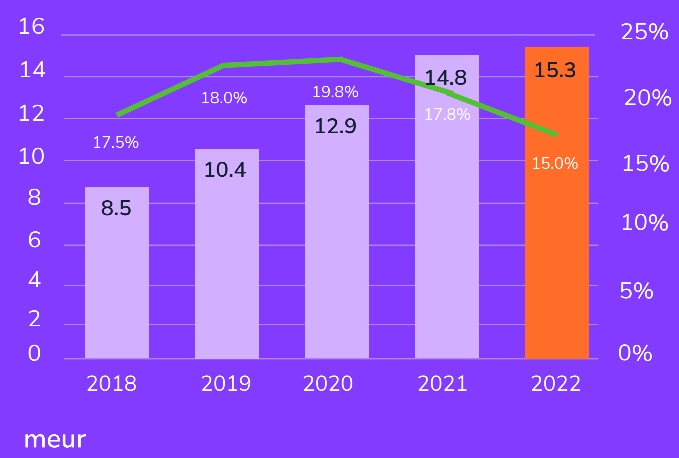
Net sales development



EBITDA development



EBIT development



* EBITDA 2018 is not comparable due to IFRS16 transition on 1 January 2019

CEO's review

In 2022, the economic environment changed rapidly with COVID subsiding, the war in Ukraine, accelerating inflation and rising interest rates. Decisions were taken in Europe on the mandatory introduction of the e-invoicing directive in coming years, which we believe will accelerate the digital transformation of our industry. We want to digitalise the accounting services industry in Europe. One example is the expansion to Italy that we announced in late 2022.

Last year our net sales grew by 23.3% (27.1) to EUR 102.1 million (82.8). The growth was based on several acquisitions in Sweden and Spain and strong organic growth in Finland. EBITDA increased to EUR 32.4 million (27.7) and the EBITDA margin was still excellent at 31.7 (33.4). Operating profit increased to EUR 15.3 million (14.8) and the EBIT margin was 15.0 (17.8). Relative profitability was weakened by our investments during the year, which will enable strong profitable growth in line with our strategy in the future. We acquired a platform business in Spain, continued developing our software in a more customer-friendly direction, started implementing our own software and strengthened our sales organisation in Sweden. In addition, we carried out a brand reform, developed banking services forward as planned, and strengthened the organisation to support faster international growth. The investments together with increased depreciation burdened the result especially towards the end of the year.

In Finland, net sales grew by 12.9% (17.1) to EUR 81.0 million (71.8). The EBITDA margin was excellent at 38.6 (37.5). The excellent performance of the Finnish business continued.

Growth still continued as very strong in Sweden. Net sales increased by 81.8% (177.5) to EUR 19.4 million (10.7) and EBITDA was 8.4% (7.1). The Swedish business was in a phase of rapid growth and development. Integration work accelerated and implementation of the own platform started, which burdened profitability. The implementation of the platform will have a positive impact on the result in the longer term.

In Spain, we achieved a good position and lay the foundation for a strongly digitalising market. We acquired our own digital distribution channel and platform to make daily life easier for our customers. In addition, we strengthened our own service production through acquisitions to accompany the existing strong expert unit. Preconditions for strong acceleration of both organic and acquisition-driven growth are in place. This will decrease the Group's profitability during 2023 but will open good growth opportunities in a large market.

We enter the new year with a positive outlook. At the end of January 2023, we published a new unified brand and product offering in Finland, Sweden and Spain. Last year, we made a major change in our management structures, strengthening a unified way of operating in Talenom and scaling our business to faster growth. Strategic themes for the new year include accelerating digital sales, distributing banking services, implementing systems in Sweden, and quicker improvement of profitability in acquisition targets. We estimate that our 2023 net sales will be about EUR 120–130 million and that euro-denominated EBITDA and operating profit will grow from 2022. We follow the development of inflation and the interest market. Talenom's inflation resilience is good and debt relative to EBITDA is moderate.

I would like to thank our customers for their confidence in us, our excellent personnel for their commitment and our partners for good cooperation in the past year.

Otto-Pekka Huhtala,
CEO

Corporate Governance Statement 2022

1. INTRODUCTION

Talenom Plc complies in full with the Finnish Corporate Governance Code 2020 issued by the Securities Market Association.

The Corporate Governance Code is available on the site of the Securities Market Association at www.cgfinland.fi.

In addition to the Corporate Governance Code, Talenom Plc complies in its decision-making and corporate governance with the Finnish Limited Liability Companies Act, securities market legislation, other legal provisions concerning listed companies, Talenom Plc's Articles of Association, and the rules and guidelines issued by Nasdaq Helsinki Ltd. This corporate governance statement is also available on the company's website at investors.talenom.com/en.

2. CORPORATE GOVERNANCE

In accordance with the Limited Liability Companies Act and the Articles of Association, the highest responsibility for the governance and operations of Talenom is held by its governing bodies, which are the General Meeting of Shareholders, Board of Directors and CEO. The highest decision-making power is exercised by the shareholders at the General Meetings. The company is managed by the Board of Directors and the CEO. The Executive Board assists the CEO in the management of operations.

GENERAL MEETING

The highest decision-making power at Talenom is exercised by the company's shareholders at the General Meeting where they may exercise their right to speak, ask questions and vote. The decision on convening a General Meeting is made by the Board of Directors.

The Annual General Meeting is held each year on a date set by the Board of Directors within six months of the end of the financial period. Shareholders are entitled to present matters for consideration at the Annual General Meeting and the company follows the procedure recommended in the Corporate Governance Code. In accordance with the Articles of Association, the Annual General Meeting resolves on adopting the financial statements, the use of the profit shown in the adopted balance sheet, releasing the members of the Board of Directors and CEO from liability, the number of members of the Board, and the remuneration of the members of the Board and the auditors. The Annual General Meeting also elects the members of the Board of Directors and auditors and handles any other matters included in the notice of meeting.

The notice of meeting is published on the company's website no earlier than two months and no later than 21 days before the meeting, however, always at least nine days before the record date of the meeting as specified in the Limited Liability Companies Act. The meeting documents will be available on the company's website at investors.talenom.com/en for at least five years.

In accordance with the Corporate Governance Code, the Chairman of the Board, the members of the Board and the CEO shall attend the general meetings and virtual general meetings virtually. In addition, the auditor shall attend the Annual General Meeting and the virtual Annual General Meeting virtually. At general meetings where new Board members are elected, the candidates must be present and attend virtually in virtual general meetings. In 2022, the Annual General Meeting was held on 3 March 2022 in Helsinki. An Extraordinary General Meeting was held on 13 October 2022, where the option for attending a general meeting remotely or entirely without a physical meeting place was decided to be added to the Articles of Association.

BOARD OF DIRECTORS

According to Talenom's Articles of Association, the Board of Directors may consist of four to eight ordinary members. The General Meeting decides on the members and their number. The Board of Directors elects a chairman amongst its members for a year at a time. The company familiarises new Board members with the operations of the company.

Talenom's Board of Directors is responsible for the company's governance and proper organisation of operations. The Board of Directors has general competence to decide on all matters that are not reserved for the General Meeting of Shareholders or the CEO by law or the Articles of Association. The Board of Directors convenes as often as necessary to fulfil its obligations. The Board of Directors constitutes a quorum when more than half of its members are present.

COMPOSITION AND ACTIVITIES OF THE BOARD OF DIRECTORS

The main duties and operating principles of the Board of Directors are defined in a written charter. According to the charter, the Board of Directors decides on the company's strategic policies, confirms the company's operating plan and budget, and supervises the execution of these areas. In addition, the Board of Directors directs and supervises the company management, appoints the CEO, decides on the remuneration to be paid to the CEO and other terms and conditions of the CEO contract. The Board of Directors also ensures that the company has set internal control, as well as a risk management and disclosure policy, and that the company operates as it has specified. In addition, the Board of Directors decides on strategically or financially significant investments, acquisitions and contingent liabilities, approves the company's financial policy and decides on the remuneration and incentive scheme of the company.

As set out in the Corporate Governance Code, the Board of Directors is responsible for assessing the independence of its members. A majority of Board members must be independent of the company. In addition, at least two of the independent members must also be independent of significant shareholders of the company.

The Board of Directors annually performs an internal self-assessment of its activities and working methods. Members of the Board of Directors must have sufficient competence and knowledge of the sector, as well as enough time for Board work. The composition of the Board must be sufficiently diverse. Members must have experience and expertise that complement each other. To ensure diverse composition of the Board of Directors, the company seeks to take the age and gender breakdown and the educational background of Board members into consideration in addition to their experience, expertise and knowledge of the sector when preparing the composition of the Board. The aim has been representation of both genders on the Board and the Board feels that this goal has been achieved. The Board continues to assess the diversity principles and objectives.

At the 2022 Annual General Meeting, Harri Tahkola (Chairman), Olli Hyyppä, Mikko Siuruainen, Sampsa Laine, Johannes Karjula and Elina Tourunen were re-elected to the Board of Directors. The term of office of Board members ends at the conclusion of the next Annual General Meeting following their election. The Board of Directors convened 18 times in 2022.

INFORMATION ON THE BOARD MEMBERS

Name	Education and year of birth	Main occupation	Independent of the company	Independent of significant shareholders	Attendance at Board meetings in 2022
Harri Tahkola (Chairman of the Board)	M.Sc. (Econ.), b. 1972	entrepreneur, investor, Board professional	No	No	18/18
Olli Hyyppä (member of the Board)	M.Sc. (Tech.), b. 1969	Senior Vice President & Chief Information Officer, NXP Semiconductors	Yes	Yes	18/18
Mikko Siuruainen (member of the Board)	B.B.A., M.B.A., b. 1975	entrepreneur, investor, Board professional	Yes	Yes	18/18
Elina Tourunen (member of the Board)	M.Sc. (Econ.), C.F.A., b. 1980	CIO, eQ Asset Management Ltd	Yes	Yes	18/18
Johannes Karjula (member of the Board)	M.Sc. (Econ.), b. 1988	CEO and founder, Trustmary Group Oy	Yes	Yes	18/18
Sampsa Laine (member of the Board)	M.Sc. (Econ.), b. 1969	entrepreneur and Board professional	Yes	Yes	17/18

Talenom Plc's Board of Directors 31 Dec. 2022

HARRI TAHKOLA, M.SC. (ECON.), B. 1972
Finnish citizen
Chairman of the Board since 2017 and Board member since 1998

Key work experience
Harri Tahkola worked at Talenom in many different positions in 1994-2016, most recently as Talenom's CEO in 2003-2016.

Key positions of trust
Harri Tahkola has served as the Chairman of the Board of Directors of Hacap Oy since 2016, Ducap Oy since 2011, Omago Oy since 2017, Pitomaalaus Oy since 2020, Matkaparkki.com Oy since 2020, Tukkunet Oy since 2010, as well as Padel Ylivieska Oy, Padel Nivala Oy, Padel Kemi Oy, Padel Ii Oy, and Padel Haapajärvi Oy since 2022. In addition, he has been a Board member of Alfa Finance Oy since 2014, Toivo Group Oyj since 2021, A-Perustus Oy since 2022, Virta Kasvusijoitus Oy since 2021, Clara Nordic Oy since 2021, and Citinvest Oy since 2010.

Independence
Harri Tahkola is not independent of the company based on an overall assessment (more than 10 years on the Board of Directors). In addition, he is not considered independent of significant shareholders, as he owns more than 10% of the shares in the company.

OLLI HYYPPÄ, M.SC. (TECH.), B. 1969
Finnish citizen
Board member since 2015

Key work experience
Olli Hyyppä has served as Senior Vice President & Chief Information Officer at NXP Semiconductors since 2013 with responsibility for global information management. In addition, he worked as Vice President & Chief Information Officer at ST Ericsson in 2009–2013, in various IT expert and management roles at Elektrobit Corporation in 1996–2009 and as a designer at Rautaruukki Corporation in 1992–1996.

Key positions of trust
Olli Hyyppä has served as Chairman of the Board of Directors of Hyyppä Consulting Oy since 2018.

Independence
Olli Hyyppä is independent of the company and its significant shareholders.

MIKKO SIURUAINEN, BBA, MBA, B. 1975
Finnish citizen
Board member since 2016, and in 2004-2015

Key work experience
Mikko Siuruainen has served as an entrepreneurial partner and Chairman of the Board of Directors of Virta Growth Partners Oy since 2019 and as the Chairman of the Board of Directors at, e.g., Virta Kasvusijoitus Oy. He has also worked as the CEO of Alfa Finance Oy since 2014 and the CEO of Citinvest Oy since 2010. Siuruianen has worked for Talenom Plc in 2000-2016 in many roles, including Corporate Advisor, Consulting Manager, Unit Director, Head of the company's Oulu office and Vice President in 2006–2016. He also worked at Fortum Plc as a Financial Planner in 1999-2000.

Key positions of trust
Mikko Siuruainen has served as a Board member of the following companies: Suuntakivi Oy since 2016, Virta Growth Partners Oy since 2019 and Virta Kasvusijoitus Oy since 2021.

Independence
Mikko Siuruainen is independent of the company and its significant shareholders.

ELINA TOURUNEN, M.SC. (ECON.), CFA, B. 1980
Finnish citizen
Board member since 2021

Key work experience
Elina Tourunen has been Chief Investment Officer in eQ Asset Management Ltd's Private Equity team since 2020. In 2015-2020, she worked for the European Investment Fund (EIF) in Luxembourg as a Senior Portfolio Manager in the Private Equity team. She has previously been Head of Private Equity and Debt at Etera Mutual Pension Insurance Company, before which she worked as a manager in Ernst & Young's Transaction team.

Key positions of trust
Elina Tourunen has been a Board member at Tornator Oyj in 2012-2015 and Futurice Oy in 2012-2014. She has also served several Boards as a silent observer, incl. Hydroline Oy and Staffpoint Oy.

Independence
Elina Tourunen is independent of the company and its significant shareholders.

SAMPSA LAINE, M.SC. (ECON.), B. 1969
Finnish citizen
Board member since 2020

Key work experience
Sampsa Laine has been CEO of the Manna&Co Group since 2022. Laine was responsible for the development of digital services for Nordea's corporate customers from summer 2017 to January 2020 and served as the Executive Vice President, Deputy Head of Banking Finland and Head of Business Banking (SMEs) at Nordea Finland in 2014–2017. At Danske Bank, Laine served as the Global Head of Financial & Institutional Clients in 2012–2013 and the Country Head of Danske Markets Finland in 2007–2011. He has been a part-time entrepreneur since 2003.

Key positions of trust
Sampsa Laine has served as the Chairman of the Board of Directors of Fundu Platform Oy since 2020 and as a Board member of Privanet Group Oyj since 2020. Sampsa Laine has been the founder and Chairman of the Board of Growroad Oy since 2013.

Independence
Sampsa Laine is independent of the company and its significant shareholders.

JOHANNES KARJULA, M.SC. (ECON.), B. 1988
Finnish citizen
Board member since 2017

Key work experience
Johannes Karjula has been CEO of Turstmary Group Oy which he founded since 2016. In addition, Johannes Karjula was the CEO of LeadFlow Oy in 2014-2016 and a private entrepreneur in 2010-2015

Key positions of trust
Johannes Karjula has served as the Chairman of the Board of Directors of Eeroplan Oy since 2016 and a Board member of Satokausi Media Oy since 2018. He also serves as a Board member at the following companies: Trustmary Group Oy since 2016, Sesonkia Oy since 2015, Molarum Salaojat Oy since 2015, and Trustmary Finland Oy since 2017, as well as a Board member of Markkinointitoimisto WDS Oy since 2017 and Chairman of the Board since 2022. He previously served as a Board member of LeadFlow Oy in 2014-2016.

Independence
Johannes Karjula is independent of the company and its significant shareholders.

CEO

The CEO manages Talenom's daily operations in accordance with the Limited Liability Companies Act and the instructions, rules and authorisations issued by the Board of Directors and ensures that the company's accounts comply with legislation and that its financial management is organised in a reliable manner. The CEO reports to the Board of Directors. The CEO also directs and supervises the operations of Talenom and its business functions, is responsible for day-to-day operational management and implementation of strategy, as well as prepares matters to be handled by the Board of Directors and is responsible for their implementation.

The company's CEO is Otto-Pekka Huhtala, M.Sc. (Econ), b. 1980. Huhtala has served as CEO since 2019. Huhtala has worked in various positions at Talenom since 2002. Prior to his appointment as CEO, he served the company for a long time as a member of the Executive Board and head of accounting services, with responsibility for accounting service production and development of the bookkeeping production line. He graduated from the University of Vaasa with a Master's degree in economics, majoring in industrial engineering.

OTHER MANAGEMENT

The Executive Board assists the CEO in preparing, among other things, the strategy, operating principles and company-wide issues. The Executive Board is chaired by Talenom's CEO.

In 2022, the members of the Executive Board were

- Otto-Pekka Huhtala, CEO, (M.Sc. (Econ.), b. 1980), employed by the company since 2002 and on the Executive Board since 2003, CEO since 2019
- Antti Aho, Executive Vice President, (M.Sc. (Econ.), accounting degree, b. 1979), employed by the company since 2003 and on the Executive Board since 2017
- Tuomas Iivanainen, CMO, (M.Sc. (Tech.), b. 1970), employed by the company since 2016 and on the Executive Board since 2019
- Juho Ahosola, COO & CHRO (BBA, M.SC.A. (financial law), b. 1988), employed by the company since 2013 and on the Executive Board since 2019
- Matti Eilonen, CFO (Bachelor's Degree in Accounting and Finance, b. 1976), employed by the company since 2013 and on the Executive Board since 2022
- Olli Lätti, Commercial Director, (M.Sc. (Tech.), b. 1979), employed by the company since 2020 and on the Executive Board since 2022
- Juha Jutila, Director, Business Development, (M.Sc. (Econ.), B.Sc. (Tech.), b. 1970), employed by the company since 2015 and on the Executive Board in 2019-2022.

All members of the Executive Board are Finnish citizens.

DIRECT AND INDIRECT SHAREHOLDINGS OF BOARD MEMBERS, 31 DEC. 2022

Name	Number of shares held, 31 Dec. 2022	Proportion of total share capital, 31 Dec. 2022
Harri Tahkola (Chairman of the Board)	7,940,015	17.67%
Olli Hyyppä (Board member)	60,000	0.13%
Mikko Siuruainen (Board member)	604,716	1.35%
Elina Tourunen (Board member)	0	0.00%
Johannes Karjula (Board member)	2,812	0.01%
Sampsa Laine (Board member)	12,000	0.03%

The Board of Directors can establish committees if the scope of Talenom's business or efficient handling of the Board of Directors' tasks so requires. The Board of Directors did not establish any committees in 2022.

DIRECT AND INDIRECT SHAREHOLDINGS OF THE CEO AND EXECUTIVE BOARD, 31 DEC. 2022

Name	Number of shares held, 31 Dec. 2022	Number of shares earnable under the option and share-based incentive scheme (maximum)	Proportion of total share capital, 31 Dec. 2022	Shares earnable under the option and share-based incentive scheme as a proportion of the total share capital
Otto-Pekka Huhtala	387,160	199,000	0.86%	0.44%
Antti Aho	129,433	142,000	0.29%	0.32%
Juho Ahosola	20,614	121,000	0.05%	0.27%
Tuomas Iivanainen	72,296	163,000	0.16%	0.36%
Matti Eilonen	91,392	56,000	0.20%	0.12%
Olli Lätti	0	35,000	0.00%	0.08%

3. INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT

RISK MANAGEMENT

Risk management is part of Talenom's internal control and auditing process. The company has a risk management policy, approved by the Board, which supports achieving 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 that 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 management.

Risk management is coordinated by the Chief Compliance Officer who reports to the Group's CEO. The company's Board of Directors is provided, at least once a year, with an analysis of risks and uncertainties separate from ongoing risk management based on which the Board of Directors defines risk management measures. The company presents the key risks identified in the context of the financial statements.

INTERNAL CONTROL AND AUDIT

Together with risk management, internal control ensures that the company operates efficiently, publishes up-to-date and reliable information and complies with the regulations in force. The objective of internal control is to ensure the efficiency and profitability of Talenom's operations, the reliability of information and conformity with applicable legal and operating principles. Internal control aims to improve the realisation of the steering task of the Board of Directors. The Board of Directors and CEO are responsible for organising control.

The Board has primary responsibility for controlling the company's financial position and financial management. The Executive Board and Board of Directors monitor Talenom's financial position monthly and the information is disclosed in accordance with Talenom's disclosure policy. Monthly reports to the Board of Directors comprise a key element of the company's financial control. The monthly report is relatively extensive, ensuring that the Board is continuously informed about the company's performance in terms of operations, financial position and strategic objectives. Reporting supports the development of operational controls and monitors the adequacy and effectiveness of controls.

The basis for financial control is that any deviations are detected in time. In addition, internal control of financial reporting aims to ensure that Talenom's operations are effective and decision-making is based on correct and reliable information, and adequate identification of business risks. Internal control also ensures that financial reporting complies with generally accepted accounting principles and existing legislation and regulations. The Board of Directors is responsible for ensuring that the internal control of accounting and financial management is properly organised. The Board is also responsible for supervising the financial reporting process.

The company applies accounting standards by employing consistent recognition principles and reporting standards through the Group's Financial Management unit. The CFO is responsible for the Financial Management Unit together with the Group Financial Controller and Accounting Manager. Therefore, the CFO, Group Financial Controller and Accounting Manager are also responsible for supervising compliance with legislation and the Group's guidelines. The CFO reports any findings to the CEO and the Board of Directors.

The company has not considered it necessary to establish an audit committee. Furthermore, in view of the scope of operations, the company has not deemed it necessary to establish a separate internal audit organisation. Responsibility for the tasks of the audit committee and internal audit organisation lies with the Board of Directors that also assesses the need for them annually. In connection with annual audit planning, the Board of Directors defines the appropriate key areas for the audit to focus on.

4. OTHER INFORMATION

INSIDERS

In insider matters, Talenom complies with applicable legislation, the Guidelines for Insiders issued by Nasdaq Helsinki Ltd, as well as its own Guidelines for Insiders confirmed by the Board of Directors. Talenom promptly discloses any inside information directly relating to Talenom in accordance with the company's disclosure policy. However, if the company decides to delay the disclosure of inside information, a project-specific insider register is established for the information in question. When postponing the disclosure of inside information, the company complies with the delayed disclosure procedure of the Market Abuse Regulation. Persons with access to inside information on Talenom are immediately entered in the Insider List.

Talenom's managers with a duty of disclosure include the members of the Executive Board and Board of Directors. The persons with a duty of disclosure and their related parties as defined in the Market Abuse Regulation are obligated to report, both to the company and the Financial Supervisory Authority, any transactions they make on their own behalf with shares in the company, debt instruments or related derivatives, or other financial instruments without delay and in any case no later than three business days after the transaction.

In addition to financial instruments issued by the company, such as its shares, the duty of disclosure may concern, for instance, business transactions in an insurance wrapper or fund products when the financial instruments of the company account for more than 20% of the bundled product. In addition to acquisitions and disposals, the transactions to be disclosed may include, for example, pledges, donations or inheritances. The obligation to disclose arises when the total amount of transactions reaches the EUR 5,000 threshold during a calendar year. Each individual is always responsible for complying with their obligation to disclose, even if they have assigned the management of the financial instruments to another person, such as a portfolio manager.

The company publishes releases on the transaction notifications it receives without delay and no later than three business days after the transaction.

Talenom complies with the closed window principle prior to the publication of results. During the closed window, persons with managerial responsibilities at Talenom (members of the Board of Directors, the CEO or their deputies and members of the Executive Board) or persons participating in the preparation of financial reports, or persons under their control or supervision, or controlled organisations as defined in Chapter 2, Section 4 of the Securities Markets Act may not trade in the financial instruments issued by the company during a period of 30 days prior to the publication of the company's business reviews, interim reports or financial statement bulletins. The company also recommends that related parties of those subject to the closed window also comply with this trading restriction. In addition, the company recommends that its managers should make long-term investments in securities and other financial instruments issued by the company.

RELATED PARTIES

Talenom complies with the current regulations and the recommendations of the 2020 Corporate Governance Code for listed companies on the supervision and assessment of related-party activities.

Talenom's related-party guidelines are intended to ensure that related-party activities comply with market terms and are in the interests of the company's business in transactions involving related parties of the company. The company assesses and monitors that related-party transactions as a whole are in the interests of the company and that any conflicts of interest are considered appropriately in the company's decision-making. Disqualification regulations and the appropriate decision-making parties must be considered in preparatory work and decision-making concerning related parties, as well as the assessment and approval of individual related-party business transactions. Talenom's Board of Directors decides on significant related-party transactions, i.e., any agreements or other legal actions with related parties that are not part of the company's ordinary business or are not carried out under customary commercial terms. The principles of the related-party guidelines are applied throughout the Group and in decision-making concerning all Group companies. Talenom's related parties include its subsidiaries, key persons in company management, including the Board of Directors, the CEO and the Group's Executive Board, and their family members. Related parties also include companies in which the above persons have control, either on their own or with their related parties.

Talenom maintains an up-to-date related-party list of related-party transactions between the company and its related parties, including the parties involved and key terms and conditions. The information included in the list is collected annually from persons related to the company. The company reports related-party activities regularly in its annual financial statements. The company discloses information as required by law in the Board of Directors' report and notes to the financial statements. In addition, the company discloses related-party transactions as necessary pursuant to the Market Abuse Regulation, Securities Markets Act and the rules of the stock exchange.

COMMUNICATIONS AND INVESTOR RELATIONS

The aim of Talenom's communications is to ensure that all market participants have relevant and sufficient information at their disposal, simultaneously and without delay, to determine the price of Talenom's financial instruments, such as its share. The company's objective is to continuously produce consistent, reliable, sufficient, and up-to-date information to the market to ensure that the parties to the capital markets have the most transparent and clear view of the company that can be used to assess the company's financial situation and the prices of financial instruments. The information provided by the company is published to the capital markets and other key stakeholders simultaneously.

In its communications, Talenom applies the principle of equal access to information under the Securities Markets Act and the Limited Liability Companies Act, as well as the rules of the Nasdaq Helsinki Stock Exchange. Talenom's communication is based on facts: communication gives a truthful picture of the company's operations, operating environment, strategy, objectives, and financial performance. The general principles of communication are transparency, openness, honesty, impartiality, and being active. Talenom consistently communicates on both positive and negative issues simultaneously to all its stakeholders.

Talenom publishes its stock exchange releases through Nasdaq Helsinki to key media in Finnish and English, and if necessary, in other languages. All releases are also published simultaneously on the company's website. In addition to the releases, Talenom's investor site investors.talenom.com/en is the main communication channel for information on the company's operations and finances to communicate up-to-date information to all stakeholders.

AUDIT

According to the Articles of Association, the General Meeting elects one regular auditor, which must be an auditing firm approved by the Central Chamber of Commerce. The term of the auditor ends at the close of the next Annual General Meeting after the election. The 2022 Annual General Meeting selected the auditing firm KPMG Ltd as the auditor, with Juho Rautio, Authorised Public Accountant, as the principal auditor. The purpose of the audit is to verify that the financial statements provide a true and fair view of the company's performance and financial position in the financial period. The company's auditor provides the company's shareholders with the auditor's report in accordance with legislation in connection with the company's annual financial statements. A report on the audit of the financial period is submitted to the Board of Directors. The auditor and the Board meet at least once a year.

The Group paid the auditors a total of EUR 184,136 in audit fees, EUR 11,800 for certificates and statements and EUR 41,773 for other services in 2022.

Remuneration report 2022

1. INTRODUCTION

As of 1 January 2020, Talenom Plc complies in full with the 2020 Finnish Corporate Governance Code issued by the Securities Market Association. The Corporate Governance Code is available on the website of the Securities Market Association at www.cgfinland.fi. In addition to the Corporate Governance Code, Talenom Plc complies in its decision-making and corporate governance with the Finnish Limited Liability Companies Act, securities market legislation, and other legal provisions concerning listed companies, Talenom Plc's Articles of Association, and the rules and guidelines issued by Nasdaq Helsinki Ltd.

This remuneration report is also available on the company's website at investors.talenom.com/en. In accordance with the Limited Liability Companies Act and the Articles of Association, the highest responsibility for the governance and operations of Talenom is held by its governing bodies, which are the General Meeting of Shareholders, Board of Directors and CEO.

The principles and decision-making processes for the remuneration of the Board of Directors and CEO and for the key terms of the service contract are set forth in Talenom Plc's remuneration policy. The company's remuneration policy applies to all employees of the company. The key principles of remuneration are its transparency and market orientation, as well as remuneration based on good performance. The company's remuneration policy applies to the company's Board of Directors and CEO. The objective of the company's remuneration policy is to encourage and reward management for work that is in line with its current strategy and for compliance with set rules, as well as motivate them to strive for the success of Talenom Group. Effective and competitive remuneration is an essential tool for hiring competent directors and executives at the company, which in turn contributes to the company's financial success and good governance. Remuneration supports achievement of the company's objectives, implementation of the strategy and long-term performance.

Remuneration in accordance with the remuneration policy consists of the following components:

- Basic salary and employee benefits where Talenom applies local market practices, legislation and regulations
- A short-term incentive scheme whose purpose is to guide the performance of an individual and the organisation and support fast implementation of strategic projects
- A long-term remuneration scheme designed to commit key personnel to the company. Long-term incentives aim to commit management to the company and harmonise their interests with those of shareholders.

Development of remuneration in relation to the financial development of the company

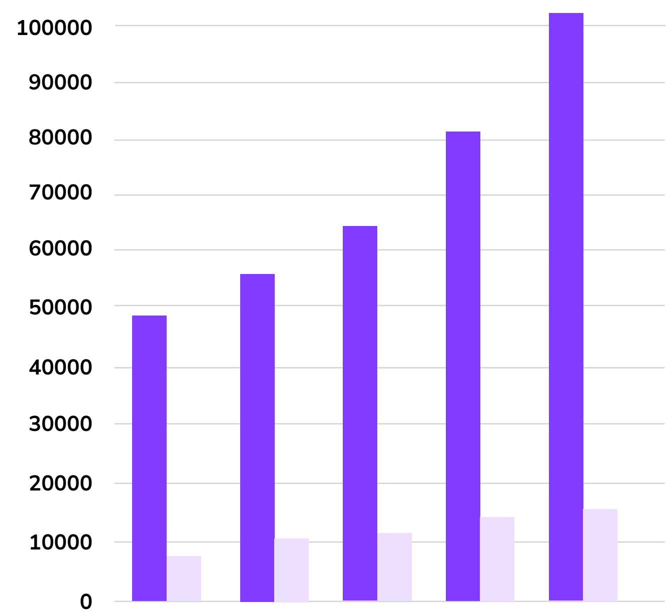
The following table and diagrams present the trend in the remuneration of the Board of Directors and CEO compared to the trend in the average remuneration of Group employees and the financial development of the Group during the past five financial periods. In accordance with Talenom's remuneration policy, part of the remuneration of the CEO consists of short-term and long-term incentives that are linked to the operating result. The options granted in 2016 and 2019 and the sharp increase in the company's share price had a positive effect on the value of long-term incentives in 2018-2020 (subscription to 2016A, 2016B and 2016C options) and in 2022 (subscription to 2019 options). The amount paid in remuneration to the Board of Directors rose in 2020 as an additional Board member was elected and the remuneration increased.

REMUNERATION TREND

1 000 €	2018	2019	2020	2021	2022
Annual remuneration of the Board of Directors	133.7	131.9	182.0	188.0	192.0
Annual remuneration of the CEO	212.4	409.1	712.3	231.2	1,003.5
Average salary trend EUR 1,000 per person *)	37.2	37.8	37.9	39.5	40.2

* The average salary trend at Talenom is calculated by dividing salaries and benefits by the average number of employees during the financial period.

COMPANY'S FINANCIAL PERFORMANCE



1,000 eur	2018	2019	2020	2021	2022
Consolidated net sales	48,871	57,955	65,161	82,808	102,107
Consolidated operating profit	8,545	10,409	12,881	14,763	15,266

2. REMUNERATION OF THE BOARD OF DIRECTORS

The general meeting decides on the remuneration of the Board of Directors for one term of office at a time based on a proposal by the Board of Directors. The decision on the remuneration of the Board of Directors shall be based on the valid remuneration policy presented to the general meeting.

On 3 March 2022, the Annual General Meeting of 2022 approved a monthly fee of EUR 6,000 for the Chairman of the Board of Directors and EUR 2,000 for the members of the Board of Directors. In addition, it was decided that the members of the Board of Directors will be reimbursed for travel expenses according to the company's travel rules.

REMUNERATION PAID TO BOARD MEMBERS 1 JANUARY–31 DECEMBER 2022

	Annual fees	Other financial benefits	Total
Harri Tahkola (Chairman of the Board)	72,000		EUR 72,000
Olli Hyyppä (Board member)	24,000		EUR 24,000
Mikko Siuruainen (Board member)	24,000		EUR 24,000
Elina Tourunen (Board member)	24,000		EUR 24,000
Johannes Karjula (Board member)	24,000		EUR 24,000
Sampsa Laine (Board member)	24,000		EUR 24,000
Total	192,000		EUR 192,000

The Board members do not participate in the company's share-based incentive schemes, and Board fees are not paid as shares in the company.

3. REMUNERATION OF THE CEO

The remuneration of the CEO and the terms of his or her service contract are decided by the Board of Directors within the limits of the valid remuneration policy presented to the general meeting.

The company's CEO is Otto-Pekka Huhtala. In line with the CEO contract, the CEO will work in the task until further notice and the period of notice applied to the contract is two months. A normal pension contribution in accordance with the pension legislation is paid on the CEO's salary. No supplementary pension contributions are paid to the CEO.

Fixed salary component

The fixed salary component of the CEO consists of a monthly salary and fringe benefits. In 2022, the annual salary including fringe benefits was EUR 216,146, of which fringe benefits accounted for EUR 769.

Short-term incentive scheme

The CEO, like the other members of the Executive Board, is entitled to a performance bonus when predetermined criteria are met.

The criteria consider the company's net sales, EBITDA, EBIT, customer retention, operational efficiency, personnel satisfaction, progress in product development and product group-specific growth. In addition, the Board of Directors separately assesses the performance of the CEO in his or her task and decides on a separate performance bonus to be paid to the CEO. The CEO's maximum bonus under the short-term incentive scheme is 25% of the fixed annual salary (gross).

The Board of Directors set targets for the company's net sales and operating profit as the earning criteria for the CEO's short-term incentive in 2022. Minimum values had to be achieved in both. The weight for both were 50%.

Long-term incentive schemes

The purpose of the long-term performance bonus is to motivate the CEO to increase shareholder value over the long term and further commit the CEO to the company. CEO Otto-Pekka Huhtala is included in the 2020–2024 performance share plan and the 2021 and 2022 option schemes.

CEO's participation in the stock option scheme

Option rights	Number of options granted to the CEO on the basis of option schemes	Number of shares that one option entitles the holder to subscribe to	Share subscription price, EUR	Share subscription period
2021	90,000	1	13.44	1 Mar. 2022 to 28 Feb. 2027
2022	30,000	1	9.46	1 Mar. 2025 to 28 Feb. 2026

For the 2020–2024 long-term shared-based incentive scheme, the Board of Directors decides upon the performance metrics and the related targets and weights for each new scheme annually. The performance metrics may vary from one scheme to another, and they are intended to promote the company's long-term value creation.

The CEO must hold at least half of the net number of shares awarded to him or her under the share-based incentive scheme until the value of his or her shareholding in the company is equal to his or her gross annual salary. The shares must be held for as long as the person remains a member of the Executive Board.

The maximum values of share-based bonuses shown in the table are expressed as gross sums from which applicable taxes are deducted before the shares are transferred to the CEO. There is no valid share bonus for 2022-2024.

Performance Share Plan 2020-2024	PSP 2020-2022	PSP 2021-2023
Maximum number of shares allocated to the CEO	54,000	25,000
Earning criteria (weight)	The Group's operating profit (3/6), Internationalisation (1/6), Growth (1/6) and Share of value-added services in net sales (1/6)	The Group's net sales (50%), Operating profit (30%) and Implementation of strategic projects (20%)
Year of share transfer	2023	2024

Remuneration of the CEO during the financial period

	Fixed annual salary (including fringe benefits)	Variable short-term incentive bonus	Long-term incentive bonus, benefit from employment-based stock options*)	Total remuneration
Remuneration paid (EUR 1,000)	216.1	0	787.4	1,003.5
Percentage of total remuneration	22%	0%	78%	

*) Consists of 2019 option scheme. Number of 2019 options 120,000 and subscription price EUR 2.93 per share

Statement of non-financial information

Talenom offers SMEs a wide range of accounting and software services, expert services and other services that support its customers' business. Talenom was founded in 1972, and it operates in 74 locations in Finland, Sweden and Spain at the end of 2022. In 2022, Talenom employed an average of 1204 people.

Talenom's growth history is strong and it continues to pursue strong, profitable growth. According to Taloushallintoalan toimialaraportti (report on the financial administration industry) (2019:50) published by the Ministry of Economic Affairs and Employment, the market outlook for the financial administration industry is very positive both in Finland and further afield. However, the report points out that digitalisation, automation and changes in the forms of working will transform both duties and the sector as a whole. Financial administration professionals are increasingly service professionals, corporate consultants who master electronic service channels and systems.

BUSINESS MODEL

Talenom combines personal service with automated financial management processes the starting point of which is supporting the success of customers and making their daily life smoother.

Talenom continuously develops its customer systems and automated financial management processes with the help of its own software and extensively utilises robotic process automation in its solutions. Strong software expertise has enabled a highly efficient and automated accounting process. Talenom believes it is well placed in the industry revolution, where the role of traditional accountants is changing, while consulting and value-added services are becoming more important. The automation of routine accounting tasks has freed up human resources to higher-skilled advisory services, which has improved customer satisfaction and retention.

Talenom has thousands of customers who are quite evenly distributed across industries. Therefore, the company is not dependent on the success of a single customer or a particular industry. An extensive, diverse, and loyal customer base provides business continuity and transparency, which is one of the company's strengths.

Accounting services are offered with continuing customer contracts. Customer relationships are long and the accumulation of invoicing is highly predictable. An estimated 90% of invoicing is recurring in nature. Services are sold as a monthly billed service entity, the pricing of which depends on the extent of the service package chosen by the customer. The customer has access to integrated systems tailored for their industry and to Talenom's industry expertise. The own strong sales organisation and new digital sales channels, combined with competitive products and services, have been visible as steady growth in net sales and customer satisfaction.

MATERIAL SUSTAINABILITY TOPICS AND KEY POLICIES

At the end of 2022, Talenom updated its sustainability materiality analysis. Talenom's key personnel, including the CFO, CHRO, Marketing Manager and Chief Information Security Officer, participated in group discussions of the materiality analysis. The materiality analysis examined various areas of sustainability, such as climate change, human rights, labour issues, bribery and corruption risks. The analysis assessed Talenom's operating models and impacts on various sustainability areas and stakeholders, as well as the impact of sustainability trends on Talenom's business. The impact was examined both in terms of scope and scale and in terms of potential economic impacts. The analysis covered both the sustainability aspects of Talenom's own operations as well as the subcontracting chain and products. The analysis utilised international studies on various aspects, such as the 6th IPCC assessment report on climate change and the World Economic Forum publications on gender equality development and global risks. The results of the analysis were also presented to Talenom's Board of Directors.

Employee issues was assessed to be the key sustainability topic. Talenom offers a combination of expert services and automated accounting services and the role of employees in driving future growth is crucial. The role of the business in society, in turn, highlights ethics, anti-corruption and information security issues as major sustainability issues. Due to Talenom's value chain and business model, conventional risks related to human rights and environmental issues are relatively limited. Although the environmental impact of Talenom's operating model is very low the importance of climate issues is raised by stakeholders', especially the financial sector's, need for up-to-date climate work and reporting.

The results of the materiality analysis confirmed Talenom's view of the company's main impacts, and the company will develop its sustainability strategy and reporting over the next few years based on the results of the updated materiality analysis.

Graph 1. Progress of Talenom's sustainability work 2022-2024

ENVIRONMENTAL ISSUES

Based on the updated materiality analysis, Talenom has no significant environmental impacts, as the business consists mainly of operations in office environments and the impact of the subcontracting chain is quite limited. No operations with significant impacts on biodiversity, waterways, local air emissions or soil emissions were identified in Talenom. Due to the nature of the business, no significant risks related to environmental issues were identified.

Climate change is a global phenomenon and investors' interest in climate risks and opportunities has increased. Talenom identified no climate risks in the materiality analysis that would have a significant economic impact on Talenom's business. Some of Talenom's offices are located in countries that are expected to warm more than average, but due to the nature of the business and the structure of societies, the impact on Talenom is expected to be limited.

Climate change is not expected to bring new business opportunities that would be clearly identified as related to climate change, but on the other hand, it is seen that Talenom contributes to the digitalisation of the financial management sector and process efficiency. Digitalisation is estimated to have a significant positive impact on the fight against climate change and, although the contribution of Talenom's products to this is estimated to be minor, it can be said that Talenom can contribute to the fight against climate change with its actions and choices. A study by Finance Finland (Assessment of the Climate Impacts of the Automation of Financial Management 2015) estimated that the automation of data processing in financial management can be expected to yield savings of 80–90% in the climate impact of a company's financial management almost regardless of its size. By developing its processes, Talenom aims to further promote the digital transformation of financial management.

Talenom is currently preparing a plan for a systematic calculation model for CO2 emissions and assessing other reporting-related measures and their implementation.

SOCIAL AND PERSONNEL ISSUES

Talenom seeks to act as a responsible employer in every respect and a good personnel experience is one of the key objectives guiding operations. Talenom has identified the fact that the company may lose its key personnel or fail to recruit, train and retain skilled employees as a key social and human resource related risk for its business. In particular, for financial management experts or sellers, the risk may result in loss of customers or otherwise prevent the company from operating, developing and successfully expanding its operations. Skilled, committed and prosperous personnel is seen as a key to future success, and Talenom is strongly committed to developing personnel both through internal guidelines and procedures as well as built-in practices.

Talenom continued cooperating with The Siqnificant Company using their Siqni survey to further develop its employee understanding. The Siqni survey helps management to gain more information about things that employees find meaningful and new perspectives for more individualised management. The Talenom Academy offers a wide range of training courses ranging from work-life skills to professional competence development. Management training is also a focus area of internal training.

As an employer, Talenom works to ensure the fair and equal treatment of employees. The company's HR Guidelines forbid harassment, inappropriate behaviour and abuse, and it monitors compliance with these guidelines through the means at its disposal. Talenom has a reporting policy that obligates personnel to act when they observe harassment, inappropriate behaviour or abuse.

In the end of the reporting period, Talenom employed 1336 people at 74 offices. A total of 10 people worked as independent franchisees. In the end of the reporting period the proportion of women employees was 73% and that of men 27%.

RESPECTING HUMAN RIGHTS

Talenom respects human rights and requires its partners to do so as well. The updated materiality analysis did not identify any significant human rights risks related to business operations, but Talenom continues to assess and identify human rights risks in connection with its growth strategy through the materiality analysis. The company applies international human rights standards to employee training, instructions and equal treatment of workers and a whistle blower system is also used to report suspected human rights violations.

PREVENTING CORRUPTION, MONEY LAUNDERING AND BRIBERY

As a financial services provider themes related to preventing corruption, money laundering and bribery are important to Talenom. Companies commission Talenom to handle their accounting and it is thus obligated to notify the Financial Intelligence Unit of any suspicion of money laundering or terrorist financing under the Act on Preventing Money Laundering and Terrorist Financing. Talenom has drafted policies against bribery and corruption and the company's HR Guidelines also include instructions on what to do when irregularities are detected. The company has also established procedures to detect any suspicious activities that might indicate money laundering and has guidelines and training for its employees to act appropriately. Talenom has prepared a risk assessment of its operations as required by the Act on Preventing Money Laundering and Terrorist Financing which it updates regularly. There is a prescribed process for reporting suspicious transactions and, as required by the Act on Preventing Money Laundering and Terrorist Financing, a notification is made to the Financial Intelligence Unit if there is any suspicion of money laundering or terrorist financing. Due to the nature of the services provided by Talenom, it collects, stores, processes and distributes a large volume of sensitive information such as confidential corporate and personal data on customers, employees and suppliers. Most information is maintained and transferred electronically in the company's IT systems. Preventing abuse of such data is a key aspect of Talenom's risk management. Talenom also has an internal notification procedure, which allows employees to express their suspicions of possible abuse anonymously.

EU TAXONOMY

Talenom conducted an EU taxonomy review based on existing data. Based on the review, it was found that none of Talenom's businesses or products produced by the company belong to the industries or products defined by EU taxonomy. Thus, Talenom's taxonomy eligible revenue, capex and opex are 0% and taxonomy aligned revenu, capex and opex are 0% as well. Talenom continues monitoring the evolution of taxonomy legislation and assesses any changes annually.

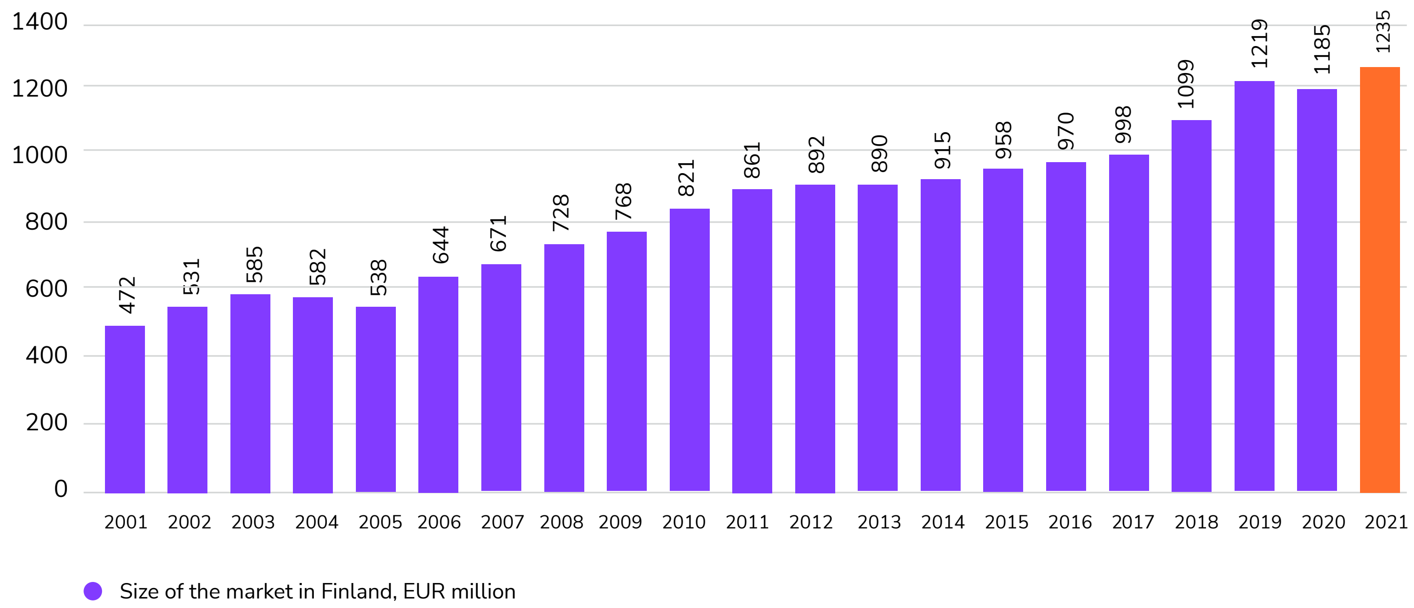
Board of Directors' report

MARKET OVERVIEW

The accounting services market has traditionally been quite stable and defensive. The market has grown in Finland almost every year since 2001, despite the occasional contraction in Finland's GDP. According to Statistics Finland, the average annual net sales growth in the accounting services market in Finland was around 5% in 2001-2021.

According to Statistics Finland, the Finnish market for accounting and financial reporting services was around EUR 1,235 million (1,185) in 2021. Measured by net sales, Talenom's market share was 6.7% (5.2). The net sales of the accounting and financial reporting industry grew by 4.1% (-2.7) in 2021 from the previous year.

Size of the market in Finland, EUR million



The Finnish accounting market is fragmented. The number of accounting firms has remained at over 4,000 companies for the last decade. According to Statistics Finland, there were 4,054 companies in this sector in 2021 (2020: 4,110), and the average company size was 3.0 (3.1) employees. There are many one-person offices and part-time entrepreneurs in the accounting services market.

The size of the Swedish accounting market is around EUR 2 billion, Spain some EUR 10 billion and Italy about EUR 12 billion. Sweden lags behind Finland in the digitalisation of the accounting services industry but is clearly ahead of Spain and Italy.

Decisions were taken in Europe in 2022 on the mandatory introduction of the e-invoicing directive in coming years, which is expected to accelerate the digital transformation of the industry. In Spain, for example, companies with net sales of over EUR 8 million have to introduce e-invoicing by September 2023 and all companies by September 2025.

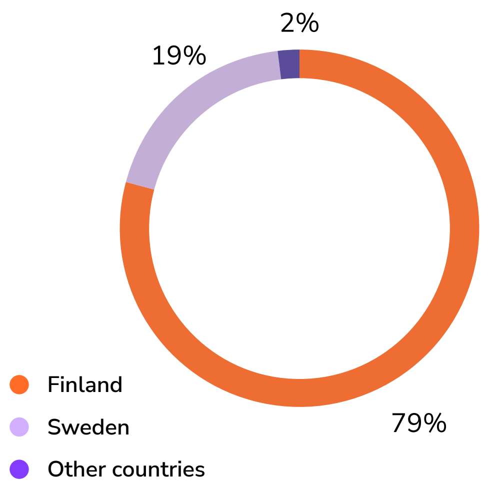
The accounting industry is in a revolution driven by digitalisation, outsourcing, expanding service offering, and increasing importance of consulting, as well as a work revolution and legislative changes. The industry revolution will gradually consolidate the market.

KEY FIGURES

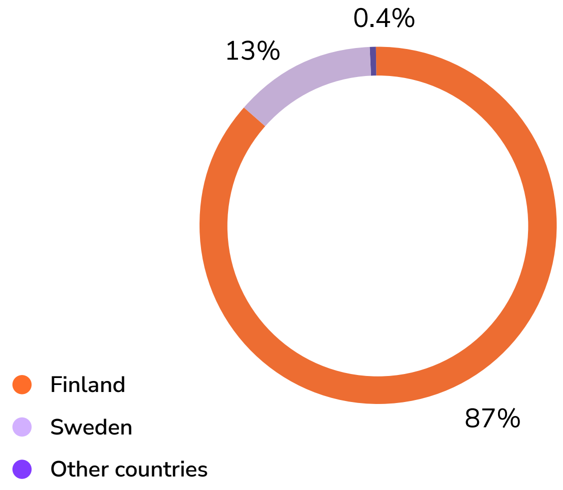
Group	1–12/2022	1–12/2021	Change, %
Net sales, EUR 1,000	102,107	82,808	23.3%
Net sales growth, %	23.3%	27.1%	
EBITDA, EUR 1,000	32,394	27,662	17.1%
EBITDA of net sales, %	31.7%	33.4%	
Operating profit, EUR 1,000	15,266	14,763	3.4%
Operating profit of net sales, %	15.0%	17.8%	
Return on investment (ROI), % (rolling 12 months)	14.0%	17.7%	
Cash flow from operating activities, EUR 1,000	27,448	25,582	7.3%
Interest-bearing net liabilities, EUR 1,000	54,404	39,240	38.6%
Gearing ratio, %	97.1%	87.8%	
Equity ratio, %	35.9%	38.1%	
Net investments, EUR 1,000	40,868	37,957	7.7%
Liquid assets, EUR 1,000	15,970	10,121	57.8%
EPS, EUR	0.27	0.25	7.2%
Weighted average number of shares during the period	44,384,390	43,462,583	2.1%
Net profit, EUR 1,000	11,801	10,794	9.3%

Group's financial performance January-December 2022

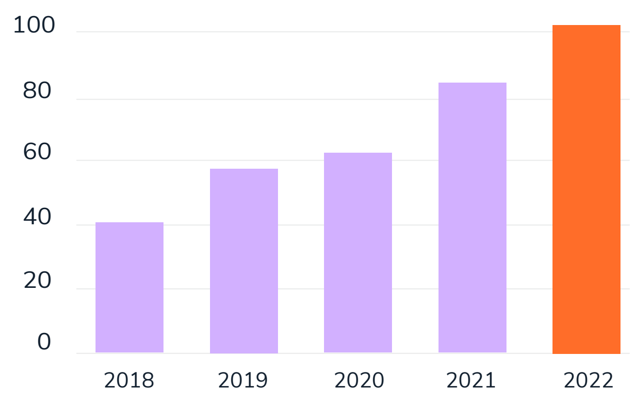
Net sales by country 1-12/2022



Net sales by country 1–12/2021

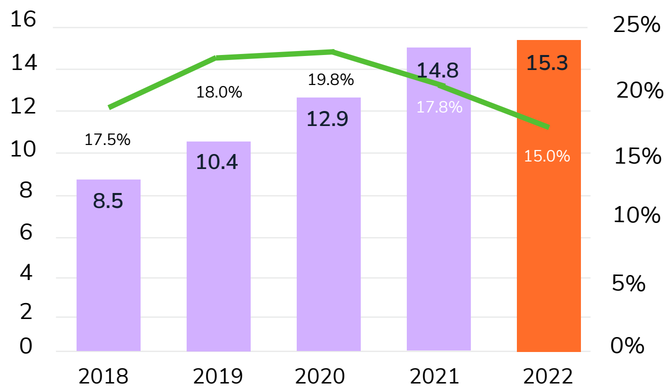


Net sales development, EUR million



meur

EBIT development, EUR million



meur

Net sales increased by 23.3% to EUR 102.1 million (82.8). Some two-thirds of the increase in net sales came from acquisitions and one-third organically through growth in customer numbers and sales of value-added services in Finland. Neither the COVID pandemic nor the Russian military aggression had significant impact on the business.

Personnel costs amounted to EUR 55.7 million (44.6) representing 54.5% (53.9) of net sales. Other operating expenses, including materials and services, totalled EUR 15.7 million (11.3) or 15.3% (13.6) of net sales.

Operating profit increased by 3.4% to EUR 15.3 million (14.8) or 15.0% (17.8) of net sales. Relative profitability was depressed by lower profitability of the acquired businesses compared to other units, integration costs of acquisitions, strengthening of international operations, increased levels of personnel and other expenses, and higher depreciation. Net profit grew by 9.3% to EUR 11.8 million (10.8).

Country-specific financial development

FINLAND	1–12/2022	1–12/2021	Change, %
Net sales, EUR 1,000	81,037	71,779	12.9%
Net sales growth, %	12.9%	17.1%	
EBITDA, EUR 1000	31,242	26,919	16.1%
EBITDA of net sales, %	38.6%	37.5%	
Depreciation and amortisations, EUR 1,000	-15,148	-11,794	28.4%
Operating profit, EUR 1,000	16,095	15,125	6.4%
Operating profit of net sales, %	19.9%	21.1%	

JANUARY-DECEMBER 2022

Net sales increased by 12.9% to EUR 81.0 million (71.8). About a quarter of net sales growth came from acquisitions and the rest from organic growth. Organic growth was driven by increased customer numbers and sales of value-added services.

Measured by EBITDA, relative profitability increased, but weakened slightly measured by operating profit. Profitability was still at an excellent level. Automation development had a positive and acquisitions and increased depreciation a negative effect on relative profitability. During the review period, changes in actual and estimated additional purchase prices caused by acquisitions had a positive net effect on profitability.

SWEDEN	1–12/2022	1–12/2021	Change, %
Net sales, EUR 1,000	19,406	10,673	81.8%
Net sales growth, %	81.8%	177.5%	
EBITDA, EUR 1000	1,630	763	113.7%
EBITDA of net sales, %	8.4%	7.1%	
Depreciation and amortisations, EUR 1,000	-1,808	-1,085	66.6%
Operating profit, EUR 1,000	-178	-323	44.8%
Operating profit of net sales, %	-0.9%	-3.0%	

JANUARY-DECEMBER 2022

Net sales increased by 81.8% to EUR 19.4 million (10.7). Net sales growth came mainly from acquisitions.

Relative EBITDA was 8.4% (7.1) and the operating loss was -0.9% (-3.0) of net sales. Relative profitability was depressed by our sales investments, building support functions, developing management structures and introduction of own software.

OTHER COUNTRIES	1–12/2022	1–12/2021	Change, %
Net sales, EUR 1,000	1,664	356	367.4%
Net sales growth, %	367.4%		
EBITDA, EUR 1000	-478	-20	-2,243.6%
EBITDA of net sales, %	-28.7%	-5.7%	
Depreciation and amortisations, EUR 1,000	-172	-20	767.8%
Operating profit, EUR 1,000	-650	-40	-1,516.3%
Operating profit of net sales, %	-39.1%	-11.3%	

JANUARY-DECEMBER 2022

Net sales increased by 367.4% to EUR 1.7 million (0.4). Net sales growth came from acquisitions. Talenom bought the FinTech platform from Spain, which was transferred to Talenom from 1 October 2022. In addition, the company carried out two acquisitions in Spain to strengthen the accounting business.

The business was loss-making. Profitability is mainly depressed by the acquired platform business being in red in the last quarter, as well as our investments in sales, building support functions and developing management structures.

COUNTRY-SPECIFIC KEY FIGURES BY QUARTER

Finland	Q1/2022	Q2/2022	Q3/2022	Q4/2022	Q1/2021	Q2/2021	Q3/2021	Q4/2021
Net sales, EUR 1,000	20,965	21,404	18,821	19,848	18,002	18,387	16,759	18,631
Net sales growth, %	16.5%	16.4%	12.3%	6.5%	8.0%	18.0%	21.2%	22.3%
EBITDA, EUR 1000	8,464	8,512	7,019	7,250	7,093	6,733	6,380	6,714
EBITDA of net sales, %	40.4%	39.8%	37.3%	36.5%	39.4%	36.6%	38.1%	36.0%
Depreciation and amortisations, EUR 1,000	-3,612	-3,695	-3,734	-4,106	-2,582	-2,797	-2,927	-3,488
Operating profit, EUR 1,000	4,852	4,817	3,285	3,144	4,511	3,936	3,453	3,226
Operating profit of net sales, %	23.1%	22.5%	17.5%	15.8%	25.1%	21.4%	20.6%	17.3%

Sweden	Q1/2022	Q2/2022	Q3/2022	Q4/2022	Q1/2021	Q2/2021	Q3/2021	Q4/2021
Net sales, EUR 1,000	3,989	5,308	4,307	5,802	2,305	2,993	2,455	2,919
Net sales growth, %	73.1%	77.3%	75.4%	98.7%	241.7%	223.6%	141.8%	137.2%
EBITDA, EUR 1000	461	833	240	96	103	469	303	-112
EBITDA of net sales, %	11.6%	15.7%	5.6%	1.7%	4.5%	15.7%	12.3%	-3.9%
Depreciation and amortisations, EUR 1,000	-378	-427	-434	-569	-201	-266	-300	-318
Operating profit, EUR 1,000	84	406	-195	-473	-98	203	3	-430
Operating profit of net sales, %	2.1%	7.6%	-4.5%	-8.1%	-4.3%	6.8%	0.1%	-14.7%

Other countries	Q1/2022	Q2/2022	Q3/2022	Q4/2022	Q1/2021	Q2/2021	Q3/2021	Q4/2021
Net sales, EUR 1,000	256	267	447	695			150	206
Net sales growth, %			198.0%	237.2%				
EBITDA, EUR 1000	-61	-54	15	-378			-27	7
EBITDA of net sales, %	-24.1%	-20.1%	3.4%	-54.5%			-18.1%	3.2%
Depreciation and amortisations, EUR 1,000	-12	-37	-30	-93			-8	-12
Operating profit, EUR 1,000	-74	-90	-15	-471			-35	-5
Operating profit of net sales, %	-28.9%	-33.9%	-3.3%	-67.9%			-23.3%	-2.6%

BALANCE SHEET, FINANCING AND INVESTMENTS

On 31 December 2022, the consolidated balance sheet total was EUR 156.3 (117.7) million. The Group's equity ratio was 35.9% (38.1%) and net gearing was 97.1% (87.8%). The Group's interest-bearing non-current financial loans at the end of the review period were EUR 60.1 (40.2) million, excluding instalment debts. Other non-current interest-bearing liabilities (instalment debts) were EUR 0.1 (0.2) million and other current interest-bearing liabilities (instalment debts) were EUR 0.2 (0.1) million.

In accordance with IFRS 16, non-current lease liabilities stood at EUR 6.3 (6.0) million and current lease liabilities at EUR 3.7 (2.9) million on 31 December 2022.

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 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".

The total net investments on 1 January–31 December 2022 were EUR 40.9 (38.0) million.

Investments stemming from new customer contracts amounted to EUR 3.3 million (3.9) in the review period. Investments in software and digital services totalled EUR 12.1 million (11.7) during the review period. Our technology investments focused on developing customer interfaces and developing automation further. The biggest change was the update of the customer interfaces of Talenom Online, development of account and payment cards with a new partner and starting implementation of own systems in Sweden.

During the review period, Talenom acquired nine business entities as share transactions and seven as business acquisitions in Finland, Sweden and Spain. The purchase prices of the share transactions carried out during the review period totalled EUR 18.4 million, including recognition of contingent consideration, and the purchase prices of business acquisitions amounted to EUR 4.0 million, including recognition of contingent consideration. In acquisitions, part of the purchase price was paid with new Talenom Plc shares subscribed for in directed issues. Acquisitions accounted for EUR 24.5 million (21.2) of net investments. Read more about acquisitions under "Acquisitions in the review period".

Investments	1 Jan. - 31 Dec. 2022	1 Jan. - 31 Dec. 2021	Change
New customer agreements, EUR 1,000	3,345	3,850	-504
Software and digital services, EUR 1,000	12,114	11,723	390
Acquisitions in Finland, EUR 1,000	857	8,492	-7,635
Acquisitions abroad, EUR 1,000	23,634	12,690	10,944
Other investments	917	1,202	-285
Total net investments, EUR 1,000	**40,868**	**37,957**	**2,911**

Talenom's liquid assets on 31 December 2022 were EUR 16.0 (10.1) million.

ACQUISITIONS DURING THE REVIEW PERIOD

Business acquisitions in January-December:

- Accodome Oy, Finland
- Tilitoimisto Kuopion Tili-Consults Oy, Finland
- Saarijärven Tilipalvelu Oy, Finland
- PJ Yrityspalvelu Oy, Finland
- Nomo, Spain
- ACompany Asesoraria Y Gestion de Empresas SL, Spain
- Tilipalvelu Elisa Ruinu Oy, Finland

Share transactions in January-December:

- MH Konsult Väst AB, Sweden
- Kjell Wengbrand Redovisnings AB, Sweden
- Lindgren & Lindgren Ekonomi AB, Sweden
- Confido Redovisning AB, Sweden
- Redovisningsbyrån Öckerö AB, Sweden
- Mazars Redovisning AB, Sweden
- Gestoria Teruel SL, Spain
- Baran Redovisning Ab, Sweden
- Alcea Redovisning Ab, Sweden

Purchase prices, net sales and operating profit of the acquisition targets during the review period:

EUR 1,000	Share transactions	Business acquisitions
Total purchase prices	12,261	4,013
Maximum contingent consideration	9,766	116
Net sales, previous 12 months at time of purchase, total	13,675	3,097
Operating profit, previous 12 months at time of purchase, total	1,984	-436

In acquisitions, part of the purchase price was paid with new Talenom Plc shares subscribed for in directed issues. A total of 267,177 shares were subscribed for in directed share issues related to acquisitions during the review period.

ACQUISITIONS AFTER THE REVIEW PERIOD

Business acquisitions after the review period:

- Studio Gavazzi, Italy

Share transactions after the review period:

- MTE Göteborg Ab, Sweden
- R2 Redovisning Ab, Sweden
- BKF Asesores S.L, Spain

Purchase prices, net sales and operating profit of the acquisition targets after the review period:

EUR 1,000	Share transactions	Business acquisitions
Total purchase prices	2,201	276
Maximum contingent consideration	879	170
Net sales, previous 12 months at time of purchase, total	1,661	553
Operating profit, previous 12 months at time of purchase, total	430	0

Further information on business acquisitions after the review period will be available in the consolidated financial statements.

PERSONNEL AND MANAGEMENT

Talenom had 1,336 (1,047) employees at the end of 2022. The average number of personnel during the review period 1 January–31 December 2022 was 1,204 (1,012). During the review period, the members of the company's Executive Board were Otto-Pekka Huhtala (CEO), Antti Aho (Executive Vice President), Matti Eilonen (CFO), Tuomas Iivanainen (Marketing Director), Juho Ahosola (COO, CHRO), Juha Jutila (CBDO) until 1 November 2022 and Olli Lätti (Commercial Director) from 1 November 2022.

SUSTAINABILITY

At the end of 2022, Talenom updated its sustainability materiality analysis. The materiality analysis examined various areas of sustainability, such as climate change, human rights, labour issues, bribery and corruption risks. The analysis assessed Talenom's operating models and impacts on various sustainability areas and stakeholders, as well as the impact of sustainability trends on Talenom's business. The impact was examined both in terms of scope and scale and in terms of potential economic impacts. The analysis covered both the sustainability aspects of Talenom's own operations as well as the subcontracting chain and products.

Employee issues was assessed to be the key sustainability area. Talenom offers a combination of expert services and automated accounting services, and the role of employees in driving future growth is crucial. The role of the business in society, in turn, highlights ethics, anti-corruption and information security issues as major sustainability issues. Due to Talenom's value chain and business model, conventional risks related to human rights and environmental issues are relatively limited. Although the environmental impact of Talenom's operating model is very low the importance of climate issues is raised by stakeholders', especially the financial sector's, need for up-to-date climate work and reporting.

The results of the materiality analysis confirmed Talenom's view of the company's main impacts, and the company will develop its sustainability strategy and reporting over the next few years based on the results of the updated materiality analysis.

More information on sustainability can be found in the report of non-financial information.

ANNUAL GENERAL MEETING 2022 AND AUTHORISATIONS OF THE BOARD OF DIRECTORS

The Annual General Meeting of Talenom Plc was held on 3 March 2022 in Helsinki. The Annual General Meeting adopted the financial statements of the parent company and the consolidated financial statements for the financial year ended 31 December 2021, discharged the members of the Company's Board of Directors and the CEO from liability, and approved all proposals made to the Annual General Meeting by the Board of Directors. The Annual General Meeting also approved the Remuneration Report for the Company's Governing Bodies.

The Annual General Meeting resolved that a dividend of EUR 0.17 per share will be paid for the financial year 1 January–31 December 2021. Undistributed profits shall remain in equity. The dividend was paid to shareholders who were on the dividend record date, 7 March 2022, registered as shareholders in the company's shareholders' register maintained by Euroclear Finland Ltd. The dividend payment date was 14 March 2022. Dividend was not paid to treasury shares held by the company.

The Annual General Meeting confirmed that Harri Tahkola, Mikko Siuruainen, Olli Hyyppä, Johannes Karjula, Elina Tourunen and Sampsa Laine, all current members of the Board of Directors, are re-elected as the members of the Board of Directors for a new term. The Annual General Meeting resolved that the number of the members of the Board of Directors shall be six.

It was resolved that a remuneration of EUR 6,000 per month will be paid to the Chairman of the Board of Directors and EUR 2,000 per month to other members of the Board of Directors. Additionally, the travel expenses of the members of the Board of Directors will be compensated in accordance with the company's travel policy.

The Annual General Meeting re-elected KPMG Oy Ab, authorised public accountant organisation, as the auditor of the company. Juho Rautio, authorised public accountant, will continue as the principal auditor. The term of the auditor will run until the end of the next Annual General Meeting. The auditor will be remunerated according to the reasonable invoice approved by the company.

The Annual General Meeting authorised the Board of Directors to resolve on the repurchase of a maximum of 150,000 own 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 2023. The authorisation replaces the previous authorisation to repurchase own shares granted by the Annual General Meeting on 3 March 2021.

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 number of shares to be issued, including the shares to be received based on special rights, must not exceed 2,100,000 shares. The Board of the Directors may resolve to issue new shares or to transfer own shares possibly held by the company. The maximum amount of the authorisation corresponds to approximately 4.8 per cent of all shares in 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 to issue share options 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 2023. The authorisation revokes all previous unused authorisations to resolve on the issuance of shares, option rights and other special rights entitling to shares.

In its organisational meeting held after the Annual General Meeting, the Board of Directors of Talenom Plc re-elected Harri Tahkola as Chairman of the Board of Directors.

EXTRAORDINARY GENERAL MEETING 2022

Talenom Plc's Extraordinary General Meeting was held on 13 October 2022 in Helsinki. The General Meeting adopted the Board of Directors' proposal to add the option for attending a general meeting remotely or entirely without a physical meeting place to the Articles of Association.

STOCK OPTION SCHEMES AND SHARE-BASED INCENTIVE SCHEMES

The Group has three valid stock option schemes at the end of the review period. The Board of Directors decided based on authorisation granted by the AGM on 26 February 2019, on the 2019 stock option scheme, with the authorisation granted by the AGM on 3 March 2021, on the 2021 stock option scheme and with the authorisation granted by the AGM on 3 March 2022, on the 2022 stock option scheme. All option schemes are subject to a shareholding obligation as an additional condition under which the stock option holder must acquire company shares with 20% of the gross income received from the stock options. This number of shares must be held for two years after the acquisition of the shares. The Board of Directors decides on further action concerning stock options returned to the company later.

The subscription period for shares subscribed for with stock options 2019 is 1 March 2022 to 28 February 2023, for stock options 2021 it is 1 March 2026 to 28 February 2027 and for stock options 2022 it is 1 March 2025 to 28 February 2026.

The AGM of 2020 decided on a free share issue in which 5 new shares per each owned share were issued to shareholders in proportion to their holding to improve the liquidity of the share. As a result of the free share issue, the Board of Directors decided on 25 February 2020 to change the number of shares and subscription price of the shares subscribed for with the options. After the change, the total number of shares to be subscribed for under the 2019 option terms will be 1,200,000 shares.

The options granted and the holdings or undistributed options of the company are divided into option categories on 31 December 2022 as follows:

Option categories (pcs)	2019	2021	2022
Options given	1,200,000	600,000	500,000
Options exercised	844,435	0	0
Talenom Plc's holding or undistributed	276,000	126,000	25,000
Options given but not exercised	79,565	474,000	475,000

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.

Option categories	2019	2021	2022
Current subscription price of options	2.93	13.44	9.46
Total number of unexercised options	79,565	474,000	475,000
Exercised or Talenom Plc's holding or undistributed	1,120,435	126,000	25,000
Number of shares on 31 Dec. 2022	44,923,197	44,923,197	44,923,197
Number of shares if all options are converted into new shares	45,002,762	45,397,197	45,398,197
Proportion of holdings and votes if all options are converted into new shares	0.18%	1.04%	1.05%

The total number of shares will rise from 44,923,197 to 45,951,762, provided that all options under option types 2019, 2021 and 2022 are used in full to subscribe for new shares The total voting and holding rights from both option types is 2.238%, provided that all options are used in full to subscribe for new shares.

Under the terms of the stock options, the subscription price of the options may change if the company distributes dividends or funds from the unrestricted equity fund or if the company reduces its share capital by distributing share capital to shareholders. The terms and conditions of the stock options are available on Talenom's investor pages at investors.talenom.fi/en/investors/corporate_governance/remuneration.

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

PERFORMANCE SHARE PLAN 2020–2024

On 25 February 2020, Talenom's Board established the Performance Share Plan 2020–2024 that 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 to be set for each criterion at the beginning of each performance period. In terms of the performance period 2020-2022 these were decided on 25 February 2020, and for the performance period 2021-2023 on 20 May 2021.

The potential reward based on the plan will be paid partly in the company's shares and partly in cash. The first rewards will be paid in 2023. The cash proportion is intended to cover taxes and tax-related expenses arising from the reward to a participant. As a rule, no reward is paid, if the participant's employment or service ends before the reward payment.

Each member of the company's Executive Board is obliged to hold at least 50 per cent of the net number of shares paid to them on the basis of the plan until the value of his or her shareholding in the company is equal to the value of his or her gross annual salary. These shares must be held for as long as the person remains a member of the Executive Board.

	Performance period 2020–2022	Performance period 2021–2023
Basis for the reward	- consolidated operating profit - internationalization - growth as well as - share of net sales from value-added services	- consolidated net sales - operating profit and - implementation of strategic projects
Rewards to be paid from the performance period	The rewards correspond to the value of an approximate maximum total of 326,000 Talenom Plc shares, including also the proportion to be paid in cash	The rewards correspond to the value of an approximate maximum total of 239,900 Talenom Plc shares, including also the proportion to be paid in cash
Target group	Approximately 50 persons, including the company's Executive Board members	Approximately 85 persons, including the company's Executive Board members
Payment of the rewards	No later than April 2023	No later than April 2024

RESTRICTED SHARE PLAN

The company has a valid Restricted Share Plan intended for selected key employees, including the company's Executive Board members. The reward from the Restricted Share Plan is based on a valid employment or service and the continuity of the employment or service during the vesting period and other possible terms imposed by the Board of Directors.

The rewards in the period 2021–2025 will correspond to the value of a maximum total of 160,000 Talenom Plc shares, including also the proportion to be paid in cash. The reward is paid partly in the company's shares and partly in cash after the end of a 12–60-month vesting period.

SHARE ISSUES

Talenom Plc's Board of Directors decided on 21 March 2022 on a directed free share issue in line with the terms and conditions of the Restricted Share Plan 2021 for the payment of remuneration. The share issue distributed 21,333 new Talenom Plc shares free of charge.

The Board of Directors of Talenom Plc decided on 29 March 2022 on a free directed share issue as part of M&A transactions. Talenom issued 90,169 new shares in a share issue directed to the sellers of the acquisition targets Lindgren & Lindgren Ekonomi Ab, Confido Ab and Redovisningsbyrån Öckerö Ab.

The Board of Directors of Talenom Plc decided on 1 August 2022 on a free directed share issue as part of M&A transactions. Talenom decided to issue 19,789 new shares in a share issue directed at the sellers of the acquisition target ACompany Asasoraria Y Gestion de Empresas SL.

The Board of Directors of Talenom Plc decided on 29 August 2022 on a free directed share issue as part of M&A transactions. Talenom decided to issue 39,227 new shares in a share issue directed at the sellers of the acquisition target Gestoria Teruel SL.

The Board of Directors of Talenom Plc decided on 21 October 2022 on a free directed share issue as part of M&A transactions. Talenom decided to issue 45,691 new shares in a share issue directed at the sellers of the acquisition target Alcea Redovisning Ab.

REGISTRATION OF NEW SHARES UNDER THE TERMS OF THE OPTION SCHEME

The 357,000 new shares subscribed for in line with Talenom Plc's 2019 terms and conditions for option rights were registered in the Trade Register on 24 March 2022. The total subscription price, EUR 1,046,010.00, was recognised in full in the company's reserve for invested unrestricted equity After the registration of the new shares the total number of shares in Talenom Plc was 44,240,886 shares.

The 130,000 new shares subscribed for in line with Talenom Plc's 2019 terms and conditions for option rights were registered in the Trade Register on 6 April 2022. The total subscription price, EUR 380,900.00, was recognised in full in the company's reserve for invested unrestricted equity. After the registration of the new shares the total number of shares in Talenom Plc was 44,461,055 shares.

The 160,000 new shares subscribed for in line with Talenom Plc's 2019 terms and conditions for option rights were registered in the Trade Register on 13 May 2022. The total subscription price, EUR 468,800.00, was recognised in full in the company's reserve for invested unrestricted equity. After the registration of the new shares the total number of shares in Talenom Plc was 44,621,055 shares.

The 139,000 new shares subscribed for in line with Talenom Plc's 2019 terms and conditions for option rights were registered in the Trade Register on 15 June 2022. The total subscription price, EUR 407,270.00, was recognised in full in the company's reserve for invested unrestricted equity. After the registration of the new shares the total number of shares in Talenom Plc was 44,760,055 shares.

The 41,670 new shares subscribed for in line with Talenom Plc's 2019 terms and conditions for option rights were registered in the Trade Register on 21 September 2022. The total subscription price, EUR 122,093.10, was recognised in full in the company's reserve for invested unrestricted equity. After the registration of the new shares the total number of shares in Talenom Plc was 44,860,741 shares.

The 16,765 new shares subscribed for in line with Talenom Plc's 2019 terms and conditions for option rights were registered in the Trade Register on 16 December 2022. The total subscription price, EUR 49,121.45, was recognised in full in the company's reserve for invested unrestricted equity. After the registration of the new shares the total number of shares in Talenom Plc was 44,923,197 shares.

FLAGGING NOTIFICATIONS

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

According to a notification received on 28 March 2022, the number of Talenom Plc shares owned by Allianz Vie S.A decreased below the 5% limit of all Talenom Plc shares due to share transactions.

According to a notification received on 30 March 2022, the number of Talenom Plc shares owned by Allianz Vie S.A rose above the 5% limit of all Talenom Plc shares due to share transactions.

FINANCIAL TARGETS

Talenom's published the company's medium-term financial targets that emphasize net sales growth on 25 October 2022. Growth is expected to come primarily from the international markets and is based on active sales development, digital sales and acquisitions. Due to depreciation of significant software development investments and lower profitability of acquisition targets, the relative profitability of the next few years is expected to decline. The profitability of an acquisition target will rise to the level of Talenom's core business in an estimated three years when new systems have been implemented in full at the target.

Talenom's medium-term (2023-2025) financial targets are as follows:

- annual net sales growth of over 30%,
- annual EBITDA growth of over 15%,
- growing euro-denominated EBIT and
- increasing dividend per share.

The company has no previous longer-term financial targets.

EVENTS AFTER THE REVIEW PERIOD

According to a notification received on 9 January 2023, 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.

After the end of the reporting period, Talenom has carried out four business acquisitions, details of which are given in the notes to the financial statements "Note 30 Events after the end of the reporting period".

FINANCIAL REPORTING AND ANNUAL GENERAL MEETING IN 2023

In 2023, Talenom will publish financial information as follows:

- Financial Statements Release for 2022 on Tuesday, 31 January 2023
- Annual Review 2022 on week 7
- Business Review for January-March on Thursday, 20 April 2023
- Half-year Report for January-June on Friday, 21 July 2023
- Business Review for January-September on Friday, 20 October 2023

Talenom Plc's Annual General Meeting (AGM) is planned to be held on Wednesday, 15 March 2023.

CORPORATE GOVERNANCE STATEMENT

Talenom compiles a separate Corporate Governance Statement in accordance with the recommendation of the Finnish Corporate Governance Code. The statement is included in the Annual Review but published separately from the Board of Directors' report. The statement is available on Talenom's investor website at investors.talenom.com/en.

BOARD OF DIRECTOR'S PROPOSAL CONCERNING THE RESULT FOR THE PERIOD

The Board of Directors proposes that the parent company's profit for the financial year EUR 10,899,822.70 is transferred to the retained earnings/loss account. The Board of Directors proposes that a dividend of EUR 0.18 (0.17) per share be paid.

The company's financial position has not changed substantially since the end of the fiscal year.

RISKS, UNCERTAINTIES AND RISK MANAGEMENT

The company has identified risks and uncertainties related to its operating environment and business that may adversely affect the company's business, profitability and financial position.

The main identified risks are:

- Potential escalation of the geopolitical crisis in Europe, deterioration of the general economic situation, rising interest rate level and inflation may lead to business contraction or bankruptcy of Talenom's customers, resulting in customer losses or reduced customer relationships.
- Talenom may fail to implement acquisitions or in integrating acquired companies to its business.
- Competition may tighten if competitors introduce new services or start a price war.
- The IT systems and connections provided by the company or its partners may be subject to security breaches, or be affected by deficiencies, failures, or shortcomings in the maintenance and updating of such systems.
- Wide-ranging cost inflation could lead to significant cost increases.
- Failure in recruitment or staff engagement.
- The COVID pandemic may still cause disruptions in Talenom's operating environment.

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 control.

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.

OUTLOOK AND GUIDANCE FOR 2023

Talenom estimates that 2023 net sales will be about EUR 120–130 million and that euro-denominated EBITDA and operating profit will grow from 2022.

Talenom expects the accounting services market to grow in all of the company's operating countries in 2023 and demand to remain stable. In addition, consolidation in the industry is expected to continue accelerated by, for instance, digital disruption and tightening legislation concerning electronic financial management. Talenom's goal is to continue robust growth and expansion in all of its operating countries and other European countries with significant potential to expand as a forerunner in the digitalisation of the accounting services industry.

In addition to organic growth, the guidance includes an assessment of possible acquisitions during 2023. Most of total net sales growth in 2023 is expected to come from acquisitions. Expanding into new market areas enables the company's long-term growth.

Acquisitions will have a negative impact on relative profitability in the short term. The profitability of an acquisition target will rise to the level of Talenom's core business in an estimated three years when the new systems have been fully implemented at the target. In Sweden, implementation of new software started in autumn 2022. Talenom's investments in automation, customer-friendly user interfaces and the small customer segment in recent years, as well as the internationally scalable software platform will increase the depreciation level relative to net sales, but operational profitability measured by EBITDA will improve.

SHARES AND SHAREHOLDERS

On 31 December 2022, Talenom Plc had a total of 44,923,197 shares entered in the Trade Register. The company held 150,600 treasury shares (0.34% of the total number of shares and votes) on 31 December 2022. On 31 December 2022, Talenom had a total of 9,399 (7,947) shareholders. The number of shareholders is based on information collected by Modular Finance from various sources, such as Euroclear Finland Oy.

A total of 10,424,074 shares were traded in January-December, and the value of the shares traded was EUR 101,896,667. The highest price of the share was EUR 12.32, and the lowest price was EUR 7.75. The volume weighted average price was EUR 9.77 and the closing price at the end of the review period was EUR 9.10. In accordance with the closing price, the combined market value of the shares was approximately EUR 408.8 million.

Largest shareholders 31 Dec. 2022

Name	Shares	Shares, %
Tahkola Harri Kalevi	7,940,015	17.67
Tahkola Markus Tapani	4,815,824	10.72
Danske Invest Finnish Equity Fund	2,152,319	4.79
Mutual Pension Insurance Company Ilmarinen	1,610,517	3.58
Evli Finnish Small Cap Fund	1,384,000	3.08
Elo Mutual Pension Insurance Company	930,000	2.07
Föreningen Konstsamfundet r.f.	780,000	1.74
Siuruainen Mikko	604,716	1.35
Sijoitusrahasto Aktia Nordic Micro Cap	500,000	1.11
Conficap Oy	462,500	1.03
Ten largest, total	**21 179 891**	**47,14**
Nominee registered, total	**13 190 341**	**29,36**
Other shareholders	**10 552 965**	**23,50**
Total	**44 923 197**	**100,00**

Shareholdings of Board members, CEO and Executive Board, 31 Dec. 2022

	Shares	Shares, %
Board of Directors	8,619,543	19.19
CEO	387,160	0.90
Other Executive Board	313,735	0.70
Total	**9,320,438**	**20.75**

Shareholders by sector, 31 Dec. 2022

Sector	Shares	% of shares	% of votes	Number of known owners
Households	20,302,002	45.20	45.20	8,948
Fund management companies	17,392,993	38.81	38.81	44
Pension & insurance	3,708,503	8.26	8.26	23
Other	1,572,191	3.50	3.50	372
Non-profit organisations	795,397	1.77	1.77	7
Treasury shares	150,600	0.34	0.34	1
Public corporations	25,007	0.06	0.06	4
Investment company	0	0	0	0
Unknown	976,504	2.07	2.07	-
Total	**44,923,197**	**100.00**	**100.00**	**9,399**

Owner distribution by holding, 31 Dec. 2022

Distribution	Number of shares	% of shares	% of votes	Number of known owners
1–100	183,302	0.41	0.41	4,143
101–500	804,560	1.79	1.79	3,159
501–1,000	673,689	1.50	1.50	929
1,001–5,000	1,867,021	4.16	4.16	891
5,001–10,000	773,745	1.72	1.72	109
10,001–50,000	2,036,018	4.53	4.53	102
50,001–100,000	1,834,999	4.09	4.09	28
100,001–500,000	4,874,858	10.86	10.86	21
500,001–1,000,000	6,200,779	13.81	13.81	9
1,000,001 -	24,697,722	55.05	55.05	8
Unknown	976.504	2.07	2.07	-
Total	**44,923,197**	**100.00**	**100.00**	**9,399**

Per share indicators

	2022	2021	2020
Earnings per share, EUR	0.27	0.25	0.22
Equity per share, EUR	1.26	1.03	0.75
Dividend per share	0.18*	0.17	0.15
Dividend of profit, %	67.9%	68.5%	66.8%
Effective dividend yield, %	2.0%	1.5%	1.0%
P/E	34.34	47.16	67.01
Market cap	408,801,093	512,345,948	650,382,439
Shares traded, EUR	101,896,667	163,766,030	129,342,779
Weighted average number of shares	44,384,390	43,462,583	42,654,214
Number of shares at the end of the financial year	44,923,197	43,790,252	43,214,780
Highest conversion price, EUR	12.32	17.04	15.2
Lowest conversion price, EUR	7.75	10.60	4.93
Average conversion price for the financial year, EUR	9.77	12.88	7.84
Closing price for the financial year, EUR	**9.10**	**11.70**	**15.05**
Stock exchange volume, pcs	**10,424,074**	**12,715,979**	**16,506,856**
Stock exchange volume, EUR	**101,896,667**	**163,766,030**	**129,342,779**

*Board of Directors' proposal

GROUP'S KEY FIGURES FOR THE PREVIOUS THREE FINANCIAL YEARS

Group	1–12/2022	1–12/2021	1–12/2020
Net sales, EUR 1,000	102,107	82,808	65,161
Net sales growth, %	23.3%	27.1%	12.4%
EBITDA, EUR 1,000	32,394	27,662	23,279
EBITDA of net sales, %	31.7%	33.4%	35.7%
Operating profit, EUR 1,000	15,266	14,763	12,881
Operating profit of net sales, %	15.0%	17.8%	19.8%
Return on investment (ROI), % (rolling 12 months)	14.0%	17.7%	19.6%
Cash flow from operating activities, EUR 1,000	27,448	25,582	23,436
Interest-bearing net liabilities, EUR 1,000	54,404	39,240	29,328
Gearing ratio, %	97.1%	87.8%	91.0%
Equity ratio, %	35.9%	38.1%	38.1%
Net investments, EUR 1,000	40,868	37,957	20,295
Liquid assets, EUR 1,000	15,970	10,121	9,104
EPS, EUR	0.27	0.25	0.22
Weighted average number of shares during the period	44,384,390	43,462,583	42,654,214
Net profit, EUR 1,000	11,801	10,794	9,579

ALTERNATIVE PERFORMANCE MEASURES

The Company reports commonly applied alternative performance measures to reflect the underlying business performance and enhance comparability between financial periods. Alternative performance measures not based on IFRS standards provide notable additional information to company management, investors and other interested parties. Alternative performance measures should not be considered as a substitute for key figures in accordance with IFRS. Alternative performance measures used by the company include operating profit (EBIT), operating profit (EBIT) as % of net sales, EBITDA, EBITDA as % of net sales, cash flow from operating activities, return on investment (ROI) %, interest-bearing net liabilities, net gearing ratio %, equity ratio %, and net investments. The formulas are presented below in the section "Formulas". In addition to the above, the company presents alternative performance measures when describing the effects of IFRS 16 on the company's financial information.

Formulas

Net sales growth, % = $\frac{\text{net sales - net sales of the preceding year}}{\text{net sales of the preceding year}} \times 100$

Operating profit = net sales + other operating income - materials and services - personnel expenses - depreciations and amortisations - other operating expenses

Operating profit (EBIT), % = $\frac{\text{EBIT}}{\text{net sales}} \times 100$

Return on investment (ROI), % (rolling 12 months) = $\frac{\text{operating profit (EBIT) before taxes + interest and other financial expenses}}{\text{total equity and liabilities - non-interest-bearing liabilities (average of the accounting period)}} \times 100$

Interest-bearing net liabilities = interest-bearing liabilities - cash in hand and in banks

Gearing ratio, % = $\frac{\text{interest-bearing liabilities - cash in hand and in banks}}{\text{capital and reserves}} \times 100$

Equity ratio, % = $\frac{\text{capital and reserves}}{\text{balance sheet total - advances received}} \times 100$

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) = $(\text{net sales at the end of the period / net sales in the beginning of the period})^{1/\text{number of years}} - 1$

EBITDA = operating profit + depreciation + amortisation

EBITDA, % = $\frac{\text{EBITDA}}{\text{net sales}} \times 100$

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 financial 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.

EBITDA is an important key figure that measures Talenom's ability to generate profit in business before depreciation, impairment and financial items.

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

Financial statements 2022

Consolidated comprehensive income statement

EUR 1,000	Note	2022	2021
Net sales	6	102,107	**82,808**
Other operating income	7	1,625	729
Materials and services	8	-3,950	-3,052
Employee benefit expenses	9, 21	-55,682	-44,618
Depreciation and impairment	10	-17,128	-12,899
Other operating expenses	11	-11,706	-8,204
Operating profit		15,266	**14,763**
Financial income	12	466	109
Financial expenses	12	-1,178	-880
Net financial expenses		**-712**	**-771**
Profit (loss) before taxes		**14,554**	**13,991**
Income taxes	13	-2,753	-3,198
PROFIT (LOSS) FOR THE FINANCIAL PERIOD		11,801	10,794
Other items of comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Translation differences		57	3
Total comprehensive income for the financial period		**11,858**	**10,796**

Earnings per share calculated on the profit attributable to owners of the parent company

Undiluted earnings per share (EUR)	14	0,27	0,25
Diluted earnings per share (EUR)	14	0,27	0,25

Consolidated balance sheet

EUR 1,000	Note	31 Dec. 2022	31 Dec. 2021
ASSETS			
Non-current assets			
Goodwill	16	54,986	37,284
Other intangible assets	16	45,806	36,323
Right-of-use assets	15	9,922	8,626
Property, plant and equipment	15	2,752	2,784
Other non-current financial assets	17	254	852
Deferred tax assets	13	443	90
Capitalised contract costs	6	11,694	11,805
Total non-current assets		**125,857**	**97,765**
Current assets			
Trade and other receivables	18	14,178	9,832
Current tax assets		315	1
Cash and cash equivalents	19	15,970	10,121
Total current assets		**30,463**	**19,954**
Total assets		**156,320**	**117,718**
CAPITAL AND RESERVES			
Share capital	20	80	80
Reserve for invested unrestricted equity	20	26,861	21,587
Retained earnings	20, 21	29,085	23,051
Total equity		**56,026**	**44,718**
LIABILITIES			
Non-current liabilities			
Financial liabilities	23	50,122	40,203
Accounts payable and other liabilities	25	2,845	2,211
Lease liabilities	24	6,256	5,985
Deferred tax liabilities	13	3,040	2,030
Total non-current liabilities		62,263	**50,429**
Current liabilities			
Financial liabilities		10,001	0
Accounts payable and other liabilities	25	23,724	17,911
Lease liabilities	24	3,705	2,850
Current tax liabilities	25	601	1,810
Total current liabilities		**38,032**	**22,571**
Total liabilities		**100,295**	**73,000**
Total equity and liabilities		**156,320**	**117,718**

Consolidated cash flow statement

EUR 1,000	Note	2022	2021
Cash flow from operating activities			
Profit (loss) before taxes		14,554	13,991
Adjustments:			
Depreciation and impairment	10	17,128	12,899
Financial income	12	-542	-108
Financial expenses	12	1,254	879
Other adjustments		266	938
Changes in working capital:			
Change in trade and other receivables	18	-2,882	-1,121
Change in accounts and other payables	25	2,233	933
Interest income		182	108
Paid taxes		-4,744	-2,938
Net cash flow from operating activities		**27,448**	**25,582**
Cash flow from investments			
Revenue from the sale of property, plant and equipment	15	161	204
Acquisition of property, plant and equipment	15	-779	-952
Capitalisation of contract costs	6	-3,355	-3,850
Acquisitions of intangible assets	16	-12,267	-11,699
Acquired operations	5	-16,338	-7,570
Investments		598	-515
Net cash flow from investments		**-31,980**	**-24,382**
Cash flow from financing			
Proceeds from share issue		2,425	12
Paid interest		-979	-973
Dividends paid		-7,431	-6,480
Change in instalment debts	23	-33	29
Repayment of lease liabilities	24	-3,266	-2,705
Loan withdrawals	23	20,000	40,000
Loan repayments	23	-87	-30,050
Net cash flow from financing		**10,629**	**-168**
Change in cash and cash equivalents		**6,098**	**1,032**
Cash and cash equivalents, 1 Jan.		10,121	9,104
Net effect of changes in exchange rates on cash equivalents		-248	-15
Cash and cash equivalents, 31 Dec.	**19**	**15,970**	**10,121**

Consolidated statement of changes in equity

		Equity attributable to owners of the parent company			
EUR 1,000	**Note**	**Share capital**	**Reserve for invested unrestricted equity**	**Retained earnings**	**Total**
Total equity, 1 Jan. 2022	20	80	21,587	23,051	44,718
Comprehensive income					
Profit/loss for the period				11,801	11,801
Average exchange rate difference and translation differences				57	57
Total comprehensive income for the financial period		0	0	11,858	11,858
Transactions with owners					
Dividend distribution and repayment of capital				-7,431	-7,431
Share issue			5,274		5,274
Share-based payments	21			1,491	1,491
Transactions with owners, total		0	5,274	-5,940	-666
Changes and other adjustments for previous accounting periods		0	0	116	116
Total equity, 31 Dec. 2022		80	26,861	29,085	56,026

		Equity attributable to owners of the parent company			
EUR 1,000	**Note**	**Share capital**	**Reserve for invested unrestricted equity**	**Retained earnings**	**Total**
Total equity, 1 Jan. 2021	**20**	**80**	**14,818**	**17,271**	**32,169**
Comprehensive income					
Profit/loss for the period				10,794	10,794
Average exchange rate difference and translation differences				3	3
Total comprehensive income for the financial period		0	0	**10,796**	**10,796**
Transactions with owners					
Dividend distribution and repayment of capital				-6,480	-6,480
Share issue			6,768		6,768
Share-based payments	21			1,500	1,500
Transactions with owners, total		**0**	**6,768**	**-4,981**	**1,788**
Changes and other adjustments for previous accounting periods		**0**	**0**	**-35**	**-35**
Total equity, 31 Dec. 2021	**20**	**80**	**21,587**	**23,051**	**44,718**

NOTE 1

General information on the Group

Talenom is a service company that provides its growing clientele with a comprehensive range of accounting services and other services to support their business. The company provides services using systems developed by its in-house software development unit and also offers electronic financial management tools to its customers. At the end of the financial year, the company had a total of 74 offices in Finland, Sweden and Spain.

The company employed an average of 1,204 employees during the financial year.

The Group's parent company Talenom Plc (Business ID FI25514542), is a Finnish public listed company operating under Finnish legislation. The parent company is domiciled in Oulu and its registered address is Yrttipellontie 2, 90230 Oulu. A copy of the financial statements is available at sijoittajat.talenom.fi or from the headquarter of the Group's parent company.

The company's Board of Directors approved the consolidated financial statements for publication at its meeting on 14 February 2023.

NOTE 2

Basis of accounting

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in compliance with the IAS and IFRS standards and SIC and IFRIC interpretations in force on 31 December 2021 that have been approved for application in the EU.

International Financial Reporting Standards refer to the standards and their interpretations approved for application in the EU in accordance with the procedure stipulated in EU regulation (EC) No. 1606/2002 and embodied in Finnish accounting legislation and the decrees enacted under it. The notes to the consolidated financial statements also comply with complementary Finnish Accounting Standards based on Finnish accounting legislation and Community legislation. The consolidated financial statements for the 2022 financial period include the financial statements of the parent company and its subsidiaries (which together comprise "the Group"). In addition to the parent company, the Group includes 28 subsidiaries. The subsidiary Talenom Yritystilit Oy owns 100% of Talenom Audit Oy. The subsidiary MH Konsult Väst AB owns 100% of one subsidiary, the subsidiary Talenom Nyköping AB owns 100% of one subsidiary, and the subsidiary Talenom SLU owns 100% of one subsidiary. The parent company Talenom Plc owns 100% of all other subsidiaries. The Group has 100% control of all its subsidiaries. The subsidiaries are listed in Note 5.

The consolidated financial statements are drafted for the entire calendar year, which is the financial period of the Group's parent company and other Group companies. Financial statement information is presented in thousands of euros. As a result, the sums of the individual figures may differ from the total sum presented. The consolidated financial statements have been prepared based on original acquisition cost, with the exception of financial assets recognised at fair value through profit or loss.

ACCOUNTING PRINCIPLES REQUIRING MANAGEMENT DISCRETION AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that have an impact on the application of the accounting principles, the reporting of assets and liabilities, and the amounts of income and expenses. These estimates are based on the management's current best judgement, which may differ from the actual results. The Group's management has exercised judgement in the capitalisation of contract costs.

In the view of the management, the salary costs of employees performing start-up work for customers and deployment, and other costs incurred in start-up and deployment, are direct costs without which the Group cannot fulfil its contractual obligations. Management exercises judgement in specifying the amortisation period and method of these costs. The Group regularly monitors the realisation of estimates and assumptions, as well as changes in the underlying factors. Changes in estimates and assumptions are entered in the accounts for the financial period in which the estimate or assumption is adjusted and for all periods thereafter. Forward-looking assumptions and key sources of uncertainty related to estimates made on the balance sheet date that involve a significant risk of changes to book values during the next financial period concern the impairment testing of development projects in progress and goodwill, in which the key assumptions requires use of estimates. Business acquisitions carry contingent considerations tied to financial and operational objectives, and these considerations are recognised as liabilities in the amount that the management considers likely to arise. Estimates are also involved in the recognition and valuation of assets arising from business acquisitions, incomplete software projects and the recognition and valuation of deferred tax assets recognized as losses.

Potential escalation of the geopolitical crisis in Europe, deterioration of the general economic situation, rising interest rate levels and inflation create uncertainty in the company's financial forecasts. They may lead to business contraction or bankruptcy of Talenom's customers, resulting in customer losses or reduced customer relationships. The COVID pandemic may also still cause disruptions in Talenom's operating environment.

NOTE 3

Summary of significant accounting policies

SUBSIDIARIES

The consolidated financial statements include the financial statements of the parent company Talenom Plc and its subsidiaries. The consolidated financial statements include all companies in which the parent company holds more than half of voting rights, whether directly or indirectly, or otherwise has control of the company. Subsidiaries are companies in which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its control over the entity. Subsidiaries are included in the consolidated financial statements when the Group gains control over them, and divested subsidiaries are included until the moment control is relinquished. All intra-Group transactions, receivables, liabilities and unrealised gains, as well as internal distribution of profits are eliminated in the preparation of the consolidated financial statements. The financial statements of subsidiaries included in the consolidated financial statements have been drafted using the same reporting period. The accounting principles applied in the financial statements of subsidiaries have been amended as necessary to conform with the accounting principles used in the consolidated financial statements. All subsidiaries included in the consolidated financial statements are fully owned, so the Group does not have any non-controlling interests. Acquisitions of businesses are accounted for using the acquisition method. Goodwill is not depreciated. Instead, it is tested for impairment annually and whenever there is any indication of impairment.

BUSINESS COMBINATIONS

Goodwill arising from business combinations is recognised at the amount by which the consideration transferred, the share of non-controlling interests in the acquired entity and the earlier holding together exceed the fair value of the acquired net assets. Typically, part of the fair value is recognised as allocatable as the value of customer relationships in business combinations. Costs related to the acquisition, excluding the costs incurred in issuing debt or equity securities, are recognised as expenses.

For impairment testing, goodwill is allocated to the Group's cash-generating units, or a group of cash-generating units that are expected to benefit from the business combination. Talenom Group allocates goodwill to its Finnish accounting services, Sweden, and Spain. These cash-generating units are tested for impairment either annually or more frequently if there is any indication of impairment. If the recoverable amount of the cash-generating unit is less than its book value, the impairment loss is first recognised to reduce the goodwill allocated to the unit and then to other assets of the unit pro rata based on the book value of each asset in the unit. Impairment of goodwill is recognised through profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent financial periods.

The recoverable amount is the fair value of the asset item less the cost of disposal or the value in use, whichever is greater. The value in use refers to the estimated net future cash flows from the asset or cash-generating unit that are discounted to their current value.

CONVERSION OF ITEMS DENOMINATED IN A FOREIGN CURRENCY

Figures for the performance and financial position of the Group's units are determined in the main currency of the unit's operating environment ("functional currency"). The consolidated financial statements are presented in euros, the parent company's functional and reporting currency.

INTANGIBLE ASSETS

Intangible assets are only recognised in the balance sheet if their acquisition cost can be measured reliably and it is probable that the expected future economic benefits attributable to the asset will benefit the Group. Intangible assets are recognised in the balance sheet at original acquisition cost. Acquisition cost includes the costs incurred directly from acquiring the intangible asset.

Intangible assets are depreciated on a straight-line basis through profit or loss within their known or estimated useful life and tested for impairment if there are any indications of potential impairment. The residual value, useful life and depreciation method of intangible assets are reviewed at least at the end of each financial period. The useful life of each intangible asset is determined separately. The Group has no intangible assets with an indefinite useful life.

For intangible assets, the Group applies the following estimated useful lives:

Software	5 years
Customised software	5 years
Customer relationships	10 years
Other intangible rights	5 years

Development costs are capitalised in the balance sheet only if they meet the requirements for the capitalisation of development costs in IAS 38. Customised software includes development costs capitalised by the Group related to financial management tools for customers to handle daily financial management routines and for developing the quality and efficiency of the company's own service provision. Development costs that do not meet the capitalisation criteria and all research expenses are recognised through profit or loss in the period they incurred. Costs previously recognised as expenses are not subsequently capitalised.

Capital gains and losses from the decommissioning and disposal of intangible assets are calculated as the difference between the consideration received for the sold assets and the remaining acquisition cost and are recognised through profit or loss in the period in which they incurred.

In April 2021, the IFRS Interpretations Committee (IFRIC) issued its final agenda decision on the accounting treatment of configuration or customisation costs for systems implemented as cloud services (IAS 38 Intangible Assets). The company has assessed the impact of the decision and found that the decision will not have a substantial impact on its capitalised development costs. The capitalised development costs apply to the company's own software, and the company holds full rights of title and control over this software. Some of the software is installed in an external service provider's cloud computing environment, but the service provider only offers server capacity, performance, and backup services. The software was developed by the company, and it can be transferred to a different cloud computing service or to the company's own server environment.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. The acquisition cost includes the expenditure incurred directly from acquiring the property, plant and equipment. Assets are amortised on a straight-line basis through profit or loss within their known or estimated useful life and tested for impairment if there are any indications of potential impairment.

The estimated useful lives are as follows:

Office furnishings	10 years
IT equipment	4 years
Cars	3 years
Other property, plant and equipment	5 years

The residual value, useful life and depreciation method of the asset item are reviewed at least at the end of each financial period and adjusted if necessary to reflect changes in the expected economic benefits.

Any previously recognised impairment losses are reversed if there is a significant positive change in the estimates used in determining the recoverable amount of the asset item. However, the impairment loss may not be reversed in excess of what the asset's book value would be without the recognition of the impairment loss.

Property, plant and equipment is derecognised from the balance sheet when the item is disposed of or when future economic benefits are no longer expected from its use or disposal. Capital gains and losses arising from the decommissioning and disposal of property, plant and equipment are recognised through profit or loss and presented in other operating income or expenses during the period in which they arise.

CONTRACT COSTS

Sales commissions paid to salespeople and customer managers are capitalised in the balance sheet as additional costs of acquiring a new customer contract. The capitalised amounts are based on information from the company's ERP system. These sales commissions would not have been paid if a new customer contract had not been signed.

The direct costs of service deployment and other service start-up tasks are capitalised as contract fulfilment costs. These costs arise based on individual contracts, and they are related to the fulfilment of future contractual obligations arising from the contract and are expected to generate the corresponding sum in cash. The cost of the deployment of services for a new customer and the related start-up tasks is sourced from the hours logged in the ERP system. The hours logged in the ERP system are contract- and customer-specific and can be directly allocated to the new customer contract. The amount capitalised is derived by multiplying the number of hours spent on start-up work by the average hourly cost of deployment.

Capitalised expenditure is allocated as costs based on the provision of services at an even rate over the expected duration of the contract. During the duration of the contract, the expected date of contract renewal is considered in addition to the actual duration of the contract. Based on prior experience, the management estimates that the average length of a customer relationship in Talenom Group is 10 years
The impairment of capitalised contract costs is assessed in each reporting period. The asset item in the balance sheet is compared with the amount of consideration expected to be received from the services, less the expenditure on these services that has not as yet been expensed. If the asset item in the balance sheet is greater in value, an impairment loss is recognised. The impairment loss is reversed if the situation or conditions improve later.

Capitalised contract costs are then tested as part of the accounting services cash-generating unit in accordance with IAS 36.

IMPAIRMENT TESTING OF NON-FINANCIAL ASSETS

On each reporting date, the Group assesses whether there are any indications that a non-financial asset item has been impaired. If there are any such indications, the recoverable amount of said asset item is estimated. Intangible assets in progress and goodwill are tested for impairment at least annually and whenever there are indications of impairment. The recoverable amount is the fair value of the asset item less the cost of disposal or the value in use, whichever is greater. The value in use refers to the estimated net future cash flows from the asset or cash-generating unit that are discounted to their current value.

The discount rate used is the pre-tax interest rate, which reflects the markets' position on the time value of money and special risks related to the asset. For the purpose of impairment testing, goodwill is allocated to cash-generating units, i.e., to the lowest unit level that is primarily independent of other units and for which there are distinguishable cash flows that are largely independent of the cash flows of other similar units. An impairment loss is recognised if the book value of the asset or cash-generating unit exceeds its recoverable amount. The impairment loss is recognised through profit or loss. Impairment losses allocated to cash-generating units are first recognised to reduce the goodwill allocated to the unit and then by reducing the unit's other assets proportionately. Impairment losses recognised for goodwill are not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

FINANCIAL INSTRUMENTS
FINANCIAL ASSETS

The Group's financial assets are classified into the following categories: financial assets recognised at fair value through profit or loss and financial assets recognised at amortised cost. The classification is based on the purpose of the acquisition of financial assets (business model) upon initial acquisition. Transaction costs are included in the original book value of financial asset items that are not measured at fair value through profit or loss. All acquisitions and disposals of financial assets are recognised on the day of the transaction. The items recognised at fair value through profit or loss are shares and holdings. Trade receivables are recognised at amortised cost.

FINANCIAL LIABILITIES

Financial liabilities are initially entered in the accounts at fair value less the direct transaction costs of acquiring or issuing said item. Subsequently, financial liabilities are measured at amortised cost using the effective interest method. Financial liabilities are included in non-current and current liabilities and may be either interest-bearing or interest-free.

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses the need to recognise a deduction for expected credit losses on trade receivables measured at amortised cost when it becomes the contractual party to said financial assets. The assessment is based on the Group's experience of actual credit losses, considering the prevailing economic conditions, and it is recognised in an amount corresponding to the expected credit losses over the entire period of validity. The amount to be recognised is estimated by group. The amount to be recognised later is also estimated by group unless there are indications that the credit risk associated with an individual item has increased substantially. Credit risk is estimated to have increased significantly if the receivable is more than 30 days overdue. If the recognised deduction for expected credit losses proves to be unnecessary in a later period because the credit risk has decreased, the deduction is reversed in this respect.

CAPITAL AND RESERVES

The Group's classification of capital and reserves includes financial instruments that it issues without a contractual obligation to transfer money or other financial assets to another entity or exchange financial assets or liabilities with another entity under conditions that are unfavourable to the issuer, where such instruments confer the entitlement to a share of the Group's assets after all its liabilities are deducted.

Expenditure related to issuing or acquiring the Group's own equity instruments is presented as a deduction in equity. If the Group buys back equity instruments, the acquisition cost is deducted from equity. The share capital consists of ordinary shares.

TREASURY SHARES AND DIVIDENDS

The direct costs of acquiring Talenom Plc's own shares are recognised as a deduction to equity. Dividends proposed by the Board of Directors are not deducted from distributable equity prior to approval from the AGM.

EMPLOYEE BENEFITS

Pension plans are classified either as defined contribution or defined benefit plans. In defined benefit plans, the Group makes fixed contributions to a separate unit, and the Group has no legal and constructive obligation to pay further contributions. Contributions to defined contribution plans are recognised through profit or loss as employee benefit costs in the financial period to which they relate. All of the Group's employee benefits are defined contribution plans.

SHARE-BASED PAYMENTS

Talenom Plc has incentive schemes in which payments are made in the form of either equity instruments or cash. The benefits granted under these schemes are measured at fair value when they are granted and recognised in equity and as corresponding expenses in the income statement evenly over the period of transfer of the rights. The impact of the schemes on profit and loss is presented in the income statement as costs arising from employee benefits.

PROVISIONS AND CONTINGENT LIABILITIES

A provision is recognised when the Group incurs a legal or actual obligation as a consequence of a prior event, a payment obligation is likely to arise, and the amount of the obligation can be reliably determined. Changes in provisions are entered in the income statement in the same item in which the provision was originally recorded. Contingent liabilities are possible obligations resulting from previous events, the existence of which will only be ascertained once an uncertain event that is beyond the Group's control materialises. Existing obligations that are not likely to require the fulfilment of a payment obligation or the amount of which cannot be reliably determined are also deemed to constitute contingent liabilities.

EARNINGS PER SHARE

Earnings per share are calculated by dividing the profit attributable to shareholders by the weighted average of the number of shares in circulation during the financial period, with the exception of treasury shares acquired by Talenom Plc. Diluted earnings per share are calculated assuming that all subscription rights and options were exercised at the beginning of the financial period. In addition to the weighted average of shares in circulation, the denominator also includes shares assumed to have been granted based on subscription rights and options exercised. The subscription rights and options assumed to have been exercised are not considered in earnings per share if their actual price exceeds their average price during the financial period.

LEASE AGREEMENTS

The Group's lease agreements mainly relate to the offices used to run the business. Some of the agreements are fixed-term leases with periods ranging from 6 months to 10 years, while others are indefinite leases. When applying IFRS 16, the Group recognises most of the agreements in the balance sheet as a right-of-use asset and a lease liability. At the inception of the lease agreement, the Group differentiates the office rental expenditure from the non-rental components. The right-of-use asset is valued at acquisition cost and includes the following elements: lease liability, direct initial costs, advance payments minus incentives received, and the estimated costs of terminating the lease or returning to the original state. Right-of-use assets are depreciated evenly over the lease period.

At the inception of the lease agreement, the Group measures the present value of the future payments under the lease liability, including the following fees: fixed fees less the available incentives related to the lease agreement, variable rents tied to an index or the interest rate, sums that the tenant is expected to pay based on residual value guarantees, the price of exercising the buy option if it is reasonably certain that the tenant will exercise this option, and the fees for ending the lease if it is reasonably certain that the lease will end.

The lease fees are discounted at the internal interest rate of the lease agreement. In general, this rate cannot be determined directly. In such cases, the Group uses the interest rate for additional credit, i.e., the interest rate that the tenant would pay on the inception date of the lease to take out a loan to purchase an equivalent asset.

The Group applies optional reliefs and chooses not to recognise short-term leases (with a lease period of 12 months or less) or low-value leases (where the asset item is valued at approximately USD 5,000 or less) in the balance sheet. Such agreements are recognised as an expense evenly over the lease period.

In the case of fixed-term leases, the lease period is determined based on the period during which the lease cannot be cancelled and the management's assessment of future lease periods when it is reasonably certain that the extension option will be exercised or the termination option will not be exercised.

To a minor extent, the Group operates as a lessor when it sublets some of its premises.

REVENUE FROM CONTRACTS WITH CUSTOMERS

Talenom provides its customers with accounting services, which include financial management software and financial process outsourcing and care services. The company also provides expert services, including legal, taxation and financial advice. Other services include administration and support services for customer service, personnel service and the maintenance of workstations and software, as well as ERP and reporting solutions. In addition, Talenom has made numerous partnership agreements intended to expand the range of services offered to customer companies.

Accounting services comprise monthly service packages whose scope varies by customer. The service package may include accounting, sales invoicing, payment of invoices, payroll service, performance monitoring, care services, and financial management software solutions. Accounting services are provided on the basis of ongoing customer contracts but on average, customer relationships are long. In accounting services, each monthly service package comprises a separate agreement. If the customer does not terminate an indefinite agreement, a new agreement arises for the following month. The transaction price of a monthly service package is the amount of consideration that the Group expects to be entitled to in return for services rendered. The price of a monthly service package depends on the services it includes. Fixed prices have been set for different services in the contract. Some services are charged on a unit based and hourly based variable considerations. Sales income from accounting services is recognised when the Group provides monthly services to the customer and the customer receives control of these services.

Administrative and support services for customer service, personnel service and maintenance of workstations and software, as well as ERP and reporting solutions, are recognised as income over time, as customers receive the benefits of these services as they are provided. The implementation and invoicing of legal, taxation and financial advisory services are agreed upon in advance. Invoicing is based on an hourly rate or a fixed price. Advisory services are recognised as income in one instalment when the service has been rendered and control has been transferred to the customer. Control is deemed to have been transferred when the Group is entitled to receive payment for services rendered, the risks and rewards of the service have been transferred to the customer, and the customer has approved the service.

As a financial services provider, Talenom acts as an agent, so the commission is recognised in net sales. In other partnership agreements, however, Talenom usually acts as the principal, so the sale is recognised on a gross basis.

OPERATING PROFIT

Talenom Group has defined operating profit as the net sum when other operating revenue is added to net sales, and the following items are deducted:

- external services
- employee benefit expenses
- depreciation and impairment
- other operating costs.

All other income statement items other than those mentioned above are presented under operating profit.

INCOME TAXES

The tax expense in the income statement consists of the tax based on the taxable income for the period and deferred tax. Taxes are recognised through profit or loss unless they are related to business combinations or items recognised directly in equity or other items of comprehensive income.

The amount of tax based on the taxable income for the period is calculated using the applicable tax rate or the tax rate approved by the balance sheet date. Taxes are adjusted based on any taxes related to prior periods. Deferred tax is calculated from the temporary differences between the book value and the taxable value. Deferred tax is calculated at the tax rates in force at the end of the reporting period or the tax rates approved by that date. A deferred tax liability is recognised for all temporary differences between the book value and the taxable value, except for investments made in subsidiaries where the Group can determine the date when the temporary difference will dissolve and the temporary difference is unlikely to dissolve in the foreseeable future. A deferred tax asset is recognised for all deductible temporary differences and deductible losses in taxation. A deferred tax asset is recognised up to the amount corresponding to the likely taxable income arising in the future against which the temporary difference can be offset. The prerequisites for recognising a deferred tax asset are always assessed on the final day of each reporting period.

No deferred tax asset is recognised if it is caused by initial recognition of an asset or liability when it does not concern a business combination and the transaction does not affect the accounting result or taxable income when it is executed.

The Group deducts deferred tax assets and liabilities from each other only if the Group has a legally enforceable right to offset tax assets and liabilities based on the taxable income for the period from each other and the deferred tax assets and liabilities are related to income taxes levied by the same tax authority, either from the same taxpayer or different taxpayers who intend to offset tax assets and liabilities from each other on the basis of the taxable income for the period or realise the asset and pay off the liabilities at the same time. The taxes based on the taxable income for the period are presented in the balance sheet under current items, and the deferred tax assets and liabilities are presented under non-current items.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS TO BE APPLIED IN FUTURE PERIODS

No new or revised published IFRS standards, amendments to standards, or interpretations are expected to have a significant impact on the Group's future financial statements.

NOTE 4

Operating segments

REPORTING SEGMENTS

Segment reporting is based on the operating countries of the Group companies. Countries in the early development phase are reported as one item. This division allows us to better describe the economic performance of countries at different stages.

The CEO, as the chief operational decision maker, assesses segment development monthly.

Assessment of segment performance is based on the segment's EBITDA and EBIT.

UNALLOCATED ITEMS

The Group's assets and liabilities are not distributed to the operating segments because the chief operational decision maker does not allocate resources based on segment assets or liabilities or examine the assets or liabilities of the segments. Assets and liabilities are examined at Group level.

Financial income and expenses, as well as income taxes are not allocated to segments.

INFORMATION ON THE WHOLE ENTITY

The Group does not have customers whose net sales amounts to at least 10 per cent of consolidated net sales of the Group in financial periods 2021 and 2022.

Information on the performance of the reporting segments is presented below. The figures are eliminated.

OPERATING SEGMENTS 2022

EUR 1,000	Finland	Sweden	Other countries	Group total
Net sales	**81,037**	**19,406**	**1,664**	**102,107**
Other income	1,488	121	16	1,625
Operating expenses	-51,283	-17,898	-2,158	-71,339
EBITDA	31,243	1,629	-478	32,393
Depreciation	-13,467	-1,774	-163	-15,403
Impairment	-1,681	-34	-9	-1,724
Operating profit	16,095	-179	-650	15,266

OPERATING SEGMENTS 2021

EUR 1,000	Finland	Sweden	Other countries	Group total
Net sales	**71,694**	**10,673**	**441**	**82,808**
Other income	693	31	5	729
Operating expenses	-45,377	-10,008	-490	-55,874
EBITDA	**27,010**	**695**	**-44**	**27,662**
Depreciation	-10,292	-1,085	-35	-11,412
Impairment	-1,487	0	0	-1,487
Operating profit	**15,231**	**-390**	**-78**	**14,763**

NOTE 5

Group structure and acquisitions

The consolidated financial statements include the following companies:

Subsidiary name:	Domicile	Holding, %
Talenom Plc	Oulu	Parent company
Talenom Taloushallinto Oy	Oulu	100 %
Talenom Talouspalvelu Oy	Kalajoki	100 %
Talenom Consulting Oy	Helsinki	100 %
Talenom Yritystilit Oy	Tampere	100 %
Talenom Audit Oy	Tampere	100 %
Talenom Talousosastopalvelut Oy	Oulu	100 %
Talenom Konsultointipalvelut Oy	Oulu	100 %
Talenom Software Oy	Oulu	100 %
Talenom Balance Oy	Oulu	100 %
Talenom Kevytyrittäjä Oy	Oulu	100 %
Talenom Finance Oy	Oulu	100 %
Talenom Balance-Team Oy	Helsinki	100 %
Talenom Redovisning Ab	Tukholma	100 %
Talenom Järfälla AB	Tukholma	100 %
Talenom Nyköping AB	Nyköping	100 %
YOUnited Professionals Sweden AB	Nyköping	100 %
MH Konsult Väst AB	Stenungsund	100 %
MH Konsult i Kungälv AB	Kunggälv	100 %
Kjell Wengbrand Redovisnings AB	Ulricehamn	100 %
Lindgren&Lindgren Ekonomi AB	Norrköping	100 %
Confido Redovisning AB	Växjö	100 %
Redovisningsbyrån Öckerö AB	Öckerö	100 %
Talenom Consulting AB	Tukholma	100 %
Baran Redovisning AB	Helsingborg	100 %
Alcea Redovisning AB	Åkersberga	100 %
Talenom SL	Barcelona	100 %
Gestoria Teruel SL	Barcelona	100 %
Nomo Management Solution SL	Barcelona	100 %

BUSINESS ACQUISITIONS IN 2022

During the financial period, the Group made several accounting business acquisitions in Finland, Sweden and Spain. In addition, we acquired a customer interface and a business unit focused on its development and commercialization in Spain, which enables digital distribution of services.

The acquired businesses have strengthened and stabilized the Group's position in new market areas or customer segments. A strong position will also continue to support organic growth in different customer sectors and markets.

In the short term, acquisitions have a negative impact on relative profitability due to depreciation and integration costs. The company seeks increased profitability and economies of scale through the introduction of its own software. Implementing your own software improves efficiency while reducing other software costs in the acquisition targets. The profitability of an acquisition target will rise to the level of Talenom's core business in an estimated three years when the new systems have been fully implemented at the target. In Sweden, implementation of own software started in autumn 2022.

The transactions are detailed in the table below.

EUR 1000	Time of acquisition	Transaction type	Method of payment	Acquisition cost	Maximum contingent consideration
MH Konsult Väst AB	13 Jan. 2022	Share transaction	Cash and shares	2,172	584
Kjell Wengbrand Redovisnings AB	13 Jan. 2022	Share transaction	Cash and shares	909	270
Saarijärven Tilipalvelu Oy	3 Jan. 2022	Business acquisition	Cash	80	0
Accodome Oy	1 Feb. 2022	Business acquisition	Cash	24	8
Kuopion Tili-Consults Oy	1 Feb. 2022	Business acquisition	Cash	178	38
Lindgren&Lindgren Ekonomi AB	4 Apr. 2022	Share transaction	Cash and shares	658	180
Confido Redovisning AB	4 Apr. 2022	Share transaction	Cash and shares	1,710	719
Redovisningsbyrån Öckerö AB	4 Apr. 2022	Share transaction	Cash and shares	1,651	719
PJ Yrityspalvelu Oy	1 May 2022	Business acquisition	Cash and shares	120	0
Acompany Asesoria y Gestion de Empresas SL	1 Aug. 2022	Business acquisition	Cash and shares	652	0
Tilipalvelu Elisa Ruinu Oy	1 Sep. 2022	Business acquisition	Cash	455	70
Mazars Redovisning AB	1 Sep. 2022	Share transaction	Cash	8,984	6,833
Gestoria Teruel SL	1 Sep. 2022	Share transaction	Cash and shares	1,500	0
Baran Redovisning AB	1 Oct. 2022	Share transaction	Cash	901	190
Nomo Management Solution SL	1 Oct. 2022	Business acquisition	Cash	2,550	0
Alcea Redovisning AB	1 Nov. 2022	Share transaction	Cash and shares	1,184	270
				23,728	9,882

The acquisition cost shown in the table includes the recorded contingent consideration. The total contingent consideration recognised as a liability from the transactions is EUR 5,715,000.

The recognised contingent consideration is based on the management's assessment of the likely outcome of the financial and operational targets agreed separately in the transaction.

The costs arising from acquisitions are recognised in profit or loss. If the acquisitions had taken place at the beginning of the financial year 2022, they would have increased the EBIT for the accounting period by an estimated EUR 296,000 and net sales by around EUR 7,470,000.

The value of the acquired assets and liabilities on the day of acquisition were:

EUR 1,000	MH Konsult Väst AB	Kjell Wengbrand Redovisnings AB	Confido Redovisning AB	Lindgren&Lindgren AB	Redovisningbyrån Öckerö AB
Intangible assets					
Property, plant and equipment	11	17	1	7	18
Customer relationships	218	49	177	0	120
Right-of-use assets	122	13	56	42	216
Current assets	610	252	351	272	204
Total assets	**961**	**331**	**585**	**322**	**558**
Accounts payable and other liabilities	474	177	189	98	348
Lease liabilities	122	13	56	42	216
Deferred tax liability	45	10	37	0	25
Total liabilities	**641**	**201**	**282**	**141**	**588**
Net assets	**320**	**131**	**303**	**181**	**-31**
Paid in cash	836	443	549	377	490
Paid in Talenom Plc shares	704	175	387	87	387
Contingent consideration recognised	631	291	774	194	774
Consideration transferred	2,172	909	1,710	658	1,651
Net assets of acquisition target	-320	-131	-303	-181	31
Goodwill	**1,851**	**778**	**1,407**	**477**	**1,682**

EUR 1,000	Mazars Redovisning AB	Gestoria Teruel SL	Baran Redovisning AB	Alcea Redovisning AB	Share transactions, total
Intangible assets		10			10
Property, plant and equipment	72	4	6	14	150
Customer relationships	2,863	321	732	382	4,863
Right-of-use assets	192	0	54	46	741
Current assets	240	159	186	260	2,534
Total assets	**3,368**	**494**	**978**	**702**	**8,298**
Accounts payable and other liabilities	309	85	102	174	1,956
Lease liabilities	192	0	54	46	741
Deferred tax liability	590	80	151	79	1,016
Total liabilities	**1,092**	**165**	**306**	**298**	**3,713**
Net assets	**2,276**	**329**	**672**	**403**	**4,585**
Paid in cash	4,701	1,050	717	494	9,657
Paid in Talenom Plc shares	0	450	0	414	2,604
Contingent consideration recognised	4,282	0	184	276	7,407
Consideration transferred	8,984	1,500	901	1,184	19,668
Net assets of acquisition target	-2,276	-329	-672	-403	-4,585
Goodwill	**6,708**	**1,171**	**229**	**781**	**15,083**

BUSINESS ACQUISITIONS, TOTAL

EUR 1,000	Acompany	Nomo	Business acquisitions in Finland	Business acquisitions, total
Intangible assets		544		544
Property, plant and equipment				0
Customer relationships	233		857	1,090
Right-of-use assets			27	27
Current assets				0
Total assets	**233**	**544**	**884**	**1,661**
Accounts payable and other liabilities		80		80
Lease liabilities	0	0	27	27
Deferred tax liability	58	136		194
Total liabilities	**58**	**216**	**27**	**301**
Net assets	**175**	**328**	**857**	**1,360**
Paid in cash	456	2,470	741	3,667
Paid in Talenom Plc shares	196	0	0	196
Contingent consideration recognised	0	0	116	116
Consideration transferred	652	2,470	857	3,979
Net assets of acquisition target	-175	-328	-857	-1,360
Goodwill	**477**	**2,142**	**0**	**2,619**

BUSINESS ACQUISITIONS IN 2021

During the financial year, the Group made several business acquisitions in Finland and Sweden and one in Spain.

The acquired businesses have strengthened and stabilized the Group's position in new market areas or customer segments. A strong position will also continue to support organic growth in different customer sectors and markets.

In the short term, acquisitions have a negative impact on relative profitability due to depreciation and integration costs. The company seeks increased profitability and economies of scale through the introduction of its own software. Implementing your own software improves efficiency while reducing other software costs in the acquisition targets. The profitability of an acquisition target will rise to the level of Talenom's core business in an estimated three years when the new systems have been implemented at the target. In Sweden, the introduction of new software is planned to start in autumn 2022.

The transactions are detailed in the table below.

EUR 1,000	Time of acquisition	Transaction type	Method of payment	Acquisition cost	Maximum contingent consideration
Ekonomianalys KL AB	4 Jan. 2021	Share transaction	Cash and shares	3,558	2,146
Persson & Thorin AB	4 Jan. 2021	Share transaction	Cash and shares	1,801	683
Balance Systems Oy	1 Feb. 2021	Business acquisition	Cash	500	150
Laskentalinja Oy ja Lapinlahden yrityspalvelut Oy	1 Feb. 2021	Business acquisition	Cash	275	95
Tilipalvelu Pirkko Kemppainen Oy	1 Mar. 2021	Business acquisition	Cash	375	165
Crescendo Redovisning AB	1 Apr. 2021	Share transaction	Cash and shares	1,119	341
Progredo AB	1 Apr. 2021	Share transaction	Cash and shares	1,481	49
Tilitoimisto Reijo Mäki Oy	1 Apr. 2021	Business acquisition	Cash	155	0
Frivolous Oy	1 Apr. 2021	Business acquisition	Cash	100	0
Balance-Team Oy	15 Apr. 2021	Share transaction	Cash and shares	5,650	700
Lapin Tulostieto Oy	1 June 2021	Business acquisition	Cash	320	100
Kuortaneen kirjanpito Oy	1 Aug. 2021	Business acquisition	Cash	65	0
AVAIL Services SL	1 Aug.2021	Share transaction	Cash and shares	2,890	1,500
YOUnited Professionals Nyköping AB	1 Sep. 2021	Share transaction	Cash and shares	1,452	195
Suomenselän Tilitoimisto Oy	1 Oct. 2021	Business acquisition	Cash	330	40
Peräseinäjoen Tilipalvelu Oy	1 Nov. 2021	Business acquisition	Cash	85	10
				20,156	6,175

The total contingent consideration recognised as a liability from the transactions is EUR 4,786,000. The recognised contingent consideration is based on the management's assessment of the likely outcome of the financial and operational targets agreed separately in the transaction.

An adjustment was made during the reporting period to the initial acquisition cost calculation of Ekonomianalys KL AB because the company received new information about the circumstances prevailing at the time of the transaction relating to the determination of the contingent consideration. As a result of the adjustment, the contingent consideration and goodwill related to the acquisition have increased by EUR 956,000.

CONTINGENT CONSIDERATIONS

Business acquisitions carry contingent considerations tied to financial and operational objectives, and these considerations are recognised as liabilities in the amount that the management considers likely to arise. EUR 1,406,000 (EUR 500,000 in 2021) in unrealised contingent considerations was recognised in other operating income during the financial period. A total of EUR 196,000 (EUR 0 in 2021) in realised additional deal prices that exceed the estimate have been recorded in other operating expenses.

On 31 December 2022, a liability of EUR 6,844,000 (EUR 4,648,000 on 31 Dec. 2021) was recognised as contingent considerations. The maximum amount in outstanding contingent considerations according to the relevant agreements is EUR 11,043,000 (EUR 6,077,000 on 31 Dec. 2021).

NOTE 6
Revenue from contracts with customers

CUSTOMER CONTRACTS

All of the Group's sales revenue is generated by customer contracts. Customer contracts are, by nature, mainly ongoing service agreements without any significant assets or liabilities to recognise in the balance sheet.

The amount of liabilities recognised in the balance sheet for customer contracts is presented in Note 25 under Advances received on customer contracts. Assets recognised in the balance sheet are shown in the table below.

EUR 1,000	2022	2021
Current assets based on contracts (amortised sales)	799	301

The Group applies practical expedients and chooses not to present information on the transaction price allocated to the outstanding performance obligations, i.e., order book details. The Group's performance obligations are fulfilled as the service is provided and the customer receives benefits of the service.

Billing is monthly and the invoice falls due within 1-2 weeks. The amounts of consideration are fixed and have no separate financing components. Furthermore, the service does not involve specific return or refund obligations or warranties.

EUR 1,000 Distribution of the Group's sales revenue	2022	2021
Revenue from indefinite customer contracts	99,144	79,650
Revenue from one-off assignments	2,963	3,158
	102,107	82,808

Indefinite customer contracts consist of accounting services, including advisory services with a financial management specialist.

One-off assignments include advisory and HR service assignments subject to separate agreements.

COSTS OF OBTAINING OR FULFILLING A CUSTOMER CONTRACT

Recognised asset items

EUR 1,000	2022	2021
Opening balance	11,805	11,033
Costs of obtaining customer contracts	2,208	2,477
Implementation costs	1,138	1,373
	15,151	14,883
Depreciation for the financial period	-1,741	-1,591
Impairment	-1,715	-1,487
Capitalised contract costs in the balance sheet	**11,694**	**11,805**

Expenditure is amortised over 10 years based on the average duration of customer contracts. The costs of obtaining customer contracts include the bonuses for the Group's own sales organisation, as well as the bonuses payable to franchisees for establishing customer relationships.

NOTE 7
Other operating income

EUR 1,000	2022	2021
Capital gains from disposal of fixed assets	23	28
Unrealised contingent considerations from business acquisitions	1,406	500
Subsidies and grants received	28	107
Other items	167	93
Total	**1,625**	**729**

NOTE 8
Materials and services

EUR 1,000	2022	2021
Materials and services		
External services	-3,950	-3,052
Total	**-3,950**	**-3,052**

NOTE 9
Employee benefit expenses

EUR 1,000	2022	2021
Salaries	40,809	33,122
Options and share bonuses implemented and paid as shares	1,491	1,500
Indirect employee costs		
Pension costs – defined contribution plans	5,937	4,992
Other personnel expenses	7,445	5,004
Total	**55,682**	**44,618**

Average number of Group personnel in the financial period:	2022	2021
Salaried employees	1,204	1,012
Total	**1,204**	**1,012**
Number of personnel at the end of the period	**1336**	**1047**

Information on the employee benefits for senior management is given in Note 29 Related party transactions.

NOTE 10
Depreciation and impairment

DEPRECIATION AND IMPAIRMENT BY ASSET CATEGORY

Intangible assets

EUR 1,000	2022	2021
Depreciation of intangible rights	254	220
Depreciation of other intangible assets	9,261	6,043
Total	**9,515**	**6,263**

Capitalised contract costs

EUR 1,000	2022	2021
Depreciation of capitalised contract costs	1,741	1,591
Impairment	1,724	1,487
Total	**3,466**	**3,078**

Property, plant and equipment

EUR 1,000	2022	2021
Depreciation of plant and equipment	780	736
Depreciation of right-of-use assets	3,301	2,750
Depreciation of other tangible assets	66	73
Total	**4,147**	**3,558**
Total depreciation and impairment	**17,128**	**12,899**

NOTE 11
Other operating expenses

EUR 1,000	2022	2021
Office expenses	1,974	1,555
Machinery and equipment costs	6,009	4,775
Expenses recorded on contingent considerations	196	0
Other expense items (marketing, administration and other expenses)	3,527	1,874
Total	**11,706**	**8,204**

Auditor's fees

EUR 1,000	2022	2021
Audit		
KPMG	184	139
Other	0	11
Auditor's statements and certificates		
KPMG	12	8
Other	0	0
Tax advice		
KPMG	11	0
Other	0	0
Other services		
KPMG	31	10
Other	0	1
Total	**238**	**169**

The fees charged by KPMG Oy Ab consists of: audit EUR 158,000, statutory statements EUR 12,000 and other than audit services EUR 42,000.

NOTE 12
Financial income and expenses

RECOGNISED IN THE INCOME STATEMENT THROUGH PROFIT OR LOSS

Financial income

EUR 1,000	2022	2021
Other financial income	466	109
Total	**466**	**109**

Financial expenses

EUR 1,000	2022	2021
Interest expenses		
Liabilities measured at amortised cost	-822	-604
Lease liabilities	-215	-205
Other financial expenses	-141	-71
Total	**-1,178**	**-880**
Net financial expenses	**-712**	**-771**

NOTE 13
Income taxes

RECOGNISED IN THE INCOME STATEMENT THROUGH PROFIT OR LOSS

Tax based on the taxable income for the financial period

EUR 1,000	2022	2021
Tax based on the taxable income for the financial period	3,304	3,306
Taxes for previous fiscal periods	3	11
Total	**3,307**	**3,317**

Changes in deferred taxes

EUR 1,000	2022	2021
Change in deferred tax assets	-353	-26
Change in deferred tax liabilities	-201	-93
Total	**-554**	**-119**
Total tax expense in the income statement	**2,753**	**3,198**

Reconciliation between the tax expense in the income statement and taxes calculated at the tax rate applied in Finland

EUR 1,000	2022	2021
Profit before taxes	**14,554**	**13,991**
Taxes calculated with the tax rate applicable in Finland (20%)	-2,911	-2,798
Previously unrecognised tax losses used to reduce the taxes for the period	36	0
Unrecognised deferred tax assets from tax losses	0	-113
Tax-exempt income and non-deductible expenditure	-3	-1
Taxes from previous fiscal periods	-3	-10
Difference in tax rates between different countries	28	0
Employee share and option schemes	-298	-300
Changes in contingent considerations related to business acquisitions	242	0
Other differences	157	25
Taxes in the income statement	**-2,753**	**-3,198**

CHANGES IN DEFERRED TAXES 2022

EUR 1,000	1 Jan. 2022	Recognised in profit or loss	Recognised in equity	Exchange differ-ences and other differences	31 Dec. 2022
Deferred tax assets					
Unused losses for tax purposes	0	301	0	0	301
Right-of-use assets	41	2	0	0	43
Other temporary differences	49	50	0	0	99
Total deferred tax assets	**90**	**353**	**0**	**0**	**443**
Deferred tax liabilities					
Acquisitions of subsidiaries and businesses	-1,921	205	-1,210	0	-2,926
Property, plant and equipment	-71	2	0	0	-69
Other temporary differences	-39	-6	0	0	-45
Total deferred tax liabilities	**-2,030**	**201**	**-1,210**	**0**	**-3,040**

CHANGES IN DEFERRED TAXES 2021

	1 Jan. 2021	Recognised in profit or loss	Recognised in equity	Exchange differ-ences and other differences	31 Dec. 2021
Deferred tax assets					
Right-of-use assets	32	9	0	0	41
Other temporary differences	32	16	0	0	49
Total deferred tax assets	**64**	**26**	**0**	**0**	**90**
Deferred tax liabilities					
Acquisitions of subsidiaries and businesses	-654	125	-1,392	0	-1,921
Property, plant and equipment	-68	-3	0	0	-71
Other temporary differences	-10	-29	0	0	-39
Total deferred tax liabilities	**-732**	**93**	**-1,392**	**0**	**-2,030**

NOTE 14

Earnings per share

Undiluted earnings per share is calculated by dividing the profit or loss belonging to the shareholders of the parent company by the weighted average number of outstanding shares during the financial year. The company's treasury shares are deducted from the total number of outstanding shares when calculating the weighted average number of outstanding shares.

	2022	2021
Profit for the financial period attributable to owners of the parent company (EUR 1,000)	11,801	10,794
Weighted average number of shares during the period (1,000)*	44,384	43,463
Effect of share options	70	117
Weighted average number of shares for calculating diluted earnings per share (1,000)	44,454	43,579
Undiluted earnings per share (EUR/share)	0.27	0.25
Diluted earnings per share (EUR/share)	0.27	0.25

In calculating the diluted earnings per share, the dilutive effect of all potentially dilutive ordinary shares is considered in the weighted average number of shares.

NOTE 15

Right-of-use assets and property, plant and equipment

EUR 1,000	RIGHT-OF-USE ASSETS 2022	PROPERTY, PLANT AND EQUIPMENT 2022 Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 Jan. 2022	15,408	7,721	785	8,506
Increases	3,807	786	-7	779
Acquisitions via business combinations	790	156	0	156
Decreases	0	-373	0	-373
Exchange rate differences	0	-6	0	-6
Acquisition cost, 31 Dec. 2022	**20,005**	**8,284**	**778**	**9,062**
Accumulated depreciation and impairment, 1 Jan. 2022	-6,782	-5,159	-563	-5,721
Depreciation for the period	-3,301	-726	-74	-800
Accumulated depreciation on deductions	0	212	0	212
Accumulated depreciation and impairment, 31 Dec. 2022	**-10,083**	**-5,673**	**-636**	**-6,310**
Book value, 1 Jan. 2022	**8,626**	**2,562**	**222**	**2,785**
Book value, 31 Dec. 2022	**9,922**	**2,611**	**142**	**2,752**

EUR 1,000	RIGHT-OF-USE ASSETS 2021	PROPERTY, PLANT AND EQUIPMENT 2021 Machinery and equipment	Other tangible assets	Total
Acquisition cost, 1 Jan. 2021	11,998	6,868	722	7 589
Increases	2,185	919	33	952
Acquisitions via business combinations	1,226	293	30	323
Decreases	0	-359	0	-359
Exchange rate differences	0	0	0	0
Acquisition cost, 31 Dec. 2021	**15,408**	**7,721**	**785**	**8,506**
Accumulated depreciation and impairment, 1 Jan. 2021	-4,033	-4,628	-483	-5,111
Depreciation for the period	-2,750	-706	-80	-786
Accumulated depreciation on deductions	0	175	0	175
Accumulated depreciation and impairment, 31 Dec. 2021	**-6,782**	**-5,159**	**-563**	**-5,721**
Book value, 1 Jan. 2021	**7,965**	**2,240**	**239**	**2,478**
Book value, 31 Dec. 2021	**8,626**	**2,562**	**222**	**2,785**

NOTE 16

Intangible assets

INTANGIBLE ASSETS 2022

EUR 1,000	Goodwill	Intangible rights	Software development expenditure	Customer relationships	Total
Acquisition cost, 1 Jan. 2022	37,284	2,302	44,570	13,223	97,380
Increases		154	12,114	0	12,267
Acquisitions via business combinations	17,702	87	457	5,953	24,198
Acquisition cost, 31 Dec. 2022	**54,986**	**2,543**	**57,141**	**19,176**	**133,846**
Accumulated depreciation and impairment, 1 Jan. 2022	0	-1,786	-19,961	-2,027	-23,773
Depreciation for the financial period	0	-245	-7,768	-1,561	-9,574
Accumulated depreciation and impairment, 31 Dec. 2022	**0**	**-2,031**	**-27,728**	**-3,588**	**-33,347**
Book value, 1 Jan. 2022	**37,284**	**517**	**24,610**	**11,197**	**73,607**
Book value, 31 Dec. 2022	**54,986**	**512**	**29,413**	**15,588**	**100,499**

INTANGIBLE ASSETS 2021

EUR 1,000	Goodwill	Intangible rights	Software development expenditure	Customer relationships	Total
Acquisition cost, 1 Jan. 2021	23,956	2,208	32,832	5,369	64,364
Increases		79	11,620	7,855	19,554
Acquisitions via business combinations	13,328	15	119	0	13,462
Acquisition cost, 31 Dec. 2021	**37,284**	**2,302**	**44,570**	**13,223**	**97,380**
Accumulated depreciation and impairment, 1 Jan. 2021	0	-1,558	-15,011	-918	-17,487
Depreciation for the financial period	0	-228	-4,950	-1,109	-6,286
Accumulated depreciation and impairment, 31 Dec. 2021	**0**	**-1,786**	**-19,961**	**-2,027**	**-23,773**
Book value, 1 Jan. 2021	**23,956**	**650**	**17,821**	**4,450**	**46,877**
Book value, 31 Dec. 2021	**37,284**	**517**	**24,610**	**11,197**	**73,607**

NOTE 16

IMPAIRMENT TESTING

The Group evaluates the recoverable amount of goodwill annually, regardless of whether there are indications of impairment. Impairment is tested at the level of cash-generating units.

For goodwill impairment testing, goodwill is allocated to the cash-generating units according to the table below:

EUR 1,000	2022	2021
Accounting services Finland – book value	65,153	62,536
Sweden – book value	33,104	14,987
Spain – book value	8,236	3,162
Total	**106,493**	**80,685**

EUR 1,000	2022	2021
Goodwill Finland	24,221	24,396
Goodwill Sweden	23,976	10,063
Goodwill Spain	6,789	2,825
Goodwill in total	**54,986**	**37,284**

Cash-generating unit

The recoverable amount of a cash-generating unit is determined based on its value in use. The recoverable cash value is calculated by discounting future cash flows from the continuous use of the cash-generating unit.

Accounting services Finland

The recoverable cash value of the cash-generating unit was estimated to exceed the book value by EUR 199 million (2021: EUR 186 million).

The key variables used to calculate the recoverable amount are presented below:

Percent	2022	2021
Growth rate in the residual value period	1.7%	1.7%
Discount rate before tax (WACC)	10.4%	8.1%
Net sales (average annual growth rate, 3 years)	10.8%	10.2%
Estimated EBITDA (average, 3 years)	38.4%	36.9%

In these calculations, the growth rate and discount rate (WACC) for the residual value period are based on market data from external information sources. Projections concerning net sales and the trend in profitability are based on previous performance and management's views on probable future development over the next three years. In the management's assessment, there are no possible changes in the key variables that would lead to a situation in which the recoverable cash value of the unit would be less than its book value.

Sweden

The recoverable cash value of the cash-generating unit was estimated to exceed the book value by EUR 4,131,000 (2021: EUR 1,816,000).

The key variables used to calculate the recoverable amount are presented below:

Percent	2022	2021
Growth rate in the residual value period	1.7%	1.7%
Discount rate before tax (WACC)	17.5%	15.1%
Net sales (average annual growth rate, 3 years)	26.4%	15.9%
Estimated EBITDA (average, 3 years)	13.7%	12.8%

In these calculations, the growth rate and discount rate (WACC) for the residual value period are based on market data from external information sources.

Several acquisitions have been made in Sweden in 2020-2022. As the acquisitions are relatively recent, the forecasts for increases in net sales and profitability are clearly below the management's target level.

The sensitivity analysis below shows how each of the following changes would lead to the unit's book value corresponding to the recoverable amount in cash if all other factors remained unchanged:

Percentage points	2022	2021
Net sales (average annual growth rate, 3 years)	-6.0%	-2.3%
Estimated EBITDA (average, 3 years)	-5.4%	-0.8%
Residual value growth rate	-2.2%	-1.1%
Discount rate (WACC)	1.9%	0.8%

Spain

The recoverable cash value of the cash-generating unit was estimated to exceed the book value by EUR 550,000 (2021: EUR 493,000).

The key variables used to calculate the recoverable amount are presented below:

Percent	2022	2021
Growth rate in the residual value period	1.7%	1.7%
Discount rate before tax (WACC)	19.3%	17.9%
Net sales (average annual growth rate, 5 years)	77.1%	28.0%
Budgeted EBITDA (average, 5 years)	6.4%	12.9%

In these calculations, the growth rate and discount rate (WACC) for the residual value period are based on market data from external information sources.

The acquisitions in Spain took place in 2021 and 2022. As the acquisitions are relatively recent, the forecasts for increases in net sales and profitability are clearly below the management's target level.

The sensitivity analysis below shows how each of the following changes would lead to the unit's book value corresponding to the recoverable amount in cash if all other factors remained unchanged:

Percentage points	2022	2021
Net sales (average annual growth rate, 5 years)	-3.2%	-7.4%
Budgeted EBITDA (average, 5 years)	-2.2%	-3.7%
Residual value growth rate	-1.8%	-2.8%
Discount rate (WACC)	1.2%	1.5%

NOTE 17

Other financial assets

FINANCIAL ASSETS RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS:

EUR 1,000	2022	2021
Other investments	254	852
Total	**254**	**852**
Current	-	-
Non-current	**254**	**852**

The Group's other financial assets consist of investments in shares and corporate loan receivables. These financial assets are measured at fair value through profit or loss and classified as recognised at fair value through profit or loss.

Unquoted securities for which no quoted price in an active market is available are measured at the probable disposal price estimated by management.
Information on fair value measurement is presented in Note 22.

Trade and other receivables

EUR 1,000	2022	2021
Trade receivables	9,448	6,762
Other receivables	4,730	3,069
Total	**14,178**	**9,832**
Current	**14,178**	**9,832**
Non-current	**0**	**0**

Other material items of receivables, advances paid, prepayments and accrued income

EUR 1,000	2022	2021
Advances paid	2,067	1,735
Lease collateral	582	308
Other accrued income	2,081	1,027
Total	**4,730**	**3,069**

The book value of trade receivables and other receivables is a reasonable estimate of their fair value. The Group recognised a total of EUR 490,000 in provisions for expected credit losses in 2022 (EUR 244,000 in 2021). The book values of trade receivables and other receivables best correspond to the maximum amount of the Group's credit risks.

Age distribution of trade receivables and expected credit losses

EUR 1,000	2022	Expected credit loss		Net 2022
Not overdue	7,751	-122	2%	7,629
Overdue				
1-30 days	1,082	-28	3%	1,054
31-60 days	247	-25	10%	223
61-90 days	141	-29	21%	112
91-120 days	85	-27	31%	58
over 120 days	631	-259	41%	372
Overdue, total	2,187	-367		1,819
Total	**9,938**	**-490**		**9,448**

EUR 1,000	2021	Expected credit loss		Net 2021
Not overdue	5,765	-91	2%	5,674
Overdue				
1-30 days	760	-7	1%	753
31-60 days	145	-12	8%	133
61-90 days	62	-16	27%	45
91-120 days	41	-13	32%	28
over 120 days	234	-105	45%	128
Overdue, total	1,241	-153		1,088
Total	**7,006**	**-244**		**6,762**

Note 26 describes the Group's exposure to credit and market risks and how the Group assesses and manages the risk of credit losses related to trade receivables.

The company recognises expected credit losses based on experience and the age distribution of the receivables.

NOTE 19

Cash and cash equivalents

EUR 1,000	2022	2021
Cash in hand and at banks	15,970	10,121
Cash and cash equivalents in the balance sheet	**15,970**	**10,121**
Cash and cash equivalents in the cash flow statement	**15,970**	**10,121**

NOTE 20

Notes on equity

EUR 1,000	Number of shares 1,000	Share capital	Reserve for invested unrestricted equity	Fair value reserve	Total
1 Jan. 2021	43,215	80	14,818	0	14,899
Share issue -options and share bonuses	15		12	0	12
Share issue - business acquisitions	561		6,757		6,757
31 Dec. 2021	43,790	80	21,587	0	21,667
1 Jan. 2022	43,790	80	21,587	0	21,667
Share issue - options and share bonuses	866		2,474	0	2,474
Share issue - business acquisitions	267		2,800		2,800
31 Dec. 2022	44,923	80	26,861	0	26,941

SHARE CAPITAL

The share capital consists of a one series of shares, with each share conferring one vote. The shares do not have a nominal value.

On 31 December 2022, the Group held 150,600 own shares.

The share subscription price received in connection with share issues is entered in the share capital to the extent that the share subscription price has not been decided to be recorded in the reserve for invested unrestricted equity.

DIVIDENDS

The Board of Directors proposes that a dividend of EUR 0.18 per share be paid. A dividend of EUR 0.17 per share was paid in 2021.

RESERVE FOR INVESTED UNRESTRICTED EQUITY

The reserve for invested unrestricted equity includes other equity-type investments and share subscription prices to the extent that they are not based on a separate agreement included in the share capital.

Share-based payments

OPTION-BASED INCENTIVE SCHEMES

The Group has option-based incentive and commitment schemes directed at key Group personnel. The option rights encourage key personnel to work long-term in order to increase shareholder value and seek to commit key employees to the employer.

The Group has three valid option schemes in effect on the closing date. The Board of Directors decided based on authorisation granted by the AGM on 26 February 2019, on the 2019 stock option scheme, with the authorisation granted by the AGM on 3 March 2021, on the 2021 stock option scheme, and with the authorisation granted by the AGM on 3 March 2022, on the 2022 stock option scheme. All option schemes are subject to a shareholding obligation as an additional condition under which the stock option holder must acquire company shares with 20% of the gross income received from the stock options. This number of shares must be held for two years after acquisition of the shares.

The arrangements are covered by IFRS 2.

Various stock option-based incentive schemes are targeted at key Group employees. Under the terms of the incentive schemes, stock options are issued without consideration and all arrangements are conditional. The subscription period for shares subscribed for with stock options 2019 is 1 Mar. 2022 to 28 Feb. 2023, for stock options 2021 it is 1 Mar. 2026 to 28 Feb. 2027, and for stock options 2022 it is 1 Mar. 2025 to 28 Feb. 2026. The option rights 2016A and 2016B, 2016C and 2018 have been exercised or cancelled.

The AGM of 2020 decided on a free share issue in which 5 new shares per each owned share were issued to shareholders in proportion to their holding to improve the liquidity of the share. As a result of the free share issue, the Board of Directors decided on 25 February 2020 to change the number of shares and subscription price of the shares subscribed for with the options. After the change, the total number of shares to be subscribed for under the 2019 option terms will be 1,200,000 shares.

The total number of shares to be subscribed for under the 2021 option terms is 600,000 and the total number of shares to be subscribed for under the 2022 option terms is 500,000.

The maximum total number of option rights, adjusted for share issues and including the rights already executed, in accordance with the option schemes is 4,760,000, and these are granted free of charge. The option rights entitle or have entitled their holders to subscribe for a maximum of 4,760,000 new shares or shares held by the company. A total of 2,168,815 new shares were subscribed for with stock options, and 1,135,620 stock options were cancelled.

The subscription price, adjusted for share issues, was EUR 3.38 when the 2019 stock options were issued, EUR 13.44 with 2021 option rights, and EUR 9.46 with 2022 option rights. The proceeds from share subscriptions are recognised in the reserve for invested unrestricted equity.

If the employment relationship of the option rights owner with the Group ends, they immediately forfeit the stock options allocated to them if the share subscription period had not begun at the end of the employment relationship. Recipients of stock options are not entitled to receive any compensation related to the stock options, whether during their employment or thereafter.

If the company distributes a dividend or returns capital from the reserve for unrestricted equity, the subscription price of shares that can be subscribed for with stock options is reduced as decided by the Board of Directors with regard to the 2019 stock options starting from 26 February 2019 and the 2022 stock options starting from 21 March 2022 by the amount of the dividend per share and capital paid out from the reserve for unrestricted equity decided before the share subscription on the record date of the dividend or return of capital. A corresponding procedure applies if the company reduces its share capital by distributing it to shareholders.

With regard to the 2021 stock options, the subscription price per share will not be reduced, except in the case of additional dividends, which require the Board of Directors to make a separate decision concerning the option scheme. If the company reduces its share capital by distributing it to shareholders, the subscription price of shares that can be subscribed for with stock options is reduced as decided by the Board of Directors by the amount of capital returns per share on the reconciliation date where the return of capital is decided before the share subscription.

The key terms of the schemes are presented in the following table.

KEY TERMS OF VALID OPTION SCHEMES (ADJUSTED FOR SHARE ISSUES)

Scheme	2019	2021	2022
Nature of the scheme	Stock option	Stock option	Stock option
Date granted	20 Mar. 2019	20 May 2021	21 Mar. 2022
Vesting period	20 Mar. 2019 to 28 Feb. 2022	20 May 2019 to 28 Feb. 2026	21 Mar. 2022 to 28 Feb. 2025
Subscription period	1 Mar. 2022 to 28 Feb. 2023	1 Mar. 2026 to 28 Feb. 2027	1 Mar. 2025 to 28 Feb. 2026
Vesting condition	Employment condition	Employment condition	Employment condition
Maximum number of options	1,200,000	600,000	500,000
Current subscription price (EUR)	2.93	13.44	9.46
Share price at time of granting	4.55	13.44	9.46
Implementation	As shares	As shares	As shares

Options held or undistributed by Talenom Plc are presented in the table below.

	2019	2021	2022	Total
Options held by the company	276,000	126,000	25,000	427,000

KEY ASSUMPTIONS USED IN THE BLACK-SCHOLES VALUATION MODEL (ADJUSTED FOR SHARE ISSUES)

Scheme	2019	2021	2022
Date granted	**20 Mar. 2019**	**20 May 2021**	**21 Mar. 2022**
Volatility, %	29.31%	35.35%	39.17%
Period of validity (years)	3.95	5.78	3.95
Risk-free rate, %	-0.44	-0.45	0.01
Price at the time of granting	4.55	13.44	9.46
Value of option at the time of granting	1.57	2.38	2.90

The table below shows the changes in the number of options outstanding during the financial period.

CHANGES IN THE NUMBER OF OPTIONS OUTSTANDING (ADJUSTED FOR SHARE ISSUES)

Number	2022	2021
At the beginning of the period	**1,434,000**	**938,750**
Granted during the period	481,000	510,000
Returned	-42,000	0
Executed	-844,435	-14,750
Lapsed		
At end of the period	1,028,565	1,434,000
Available for execution	79,565	0

The subscription price of these options is presented above.

SHARE-BASED INCENTIVE PLANS

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

Performance Share Plan 2020–2024
The Performance Share Plan consists of three performance periods, calendar years 2020–2022, 2021–2023 and 2022–2024. The Board decides on the performance criteria for the plan and the targets set for each criterion at the beginning of the performance period. In terms of the performance period 2020-2022 these were decided on 25 February 2020, and for the performance period 2021-2023 on 20 May 2021.

Any potential rewards based on the plan will be paid partly in the company's shares and partly in cash after the end of each performance period. The first rewards will be paid in 2023.

The cash proportion is intended to cover taxes and tax-related expenses arising from the reward to a participant. If a participant's employment ends before the reward is paid, the reward is not usually paid.

	Performance period 2020–2022	Performance period 2021–2023
Basis for the reward	· Consolidated operating profit	· Consolidated net sales
	· Internationalisation and growth and	· Operating profit and
	· Share of value-added services in net sales	· Implementation of strategic projects
Rewards to be paid for the performance period	The rewards correspond at most to the value of some 326,000 Talenom Plc shares including the cash component.	The rewards correspond at most to the value of 239,900 Talenom Plc shares including the cash component.
Target group	Around 50 people including the company's Executive Board	Around 85 people including the company's Executive Board
Payment of the rewards	No later than April 2023	No later than April 2024

Restricted Share Plan
The company has a valid Restricted Share Plan intended for selected key employees, including the company's Executive Board members. The reward from the Restricted Share Plan is based on a valid employment or service and the continuity of the employment or service during the vesting period and other possible terms imposed by the Board of Directors.

The rewards in the period 2021–2025 currently correspond to the value of a maximum total of 160,000 Talenom Plc shares, including also the proportion to be paid in cash. The reward is paid partly in Company shares and partly in cash after the end of a 12–60-month vesting period.

EFFECT OF OPTION AND SHARE-BASED PAYMENTS ON THE PROFIT FOR THE PERIOD

EUR 1,000	2022	2021
Share-based payments	1,491	1,500
Total	**1,491**	**1,500**

These expenses for the share-based incentive scheme are recognised during the performance period and presented under costs arising from employee benefits and in retained earnings in equity.

Classification of financial assets and liabilities

CLASSIFICATION AND FAIR VALUES

The table shows the book values and fair values of financial assets and liabilities, as well as their level in the fair value hierarchy. The table does not show the fair values of financial assets and liabilities that are not measured at fair value if their book value is s a reasonable estimate of their fair value. Financial assets and liabilities have been classified in accordance with IFRS 9.

31 Dec. 2022

BOOK VALUE						FAIR VALUE			
EUR 1,000	Note	Financial assets and liabilities at fair value through profit or loss	Financial assets and liabilities covered by hedge accounting	Financial assets and liabilities measured at amortised cost using the effective interest method	Total	Level 1	Level 2	Level 3	Total
Financial assets									
Financial assets measured at fair value									
Equity investments	17	237			237			237	237
Total		**237**			**237**			**237**	**237**
Financial assets that are not regularly measured at fair value									
Trade and other receivables	18			14,195	14,195				
Cash and cash equivalents	19			15,970	15,970				
Total				**30,165**	**30,165**				
Financial liabilities that are not regularly measured at fair value									
Bank loans	23			60,124	60,124		60,124		60,124
Accounts payable	25			3,386	3,386				
Total				**63,510**	**63,510**		**60,124**		**60,124**

31 Dec. 2021

BOOK VALUE						FAIR VALUE			
EUR 1,000	Note	Financial assets and liabilities at fair value through profit or loss	Financial assets and liabilities covered by hedge accounting	Financial assets and liabilities measured at amortised cost using the effective interest method	Total	Level 1	Level 2	Level 3	Total
Financial assets									
Financial assets measured at fair value									
Equity investments	17	237			237			237	237
Total		**237**			**237**			**237**	**237**
Financial assets that are not regularly measured at fair value									
Trade and other receivables	18			10,446	10,446		615		615
Cash and cash equivalents	19			10,121	10,121				0
Total				**20,567**	**20,567**		615		615
Financial liabilities that are not regularly measured at fair value									
Bank loans	23			40,203	40,203		40,203		40,203
Accounts payable	25			2,171	2,171				
Total				**42,374**	**42,374**		**40,203**		**40,203**

FAIR VALUE MEASUREMENT

The fair value of financial assets and liabilities is the price that would be obtained from the sale of the asset or paid for the transfer of the liability between market participants in an ordinary transaction on the measurement date. In the assessment of the company's management, the book values of financial assets, trade receivables, and trade payables are not materially different from their fair value, considering the short maturities of these instruments.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Derivative instruments

The fair values of derivative instruments are determined on the basis of derivative agreement confirmations from banks.

Publicly traded securities

The fair values of publicly traded securities are based on quoted prices at the balance sheet date.

Unquoted securities

Unquoted securities for which no quoted price in an active market is available are measured at the probable disposal price estimated by management.

Financial instruments that are not measured at fair value

Discounted cash flows: The current pricing model assesses the present value of future cash flows using a risk-adjusted interest rate.

Definitions of levels

Level 1 = quoted (unadjusted) fair values in active markets for the same assets or liabilities.
Level 2 = quoted prices that are not included in level 1 and that can be verified for the asset or liability in question either directly (such as prices) or indirectly (derived prices or using price components available from the market).
Level 3 = not based on verifiable market data.

Transfers between levels

There were no transfers between levels in the fair value hierarchy in the 2022 or 2021 financial periods.

Financial liabilities

This note concerns the contractual terms of the Group's interest-bearing liabilities measured at amortised cost. Additional information on the Group's exposure to interest rate and credit risks is presented in Note 26.

CONTRACTUAL TERMS AND REPAYMENT PROGRAMME

Non-current liabilities measured at amortised cost

			Book value	
EUR 1,000	**Interest rate**	**Maturity date**	**2022**	**2021**
Financial liabilities	1.4%-3.9%	31 May 2025	50,122	40,203
Instalment payment liabilities	1.4%-3.94%		98	221
Total			**50,221**	**40,424**

Current liabilities measured at amortised cost

			Book value	
EUR 1,000	**Interest rate**	**Maturity date**	**2022**	**2021**
Financial liabilities	1.20%	30 Apr. 2023	10,001	0
Instalment payment liabilities	1.4%-3.94%		191	101
Total			**10,193**	**101**
Total interest-bearing liabilities			**60,413**	**40,525**

On 11 May 2022, Talenom made an agreement with Danske Bank A/S Finland branch for a secured loan of EUR 10 million. The loan period is three years, and the credit agreement allows the loan period to be extended twice by one year at a time, for a maximum maturity date of 30 May 2027. The loan is tied to the six-month Euribor plus a margin.

In addition, Talenom has extended the loan period of the EUR 40 million loan withdrawn in 2021 in accordance with the loan terms until 31 May 2025 and withdrew a EUR 10 million financial credit line that matures on 20 February 2023 and whose validity can be extended for a further 12 months when the loan matures.

Cash flows from financing operations and changes that do not affect cash flow

		Cash flows	Changes that do not affect cash flow			
	2021		**New leases**	**Increases**	**Changes in fair value**	**2021**
Non-current liabilities	30,122	10,302				40,424
Current liabilities	171	-70				101
Contingent considerations on acquired businesses	583	-172		4,238		4,648
Lease liabilities	8,138	-2,705	3,403			8,835
Total liabilities from financing operations	**39,014**	**7,355**	**3,403**	**4,238**	**0**	**54,009**

		Cash flows	**Changes that do not affect cash flow**			
	2022		**New leases**	**Increases**	**Changes in fair value**	**2022**
Non-current liabilities	40,424	9,796				50,221
Current liabilities	101	10,092				10,193
Contingent considerations on acquired businesses	4,648	-3,389		5,584		6,844
Lease liabilities	8,835	-3,266	4,391			9,961
Total liabilities from financing operations	**54,009**	**13,233**	**4,391**	**5,584**	**0**	**77,217**

NOTE 24

Lease liabilities and other non-current financial liabilities

EUR 1,000	2022	2021
Lease liabilities		
Non-current lease liabilities	6,256	5,985
Current lease liabilities	3,705	2,850
Total lease liabilities	**9,961**	**8,836**

The maturities of lease liabilities are presented in Note 26.

There are no derivative instruments.

NOTE 25

Trade and other payables

EUR 1,000	2022	2021
Instalment payment liabilities	289	322
Accounts payable	3,096	1,848
Advances received on customer contracts	374	322
Accrued expenses and deferred income	15,966	12,981
Contingent considerations from business acquisitions	6,844	4,648
Total	**26,570**	**20,122**
Total current	**23,724**	**17,911**
Total non-current	**2,845**	**2,211**

The book values of accounts payables and other liabilities correspond to their fair values.
The key items of accrued expenses and deferred income are presented in the table below.

The maturity analysis of financial liabilities is presented in Note 26.

Additional information on the Group's exposure to liquidity risk is presented in Note 26.

KEY ITEMS OF ACCRUED EXPENSES AND DEFERRED INCOME

EUR 1,000	2022	2021
Employee benefit expenses	10,761	8,219
Interest payable	218	41
VAT liability	4,247	3,340
Other deferred liabilities	740	1,381
Total	**15,966**	**12,981**

Financial risk management

FINANCIAL RISK MANAGEMENT AND GENERAL PRINCIPLES

The aim of the Group's risk management is to identify and analyse the risks affecting the Group, set appropriate risk levels and controls, and monitor the realisation of risks relative to the risk levels. Risk management principles and methods are reviewed on a regular basis to reflect market conditions and the Group's operating models. The Group and its businesses are exposed to financial risks. The main financial risks are interest rate risk and liquidity risk.

The management is responsible for monitoring the financial risks related to operations. Financial risk management seeks to reduce the volatility associated with earnings, the balance sheet and cash flows, while ensuring efficient and competitive financing for the Group.

Interest rate risk comprises the negative impact on the company's earnings due to changes in market rates. At Talenom, the main sources of interest rate risk are variable-rate bank loans, and the Group may use interest rate swaps with normal terms and conditions in its risk management. As a rule, hedging is applied to individual loans. The terms and conditions of hedging instruments mainly follow the terms and conditions of hedged debt (nominal amount, period of validity, reference rate, and interest determination dates).

INTEREST RATE RISK

Interest-bearing liabilities expose the Group to interest rate risk, which is the risk of repricing and the price risk caused by changes in interest rates. The CFO is responsible for managing the interest rate risk. The aim of managing the interest rate risk is to reduce the impact of interest rate changes on profits for different financial periods, enabling a more stable net profit. The Group may use forward rate agreements and interest rate swaps to hedge against interest rate risks. The degree of interest rate hedging is reviewed regularly, considering any changes in the interest rate.

The following tables describe the Group's sensitivity to changes in market rates.

The following assumptions were used in the sensitivity analyses:
The interest rate change is assumed to be +/- 0.50 percentage points from the interest rate quoted on the balance sheet date for the individual instruments.
The analysis includes instruments with an interest determination date within the next 12 months.
If a variable-rate instrument was fully repaid within the next 12 months, it is assumed that the instrument would be repurchased at the new interest rate.

Interest rate risk position
The following table shows the Group's exposure to interest rate risks from interest-bearing financial liabilities.

EUR 1,000	Nominal value 2022	2021
Variable-rate instruments		
Bank loans	60,124	40,203
Open position	**60,124**	**40,203**

Fair value sensitivity analysis for fixed-rate instruments

The Group does not have any fixed-rate financial assets or liabilities measured at fair value through profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

A 0.5 percentage point change in interest rates on the balance sheet date would have increased or weakened the consolidated result as shown in the tables below. The sensitivity analyses assume that all other variables remain unchanged.

Sensitivity analysis 31 December 2022, interest rates rise/fall by 0.5 percentage points from the level in force on 31 Dec. 2022

EUR 1,000	Impact on income statement + 0,5 %	- 0,5 %
Liability	-300	+300
Impact before taxes		

Sensitivity analysis 31 December 2021, interest rates rise/fall by 0.5 percentage points from the level in force on 31 Dec. 2021

EUR 1,000	Impact on income statement + 0,5 %	- 0,5 %
Liability	0	0
Impact before taxes		

CREDIT RISK

Credit risk consists of financial losses to the Group if a customer or counterparty related to financial instruments is unable to fulfil its contractual obligations. The Group's credit risks primarily comprise the credit risks of trade receivables. Commercial trade receivables expose the Group to credit risk. The Group's guidelines define the creditworthiness requirements and investment principles applying to customers, investments and derivative instrument counterparties. The Group has no significant credit risk concentrations apart from trade receivables because it has a large customer base. The creditworthiness and credit limits of borrowers are monitored regularly.

The age distribution of trade receivables is presented in Note 18 Trade and other receivables.

LIQUIDITY RISK

Liquidity risk refers to the risk of the Group encountering challenges in meeting its obligations related to financial liabilities where such obligations are fulfilled by transferring cash or other financial assets. The Group manages liquidity risks to ensure that it continuously has enough financial resources to meet its obligations related to financial liabilities as far as possible under various economic conditions without incurring unreasonable financial losses or reputational damage.

The Group seeks to continuously assess and monitor the amount of financing required by its business operations to ensure that it has sufficient liquid funds to finance operations and investments and to repay loans as they fall due.

At the end of the 2022 financial period, the Group had financial covenants attached to its financial liabilities. Further details on the limitations related to the Group's assets and M&A transactions are presented in Note 28 Contingent liabilities.

The cash flows in the tables below include the fair value of interest rate derivatives on the balance sheet date, loan repayments, and estimated interest on the balance sheet date, as well as trade payables and other liabilities. Lease liabilities include rent increases known on the balance sheet date.

MATURITY ANALYSIS OF FINANCIAL LIABILITIES 2022

EUR 1,000	Balance sheet value	Cash flow	2023	2024	2025	2026	2027	2028	2029
Financial liabilities									
Bank loans	**60,124**	**64,895**	12,072	1,990	50,834	0	0	0	0
Accounts payable and other liabilities	**26,570**	**3,386**	3,287	49	49	0	0	0	0
Lease liabilities	9,961	10,394	3,834	2,650	2,291	1,055	342	223	0
Total	**96,654**	**78,675**	**19,192**	**4,688**	**53,174**	**1,055**	**342**	**223**	**0**

MATURITY ANALYSIS OF FINANCIAL LIABILITIES 2021

EUR 1,000	Balance sheet value	Cash flow	2022	2023	2024	2025	2026	2027	2028
Financial liabilities									
Bank loans	40,203	41,330	525	571	40,208	26			
Accounts payable and other liabilities	20,122	2,171	1,949	111	111				
Lease liabilities	8,836	9,321	2,542	2,136	1,872	1,604	674	282	212
Total	**69,160**	**52,822**	**5,016**	**2,817**	**42,190**	**1,630**	**674**	**282**	**212**

CAPITAL MANAGEMENT

The aim of the Group's capital management is to ensure normal operating capacity under all circumstances and enable optimal capital costs.

The table below shows the Group's interest-bearing net liabilities, equity and net gearing.

Management of capital structure

EUR 1,000	2022	2021
Interest-bearing financial liabilities	60,124	40,203
Lease liabilities	9,961	8,836
Instalment payment liabilities	289	322
Cash and cash equivalents	15,970	10,121
Net liabilities	**54,404**	**39,240**
Total equity	**56,026**	**44,718**
Net gearing ratio, %	**97 %**	**88 %**

NOTE 27

Lease agreements (Group as lessee)

Items recorded in the income statement	2022	2021
EUR 1,000		
Interest expenses on lease liabilities	215	205
Expenses related to short-term leases	237	93
Expenses related to low-value leases	0	0

The total cash flow from leases in 2022 was EUR 3,800,000 (2021: EUR 3,016,000).

Rental income from subletting is presented in Note 7.

NOTE 28

Contingent liabilities

COLLATERAL AND CONTINGENT LIABILITIES

EUR 1,000	2022	2021
Liabilities secured by an enterprise mortgage		
Loans from financial institutions	60,000	40,000
Mortgages	60,100	50,360
Other pledges and contingent liabilities		
Pledges	0	0
Other*	852	10,823

*Other contingent liabilities are related to the issued, undrawn loan limit, bank guarantee limit, and commitments for instalment payment liabilities and leasing agreements.

Covenants
The credit agreement with Danske Bank is subject to ordinary financial covenants, such as net debt to EBITDA and equity ratio. The Group fulfilled both the covenants of the financing agreement on 31 Dec. 2022. The covenants are reviewed every six months.

Legal proceedings
The Group did not have any significant pending legal proceedings on 31 Dec. 2022.

Other lease agreements
For information on leases that have not been recognised in the balance sheet, see Note 27.

NOTE 29

Related party transactions

The Group's related parties include its parent company Talenom Plc and its subsidiaries. A list of subsidiaries is presented in Note 5. In addition, the related parties include Talenom Group's key management personnel, including the Board of Directors, the CEO, the Group's Executive Board, and their family members. Related parties also include companies in which the above persons have control or significant influence.

BUSINESS TRANSACTIONS WITH RELATED-PARTY COMPANIES KEY MANAGEMENT PERSONNEL:

EUR 1,000	2022	2021
Selling of services	215	171
Purchases of services	0	-30

The terms and conditions of transactions with related parties correspond to the terms and conditions used in transactions between independent parties.

BENEFITS FOR MANAGERS

During the financial period, the CEO and Group management were paid the following salaries and bonuses, including fringe benefits:

EUR 1,000	2022	2021
Salaries and other short-term employee benefits	884	752
Post-employment benefits	158	127
Share-based benefits	515	449
Total	**1,557**	**1,328**

The amounts shown in the table correspond to the expenses recognised as costs during the financial period.

The total amount of compensation received by key personnel in the Group's management consists of the salary, non-monetary benefits, and pension expenses for defined-contribution plans. The pension liabilities for the Management Team are arranged with statutory pension insurance, as well as a supplementary defined-contribution plan for which the company's Board of Directors decides the contributions to be paid into the supplementary pension insurance annually. No supplementary pension contributions were paid in 2021 and 2022.

The Group's management does not have defined-benefit pension plans.

The CEO is entitled to a statutory pension, and the retirement age is within the range permitted by the statutory employee pension system. The CEO's statutory pension cost in 2022 was EUR 39,000 (EUR 39,000 in 2021).

Remuneration paid to the Board of Directors and CEO and recognised as costs by person

EUR 1,000		2022	2021
	Otto-Pekka Huhtala, CEO	216	231
Board of Directors			
	Harri Tahkola, Chairman of the Board	72	72
	Olli Hyyppä, member of the Board	24	24
	Mikko Siuruainen, member of the Board	24	24
	Anne Riekki, member of the Board 1 Jan.-2 Mar. 2021	0	4
	Johannes Karjula, member of the Board	24	24
	Sampsa Laine, member of the Board	24	24
	Elina Tourunen, member of the Board	24	20
Total		**408**	**423**

NOTE 30

Events after the end of the reporting period

Business acquisitions

The Group acquired the business of Studio Gavazzi, an Italian accounting firm based in Milan, on 2 January 2023. The acquisition cost of the target was EUR 260,000 and it was paid in cash. In connection with the transactions, it was agreed with the owners that they may be paid contingent consideration tied to the achievement of financial objectives set for business operations. The amount of the consideration is EUR 0-170,000.

Talenom Plc acquired the shares of the Swedish accounting firm MTE Göteborg AB on 16 January 2023. The acquisition cost of the target was EUR 282,000 and it was paid in cash and shares. In connection with the transactions, it was agreed with the owners that they may be paid contingent consideration tied to the achievement of financial objectives set for business operations. The amount of the consideration is SEK 0-2.5 million. The 12,191 new shares subscribed for in the directed share issue related to the acquisition were registered in the Trade Register on 18 January 2023. After the registration of the new shares the total number of shares in Talenom Plc is 44,935,388 shares.

Talenom Plc acquired the shares of the Swedish accounting firm R2 Redovisning AB on 1 February 2023. The acquisition cost of the target was EUR 619,000 and it was paid in cash and shares. In connection with the transactions, it was agreed with the owners that they may be paid contingent consideration tied to the achievement of financial objectives set for business operations. The amount of the consideration is SEK 0-4.0 million.

On 1 February 2023, Talenom Plc acquired the shares of the Spanish accounting firm, BKF Asesores S.L, in Madrid. The acquisition cost of the target was EUR 1,300,000 and it was paid in cash and shares. In connection with the transactions, it was agreed with the owners that they may be paid contingent consideration tied to the achievement of financial objectives set for business operations. The amount of the consideration is EUR 0-300,000.

The 50,825 new shares subscribed for in the directed share issue related to the acquisition were registered in the Trade Register on 3 February 2023. After the registration of the new shares the total number of shares in Talenom Plc is 44,986,213 shares.

Based on the management's preliminary assessment, EUR 1,004,000 of the contingent considerations related to the transactions is recognised as purchase price and a liability.

The purchase prices, maximum contingent considerations, and net sales and operating profit of the acquired objects at the time of purchase are shown in the table below:

EUR 1,000	Share transactions	Business acquisitions
Total purchase prices	2,201	276
Maximum contingent consideration	879	170
Total net sales of last 12 months at the time of purchase	1,661	553
Total operating profit of last 12 months at the time of purchase	430	0

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

EUR 1,000, pro forma	
Property, plant and equipment	7
Customer relationships	1,241
Other long-term investments	14
Right-of-use assets	27
Current assets	878
Total assets	**2,166**
Accounts payable and other liabilities	719
Lease liabilities	27
Deferred tax liability	282
Total liabilities	**1,029**
Net assets	1,138
Consideration transferred	3,465
Net assets of acquisition targets	-1,138
Goodwill	**2,327**

Other events

On 11 November 2022, Talenom Plc made an agreement with Danske Bank A/S Finland branch for a secured loan of EUR 10 million. The loan period is two years. The loan is tied to the six-month Euribor plus a margin. In addition, the company extended the loan period of the EUR 10 million short-term financial credit line in accordance with the loan terms for 12 months.

No other significant events took place after the review period.

Parent company's income statement

Currency: EUR	1 Jan. 2022 - 31 Dec. 2022	1 Jan. 2021 - 31 Dec. 2021
NET SALES	42,790,921.72	34,797,184.31
Other operating income	1 209 535,83	1 759 007,59
Materials and services		
External services	-18,420,969.50	-19,580,040.14
Total materials and services	-18,420,969.50	-19,580,040.14
Personnel costs		
Salaries and benefits	-3,608,572.70	-3,109,174.07
Indirect employee costs		
Pension costs	-650,693.54	-519,897.00
Other indirect employee costs	-38,414.72	-50,669.40
Total personnel costs	-4,297,680.96	-3,679,740.47
Depreciation and impairment		
Depreciation according to plan	-11,124,520.46	-8,205,923.86
Impairment on non-current assets	-1,473,854.42	-1,219,419.50
Total depreciation and impairment	-12,598,374.88	-9,425,343.36
Other operating expenses	-4,663,473.36	-2,948,961.15
OPERATING PROFIT (LOSS)	4,019,958.85	922,106.78
Financial income and expenses		
Other interest and financial income		
From Group companies	78,360.54	6,019.46
From others	389,536.77	62,436.53
Interest expenses and other financial expenses		
To others	-922,709.62	-640,420.64
Total financial income and expenses	-454,812.31	-571,964.65
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	3,565,146.54	350,142.13
Appropriations		
Increase (-) or decrease (+) in depreciation difference	52,419.33	41,981.66
Group contribution	10,360,000.00	13,100,000.00
Total appropriations	10,412,419.33	13,141,981.66
Income taxes	-3,077,743.17	-2,977,793.08
PROFIT (LOSS) FOR THE PERIOD	10,899,822.70	10,514,330.71

Parent company's balance sheet

Currency: EUR	31 Dec. 2022	31 Dec. 2021
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Development expenditure	28,688,908.76	24,489,076.94
Intangible rights	282,978.16	475,966.32
Goodwill	6,786,680.47	8,207,327.13
Other intangible assets	10,260,965.06	9,835,191.84
Advance payments	292,888.00	0.00
Total intangible assets	46,312,420.45	43,007,562.23
Tangible assets		
Machinery and equipment	1,430,791.55	1,448,391.47
Total tangible assets	1,430,791.55	1,448,391.47
Investments		
Shares in group companies	46,714,520.65	27,852,043.60
Receivables from group companies	2,936,013.92	0.00
Other receivables	0.00	613,000.00
Total investments	49,650,534.57	28,465,043.60
TOTAL NON-CURRENT ASSETS	97,393,746.57	72,920,997.30
CURRENT ASSETS		
Receivables		
Non-current receivables		
Receivables from group companies	1,546,962.04	0.00
Total non-current receivables	1,546,962.04	0.00
Current receivables		
Trade receivables	3,180,613.25	2,436,157.97
Receivables from group companies	23,682,716.54	16,333,369.65
Loan receivables	0	14,763.66
Other receivables	349,218.53	224,804.11
Accrued income	1,118,158.69	1,005,774.98
Total current receivables	28,330,707.01	20,014,870.37
Total receivables	29,877,669.05	20,014,870.37
Cash and cash equivalents	13,302,091.00	9,031,484.47
TOTAL CURRENT ASSETS	43,179,760.05	29,046,354.84
TOTAL ASSETS	140,573,506.62	101,967,352.14

Currency: EUR	31 Dec. 2022	31 Dec. 2021
LIABILITIES		
CAPITAL AND RESERVES		
Share capital		
Share capital	80,000.00	80,000.00
Total share capital	80,000.00	80,000.00
Other reserves		
Reserve for invested unrestricted equity	27,267,226.59	21,993,200.21
Other funds, total	27,267,226.59	21,993,200.21
Retained earnings (loss)	7,086,068.04	4,402,807.50
Profit (loss) for the financial period	10,899,822.70	10,514,330.71
TOTAL EQUITY	45,333,117.33	36,990,338.42
ACCRUED APPROPRIATIONS		
Depreciation in excess of plan	95,096.95	147,516.28
TOTAL ACCUMULATED APPROPRIATIONS	95,096.95	147,516.28
LIABILITIES		
Non-current		
Loans from financial institutions	50,000,000.00	40,000,000.00
Accounts payable	15,851.01	45,221.35
Other liabilities	2,746,958.67	1,916,441.71
Total non-current	52,762,809.68	41,961,663.06
Current		
Loans from financial institutions	10,000,000.00	0.00
Advances received	146,304.65	90,491.38
Accounts payable	1,023,052.84	960,125.96
Liabilities to group companies	24,777,644.99	16,917,457.88
Other liabilities	4,538,696.52	2,405,319.47
Accrued expenses and deferred income	1,896,783.66	2,494,439.69
Total current	42,382,482.66	22,867,834.38
TOTAL LIABILITIES	95,145,292.34	64,829,497.44
TOTAL LIABILITIES	140,573,506.62	101,967,352.14

Parent company's cash flow statement

Currency: EUR	1 Jan. 2022 - 31 Dec. 2022	1 Jan. 2021 - 31 Dec. 2021
Cash flow from operating activities		
Profit (loss) before appropriations and taxes	3,565,146.54	350,142.13
Adjustments:		
Depreciation according to plan	12,598,374.88	9,425,343.36
Financial income and expenses	454,812.31	571,964.65
Gains from the sale of tangible assets	-1,715.93	-3,725.08
Losses from the sale of tangible assets	5,511.89	6,607.82
Other adjustments	20,708.96	-502,932.52
Change in working capital:		
Inc. (-)/dec. (+) in current receivables	-3,606,659.90	-223,067.75
Inc. (-)/dec. (+) in non-current receivables	613,000.00	-513,000.00
Inc. (+)/dec. (-) in current liabilities	3,696,806.22	1,040,963.06
Operating cash flow before financing items and taxes	17,345,984.97	10,152,295.67
Interest income	99,900.29	68,455.99
Paid interest and payments from other operational financing costs	-691,644.85	-715,360.01
Direct tax paid	-3,908,312.51	-2,458,529.40
Cash flow from operating activities	**12,845,927.90**	**7,046,862.25**
Cash flow from investments		
Acquisition of shares in subsidiaries	-13,560,867.52	-7,654,266.00
Acquired businesses *)	-1,100,850.00	-1,577,600.00
Divested businesses *)	644,450.00	1,577,600.00
Investments in software	-11,900,225.63	-11,666,129.30
Capitalisation of contract costs	-3,245,797.88	-3,796,965.13
Investments in other intangible assets	-3,800.00	-25,950.00
Acquisition of property, plant and equipment	-506,017.61	-537,309.04
Sale of property, plant and equipment	63,095.96	88,082.74
Cash flow from investments	**-29,610,012.68**	**-23,592,536.73**
Financial cash flow		
Withdrawal of long-term loans	10,000,000.00	40,000,000.00
Repayment of long-term loans	0.00	-30,000,000.00
New short-term loans	10,000,000.00	0,00
Inc. (+)/dec. (-) in instalment payment liabilities	-49,274.85	76,664.45
Paid share issue	2,474,194.55	11,652.50
Dividends paid	-7,431,032.01	-6,480,148.05
Group contributions received	13,100,000.00	12,650,000.00
Change in Group financing	-7,059,196.38	553,510.14
Cash flow from financing	**21,034,691.31**	**16,811,679.04**
Increase (+)/decrease (-) in cash and cash equivalents	**4,270,606.53**	**266,004.56**
Liquid assets at the beginning of fiscal period	**9,031,484.47**	**8,765,479.91**
Liquid assets at end of fiscal period	13,302,091.00	9,031,484.47

*) The businesses acquired during the financial period have been transferred to subsidiaries by means of internal transactions

NOTE 1

Notes to the parent company's financial statements

VALUATION AND ACCRUAL PRINCIPLES AND METHODS

Talenom Plc's financial statements are prepared in accordance with the Finnish Account Act and Decrees and other regulations applying to the preparation of financial statements (Finnish Accounting Standards, FAS).

Tangible and intangible assets recognised in the company's current assets have been measured at cost less depreciation according to plan. Depreciation according to plan is calculated on a straight-line basis based on the useful lives of tangible and intangible assets. The depreciations are made starting from the month when the asset is implemented.

The company capitalises the direct costs of obtaining a new customer contract and service deployment. Capitalised costs of obtaining customer contracts and deployment are recognised in intangible assets in the balance sheet. The depreciation period for capitalised expenditure is 10 years, based on the average duration of customer relationships. The income expectations for capitalised expenditure are estimated each financial period, and an impairment loss is recognised if the customer is no longer with Talenom or the expected income is not enough to cover the capitalised amount.

The company also capitalises the costs of its in-house software development. Software development costs are treated as investments, and they are capitalised in the balance sheet under development expenditure. Capitalised software development expenditure is depreciated over five years.

GROUND FOR PLANNED DEPRECIATION AND CHANGES, 31 DEC. 2022

Asset category	Estimated service life	Residual value	Depreciation method
Intangible assets			
Software (ready-made)	5 yrs.	0	Straight-line depreciation
Merged goodwill	15 yrs.	0	Straight-line depreciation
Costs of renovating leased premises	5 yrs.	0	Straight-line depreciation
Own software development expenditure	5 yrs.	0	Straight-line depreciation
Other intangible assets (capitalised customer contracts)	10 yrs.	0	Straight-line depreciation
Tangible assets			
Office furnishings	10 yrs.	0	Straight-line depreciation
IT hardware	4 yrs.	0	Straight-line depreciation
Cars	3 yrs.	50 %	Straight-line depreciation

The depreciation period for merged goodwill is based on the useful life estimated by the management.

NOTE 2

Notes to the income statement

OTHER OPERATING INCOME

	1 Jan. 2022 - 31 Dec. 2022	1 Jan. 2021 - 31 Dec. 2021
License fees from subsidiaries	1,200,000.00	1,200,000.00
Gains on the disposal of fixed assets	1,715.93	3,725.08
Unrealized additional transaction prices in acquisitions	0.00	500,047.70
Other income	7,819.90	55,234.81
	1,209,535.83	**1,759,007.59**

INCOME STATEMENT CAPITALISATION

The following costs of in-house software development and production, costs of obtaining customer contracts, and costs of service deployment were capitalised during the financial period:

	1 Jan. 2022 - 31 Dec. 2022	1 Jan. 2021 - 31 Dec. 2021
Own software		
External services	11,762,789.00	11,577,885.36
Personnel costs	122,749.39	49,941.18
Other operating expenses	0.00	0.00
	11,885,538.39	**11,627,826.54**
Customer contract expenses		
External services	1,095,245.10	1,366,731.38
Personnel costs	1,451,003.71	1,582,244.07
Other operating expenses	718,889.19	847,989.68
	3,265,138.00	**3,796,965.13**

FINANCIAL INCOME AND EXPENSES

	1 Jan. 2022 - 31 Dec. 2022	1 Jan. 2021 - 31 Dec. 2021
Dividend income from group companies	0.00	0.00
Dividend income from others	0.00	0.00
Interest income from group companies	78,360.54	6,019.46
Interest income from others	52,487.75	35,308.21
Interest expenses to group companies	0.00	0.00
Interest expenses to others	-790,021.04	-574,604.26
Exchange rate differences	244,137.12	20,722.84
Other financial income and expenses	-39,776.68	-59,410.90
	-454,812.31	**-571,964.65**

NOTES ON INCOME TAXES

	1 Jan. 2022 - 31 Dec. 2022	1 Jan. 2021 - 31 Dec. 2021
Income taxes on ordinary activities	-3,077,743.17	-2,977,793.08
Deferred taxes	0.00	0.00
	-3,077,743.17	**-2,977,793.08**

NOTE 3

Notes on assets in the balance sheet

Changes in non-current assets 1 Jan. 2022 - 31 Dec. 2022

	Development expenditure	Intangible rights	Goodwill	Other intangible assets	Machinery and equipment
Acquisition cost at the beginning of the period	43,925,809.84	1,487,589.55	18,627,844.01	17,781,739.78	4,752,310.27
Increases during the financial period	11,900,225.63	3,800.00	0.00	3,245,797.88	506,017.61
Decreases during the financial period					-126,191.95
Acquisition cost at the end of the period	55,826,035.47	1,491,389.55	18,627,844.01	21,027,537.66	5,132,135.93
Accumulated depreciation and impairment at the beginning of the period	-19,436,732.90	-1,011,623.23	-10,420,516.88	-7,946,547.94	-3,303,918.80
Depreciation according to plan during financial period	-7,700,393.81	-196,788.16	-1,420,646.66	-2,820,024.66	-460,521.57
Impairment					63,095.99
Accumulated depreciation and impairment at the end the of the period	-27,137,126.71	-1,208,411.39	-11,841,163.54	-10,766,572.60	-3,701,344.38
Accumulated depreciation difference at the beginning of the period	0.00	0.00	0.00	0.00	147,516.28
Depreciation difference for the financial period	0.00	0.00	0.00	0.00	-52,419.33
Accumulated depreciation difference at the end of the period	0.00	0.00	0.00	0.00	95,096.95
Acquisition cost at the end of the period	55,826,035.47	1,491,389.55	18,627,844.01	21,027,537.66	5,132,135.93
Accumulated depreciation at the end of the period	-27,137,126.71	-1,208,411.39	-11,841,163.54	-10,766,572.60	-3,701,344.38
Residue of initial outlay at end of the period	28,688,908.76	282,978.16	6,786,680.47	10,260,965.06	1,430,791.55
Accumulated depreciation difference at the end of the period	0.00	0.00	0.00	0.00	95,096.95
Residue of initial outlay after full depreciation	28,688,908.76	282,978.16	6,786,680.47	10,260,965.06	1,335,694.60

Changes in non-current assets 1 Jan. 2021 - 31 Dec. 2021

	Development expenditure	Intangible rights	Goodwill	Other intangible assets	Machinery and equipment
Acquisition cost at the beginning of the period	32,307,069.42	1,440,200.55	18,627,844.01	13,958,824.59	4,303,083.97
Increases during the financial period	11,618,740.42	47,389.00	2,155,000.00	3,822,915.19	537,309.04
Decreases during the financial period			-2,155,000.00		-88,082.74
Acquisition cost at the end of the period	43,925,809.84	1,487,589.55	18,627,844.01	17,781,739.78	4,752,310.27
Accumulated depreciation and impairment at the beginning of the period	-14,502,539.62	-791,642.91	-8,999,870.18	-5,568,748.68	-2,831,194.82
Depreciation according to plan during financial period	-4,934,193.28	-219,980.32	-1,420,646.70	-919,223.14	-472,723.98
Impairment				-1,458,576.12	
Accumulated depreciation and impairment at the end of the period	-19,436,732.90	-1,011,623.23	-10,420,516.88	-7,946,547.94	-3,303,918.80
Accumulated depreciation difference at the beginning of the period	0.00	0.00	0.00	0.00	189,497.94
Depreciation difference for the financial period	0.00	0.00	0.00	0.00	-41,981.66
Accumulated depreciation difference at the end of the period	0.00	0.00	0.00	0.00	147,516.28
Acquisition cost at end of the period	43,925,809.84	1,487,589.55	18,627,844.01	17,781,739.78	4,752,310.27
Accumulated depreciation at the end of the period	-19,436,732.90	-1,011,623.23	-10,420,516.88	-7,946,547.94	-3,303,918.80
Residue of initial outlay at end of the period	24,489,076.94	475,966.32	8,207,327.13	9,835,191.84	1,448,391.47
Accumulated depreciation difference at the end of the period	0.00	0.00	0.00	0.00	147,516.28
Residue of initial outlay after full depreciation	24,489,076.94	475,966.32	8,207,327.13	9,835,191.84	1,300,875.19

Depreciation and impairment of non-current assets and other long-term expenditure:

	1 Jan. 2022 - 31 Dec. 2022	1 Jan. 2021 - 31 Dec. 2021
Development expenditure	7,700,393.81	4,934,193.16
Intangible rights	196,788.18	219,980.32
Goodwill	1,420,646.66	1,420,646.70
Other intangible assets	1,346,170.22	1,158,379.70
Machinery and equipment	460,521.59	472,723.98
Impairment	1,473,854.42	1,219,419.50
Total depreciation	12,598,374.88	9,425,343.36

Receivables from Group companies:

	31 Dec. 2022	31 Dec. 2021
Non-current		
Capital loans granted	2,936,013.92	0.00
Group loan receivables	1,546,962.04	0.00
	4,482,975.96	0.00
Current		
Group trade receivables	1,649,114.35	645,285.78
Other Group receivables	20,904,029.29	14,706,852.55
Group prepayments and accrued income	1,129,572.90	981,231.32
	23,682,716.54	16,333,369.65
Total receivables from Group companies	28,165,692.50	16,333,369.65

Prepayments and accrued income

	31 Dec. 2022	31 Dec. 2021
Lease collateral paid	60,906.85	56,816.45
Tax receivables	0.00	0.00
Other expense advances	1,057,251.84	948,958.53
	1,118,158.69	1,005,774.98

NOTE 4

Notes to balance sheet liabilities

	1 Jan. 2022 - 31 Dec. 2022	1 Jan. 2021 - 31 Dec. 2021
Equity		
Share capital at the beginning of the period	80,000.00	80,000.00
Change during period	0.00	0.00
Share capital at the end of the period	80,000.00	80,000.00
Total restricted equity	**80,000.00**	**80,000.00**
Reserve for invested unrestricted equity at the beginning of the period	21,993,200.21	15,224,757.88
Share issue	5,274,026.38	6,768,442.33
Reserve for invested unrestricted equity at the end of the period	27,267,226.59	21,993,200.21
Retained earnings at the beginning of the period	4,402,807.50	2,442,395.61
Retained earnings	10,514,330.71	8,440,559.94
Adjustment of the result for the previous financial year	-400,038.16	0.00
Dividends paid	-7,431,032.01	-6,480,148.05
Retained earnings at end the of the period	7,086,068.04	4,402,807.50
Profit/loss for the period	10,899,822.70	10,514,330.71
Total unrestricted equity	**45,253,117.33**	**36,910,338.42**
Total equity	**45,333,117.33**	**36,990,338.42**

Calculation of distributable assets	1 Jan. 2022 - 31 Dec. 2022	1 Jan. 2021 - 31 Dec. 2021
Retained earnings at the beginning of the period	14,917,138.21	10,882,955.55
Profit/loss for the period	10,899,822.70	10,514,330.71
Dividends paid	-7,431,032.01	-6,480,148.05
Reserve for invested unrestricted equity	27,267,226.59	21,993,200.21
Capitalized development costs	-28,688,908.76	-24,489,076.94
Total distributable assets	16,964,246.73	12,421,261.48

LOANS FROM FINANCIAL INSTITUTIONS

Liabilities due after five years

	31 Dec. 2022	31 Dec. 2021
Loans from financial institutions	0,00	0,00

Liabilities to Group companies

Current	31 Dec. 2022	31 Dec. 2021
Accounts payable	8,723,638.47	5,765,599.35
Other liabilities	16,054,006.52	11,151,858.53
	24,777,644.99	16,917,457.88

Accrued expenses and deferred income

	31 Dec. 2022	31 Dec. 2021
Holiday pay liabilities	591,071.75	561,008.34
Social security expenses for holiday pay	125,188.99	117,531.35
Interest liabilities	218,485.00	40,767.12
Deferred tax liabilities	616,214.31	1,546,793.19
Other accrued expenses and deferred income	345,823.61	228,339.69
	1,896,783.66	2,494,439.69

NOTE 5

Guarantees and commitments

Liabilities secured by an enterprise mortgage	31 Dec. 2022	31 Dec. 2021
Loans from financial institutions	60,000,000	40,000,000
Enterprise mortgages provided as security	60,100,000	50,100,000
Other deposits and enterprise mortgages		
Deposits	0	0
Enterprise mortgages	60,100,000	50,100,000

Instalment payment commitments	31 Dec. 2022	31 Dec. 2021
Total instalment payment liabilities	59,630.25	108,905.10
Book value of assets held as collateral	90,194.65	158,690.53

Off-balance sheet leasing liabilities	31 Dec. 2022	31 Dec. 2021
Rental liabilities	5,830,361.00	7,300,619.38

NOTE 6

Financial covenants

The credit agreement with Danske Bank A/S Finland branch is subject to ordinary financial covenants, such as net debt to EBITDA and equity ratio. The company fulfilled both the covenants of the financing agreement on 31 Dec. 2022.

NOTE 7

Notes on the remuneration of the auditor

	1 Jan. 2022 - 31 Dec. 2022	1 Jan. 2022 - 31 Dec. 2021
Audit	116,173.00	87,100.00
Assignments as referred to in section 1, subsection 1, item 2 of the Auditing Act	0.00	0.00
Certificates and statements	11,800.00	8,470.00
Tax advice	11,100.00	0.00
Other services	30,673.00	5,689.09
	169,746.00	101,259.09

NOTE 8

Notes on related party transactions

	1 Jan. 2022 - 31 Dec. 2022	1 Jan. 2021 - 31 Dec. 2021
Other operating expenses	0.00	7,650.00

The terms and conditions of related-party transactions correspond to those used in transactions with independent parties.

NOTE 9

Notes on personnel and members of governing bodies

Number of personnel	31 Dec. 2022	31 Dec. 2021
Average number of employees at the company	86	88

Salaries and bonuses of senior managers

	1 Jan. 2022 - 31 Dec. 2022	1 Jan. 2022 - 31 Dec. 2021
CEO	1,003,544.00	231,240.00
Board of Directors	192,000.00	192,000.00

The pension liabilities for the Management Team are arranged with statutory pension insurance, as well as a supplementary pension scheme for which the company's Board of Directors decides upon the contributions to be paid into the supplementary pension insurance annually. No supplementary pension contributions were paid in 2022 and 2021. The CEO's remuneration for 2022 includes EUR 787,398 in share-based benefits.

NOTE 10

Holdings in other companies

Holdings of companies in which the company owns more than one-fifth, 31 Dec. 2022

Company name	domicile	Holding, %
Talenom Taloushallinto Oy	Oulu	100 %
Talenom Talouspalvelu Oy	Kalajoki	100 %
Talenom Consulting Oy	Helsinki	100 %
Talenom Yritystilit Oy	Tampere	100 %
Talenom Talousosastopalvelut Oy	Oulu	100 %
Talenom Konsultointipalvelut Oy	Oulu	100 %
Talenom Software Oy	Oulu	100 %
Talenom Balance Oy	Oulu	100 %
Talenom Kevytyrittäjä Oy	Oulu	100 %
Talenom Finance Oy	Oulu	100 %
Talenom Balance-Team Oy	Helsinki	100 %
Talenom Redovisning Ab	Tukholma	100 %
Talenom Järfälla AB	Tukholma	100 %
Talenom Nyköping AB	Nyköping	100 %
YOUnited Professionals Sweden AB	Nyköping	100 %
MH Konsult Väst AB	Stenungsund	100 %
Kjell Wengbrand Redovisnings AB	Ulricehamn	100 %
Lindgren&Lindgren Ekonomi AB	Norrköping	100 %
Confido Redovisning AB	Växjö	100 %
Redovisningsbyrån Öckerö AB	Öckerö	100 %
Talenom Consulting AB	Tukholma	100 %
Baran Redovisning AB	Helsingborg	100 %
Alcea Redovisning AB	Åkersberga	100 %
Talenom SLU	Barcelona	100 %
Nomo Management Solution SL	Barcelona	100 %

NOTE 11

Other notes as specified in the limited liability companies act

The company's share classes:

Share class	number
Shares	44,923,197 of which the company holds 150,600

Talenom group

Oulu, 14 February 2023

Signatures to the annual report and financial statements

Harri Tahkola

Johannes Karjula

Olli Hyyppä

Elina Tourunen

Mikko Siuruainen

Sampsa Laine

Otto-Pekka Huhtala

AUDITOR'S NOTE

A report has today been issued on the audit performed.

Oulu, 14 February 2023

KPMG Oy Ab

Juho Rautio, KHT

Auditor's Report To the Annual General Meeting of Talenom Oyj

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Talenom Oyj (business identity code 2551454-2) for the year ended 31 December 2022. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Board of Directors.

BASIS FOR OPINION

auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014. The non-audit services that we have provided have been disclosed in note 11 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIALITY

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER | **HOW THE MATTER WAS ADDRESSED IN THE AUDIT**

Valuation of goodwill and acquired customer relationships (Basis of Preparation for the consolidated financial statements as well as Notes 5 and 16 to the consolidated financial statements)

The key audit matter

- Goodwill in the consolidated financial statements amounts to EUR 55.0 million, the balance of goodwill is significant in proportion to consolidated equity. No depreciation is recorded on the consolidated goodwill, but the goodwill asset is tested for impairment at one-year interval or more frequently.
- For purposes of impairment testing, goodwill has been allocated to cash-generating units, comprising 'Accounting Services – Finland', 'Sweden' and 'Spain'. The recoverable amount for cash-generating units is determined based on value in use, which is derived from projected discounted cash flows. The method employed in goodwill impairment testing involves management judgment and an element of uncertainty is present in the estimation of future cash flows.
- At the end of the financial year, the book value of the intangible assets stated in the consolidated balance sheet includes an asset in the amount of EUR 15.6 million comprised of acquired customer relationships originating from corporate acquisitions, the useful economic life of which is limited. The valuation of acquired customer relationships originating from corporate acquisitions involves an element of management judgment as regards, for example, the projected future cash flows and estimated useful economic lives.
- Considering the estimation uncertainty present both in the impairment testing of goodwill and in the valuation of acquired customer relationships originating from corporate acquisitions, as well as the significance of the stated book value of said items, they are perceived as key audit matters.

How the matter was addressed in the audit

Our audit procedures included, among others:

- We have assessed critically the foundations and management assumptions underlying the future cash flow forecast. We have assessed the essential projections applied in the impairment testing of goodwill and in the valuation of acquired customer relationships originating from corporate acquisitions, such as net sales growth rate, profitability of operations and discount rate. As regards impairment testing calculations, we have also assessed the long-term growth rate factor employed.
- We have involved KPMG's valuation specialists for the testing of technical integrity of the calculations and for the comparison of assumptions used with market- and sector-based information.
- As regards the acquired customer relationships, we have also assessed the appropriateness of economic life projections employed in the depreciation calculations.
- We have assessed the goodwill stated in the consolidated accounts and the appropriateness of notes concerning impairment testing.

Correctness and valuation of software development costs (Basis of Preparation for the consolidated and parent company financial statements as well as Note 16 to the consolidated financial statements and Notes 2 and 3 to the parent company financial statements)

The key audit matter

- The development of proprietary software tailored to meet the needs of customers is an essential part of the business model of Talenom Group. Development costs of software are capitalized in the consolidated financial statements and parent company financial statements providing that they meet the conditions of relevant financial reporting framework and economic benefit is expected from the costs.
- During the financial year, a total of EUR 12.1 million of software-related development costs have been capitalized in the consolidated balance sheet and EUR 11,9 million in the parent company balance sheet. The balance of the capitalized software development costs in the consolidated balance sheet amounted to EUR 29.4 million or 52 % in proportion to consolidated equity at the end of the financial year, while the balance of capitalized software development costs stated in the parent company's financial statement totaled EUR 28.7 million or 63 % in proportion to parent company equity.
- Capitalized software development costs are expensed on a straight-line basis over five years of useful life, and, as a result, capitalized costs have a significant effect on the company's operating profit.
- Capitalized software development cost is tested for impairment in case indications of potential impairment emerge. The estimate of future economic benefit to be collected can be subject to adjustments over short periods of time owing to e.g., technological development.
- Consequently, the correctness of capitalized software development costs and the valuation of the asset are perceived as a key audit matter.

How the matter was addressed in the audit

Our audit procedures included, among others:

- We have assessed the functionality of the process of recording capitalized software development costs and conditions for the capitalization of the software development costs during the financial year considering the requirements of the applicable laws and regulations governing the preparation of financial statements.
- We have performed sample tests and analytical audit measures aimed at verifying the correctness of capitalization transactions of software development costs in the bookkeeping records.
- We have assessed the correctness of valuation of software development cost by reviewing the projections related to the accountancy business same as realized and projected capacity for cash flow generation.
- We have assessed the appropriateness of the notes to the consolidated financial statements and parent company´s financial statements concerning software development costs.

Valuation of shareholdings in subsidiaries in the parent company financial statements (Basis of Preparation for the parent company financial statements)

- Investments in subsidiaries committed by the parent company, total EUR 46.7 million, comprise a significant balance sheet item and consequently possible impairment would influence the balance of distributable funds. The valuation of the investments is based on the subsidiaries' performance in the longer term.

- The book value of the shareholding in subsidiaries stated in the balance sheet is evaluated as part of the Group's goodwill impairment testing, where projections of cash flows have been prepared for the Group's cash-generating units based on value in use calculations. Additionally, the development in the subsidiaries' result of operations and financial position is evaluated on the basis of the realized development in the entity's result of operations and financial position.

- Resulting from elements of management judgment present in the projected cash flows and the significance of the book value of shareholdings in subsidiaries, the valuation of shareholdings in subsidiaries is perceived as a key audit matter.

Our audit procedures included, among others:

- We have assessed the essential assumptions applied in the impairment calculations, such as net sales growth rate, profitability of operations, discount rate and long-term growth rate factor. We have assessed critically the foundations and management assumptions underlying the future cash flow forecast.

- We analyzed the valuation of shareholdings in subsidiaries based on the realized development in the subsidiaries' result of operations and financial position.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE FINANCIAL STATEMENTS

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Tavoitteenamme on hankkia kohtuullinen varmuus siitä, onko tilinpäätöksessä kokonaisuutena väärinkäytöksestä tai virheestä johtuvaa olennaista virheellisyyttä, sekä antaa tilintarkastuskertomus, joka sisältää lausuntomme. Kohtuullinen varmuus on korkea varmuustaso, mutta se ei ole tae siitä, että olennainen virheellisyys aina havaitaan hyvän tilintarkastustavan mukaisesti suoritettavassa tilintarkastuksessa. Virheellisyyksiä voi aiheutua väärinkäytöksestä tai virheestä, ja niiden katsotaan olevan olennaisia, jos niiden yksin tai yhdessä voisi kohtuudella odottaa vaikuttavan taloudellisiin päätöksiin, joita käyttäjät tekevät tilinpäätöksen perusteella.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

Information on our audit engagement

We were first appointed as auditors by the Annual General Meeting on 4 July 2013, and our appointment represents a total period of uninterrupted engagement of 10 years. Talenom Oyj became a public interest entity on 15 June 2017. We have been the company´s auditors since it became a public interest entity.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Oulu, Finland, 14 February 2023

KPMG OY AB
JUHO RAUTIO
Juho Rautio, Authorised Public Accountant, KHT