ANNUAL REPORT 2021

TALENOM

yrittämisen iloa

GROWTH ACCELERATED AND PROFITABILITY REMAINED EXCELLENT AS THE INTERNATIONALISATION STRATEGY PROGRESSED.

CEO Otto-Pekka Huhtala
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TALENOM IN BRIEF

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

Talenom has a history of strong growth – the average annual increase in net sales was approximately 16.2% between 2005 and 2021. In 2021, Talenom had on average 1,012 employees in Finland, Sweden and Spain at a total of 52 locations. Talenom's share is quoted on the main list of the Nasdaq Helsinki Stock Exchange.

ESTABLISHED
1972

EMPLOYEES
1 012
(Average)

LOCATIONS
52

Net sales 2021
82,8 (65,2)
million euros
growth 27,1 (12,4%) %

Operating profit 2021
(EBIT)
14,8 (12,9)
million euros
17,8 (19,8%) % of net sales

Dividend proposal
0,17
euro/share

VALUES

COURAGE

We want to have confidence in what lies ahead and face new challenges fearlessly.

CARING

We see each other as human beings. We take good care of each other.

WILL

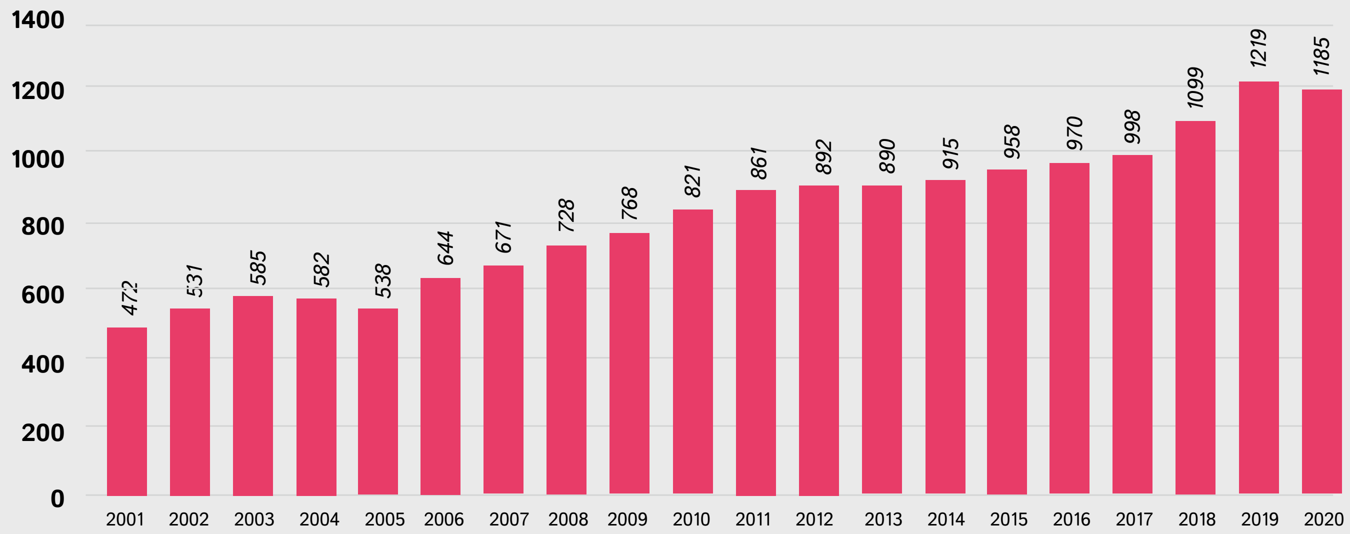
We have the will and tenacity to achieve our objectives. We do not give up.

MARKET TRENDS AND GROWTH DRIVERS

The market for accounting services is defensive, due to the statutory need of companies to arrange accounting. According to Statistics Finland, the Finnish accounting and financial reporting services market was approximately EUR 1.2 billion in 2020, and its average annual growth in net sales during the period 2001–2020 was 5.0%. The accounting firm market in Sweden is approximately EUR 2 billion and in Spain around EUR 10 billion.

- Importance of digitalisation and advisory services in the accounting sector is growing
- Outsourcing trend in the accounting sector progresses gradually
- The rise of entrepreneurship increases the demand for financial management services
- Increasing regulatory pressure creates a need for financial management and accounting services

GROWTH OF THE FINNISH ACCOUNTING AND FINANCIAL SERVICE MARKET



Size of the market (EUR million)

TALENOM'S GROWTH STRATEGY

Our vision is to provide superior accounting and banking services to SMEs. In addition to medium-sized SMEs, the target market for our growth strategy includes small customers in the SME sector. Our strategic goal is to bring our expertise to new markets in Europe and grow through acquisitions.

COMPONENTS OF OUR GROWTH STRATEGY

- Development of automation
- Competitive advantage from a superior customer experience
- Organic growth and growth through acquisitions
- Utilising growth potential in new markets in Europe
- Accelerating the profitable growth strategy with the small customer concept
- Added value for customers through one-stop banking and financial services

TALENOM AS AN INVESTMENT – WHY TO INVEST?

1. CLEARLY FASTER GROWTH THAN ON THE MARKET AND SCALABLE PROFITABILITY

The accounting and financial reporting services market is growing steadily and is very defensive. In recent years, our net sales growth has clearly exceeded market growth. Our profitability has scaled strongly in recent years. Our EBIT margin was 17.8 % in 2021.

2. TECHNOLOGICAL COMPETENCE BRINGS A CLEAR COMPETITIVE EDGE

Accounting and financial management services are being digitalised. Our strong software expertise has enabled a highly efficient and automated accounting process, which, in turn, has enabled us to focus on the development of our value-added services.

3. LASTING CUSTOMER RELATIONSHIPS AND HIGH SHARE OF CONTINUOUS BUSINESS PROVIDE PREDICTABILITY

Our customer relationships are long-lasting, and the accumulation of invoicing is highly predictable. An estimated 90% of our invoicing is recurring. At the end of 2021, our customers' net recommendation index was record high (65).

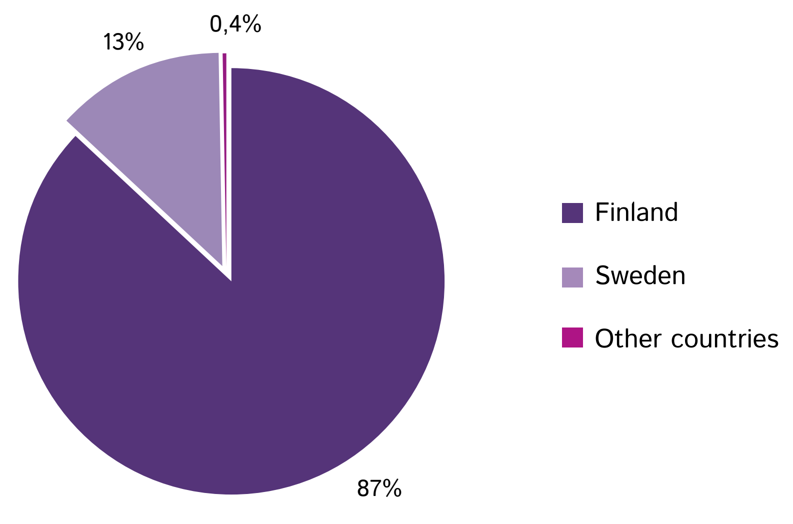
4. STRONG POSITION ON THE FINNISH CORE MARKET

We are one of the largest accounting firms and providers of financial support services in Finland. Our offices are located in 38 cities, covering all the largest cities in Finland.

5. GROWTH POTENTIAL FROM INTERNATIONALISATION AND SMALL CUSTOMER CONCEPT

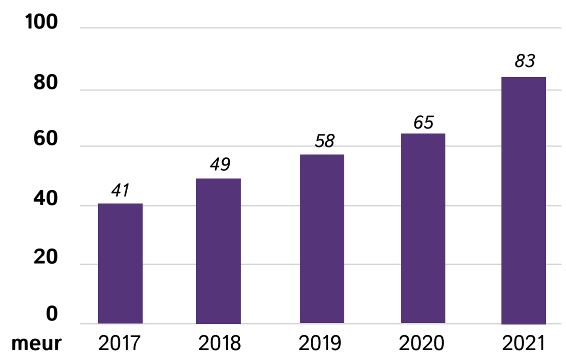
We have started our internationalisation by expanding to Sweden and Spain with acquisitions. We consider our growth prospects on the Swedish and other European markets to be good. In addition to internationalisation, we are looking for growth in new customer concepts, such as the launch of the TiliJaska service for small entrepreneurs and the Talenom Light Entrepreneur service. We believe that the ongoing changes in employment leads more people to work another job or to part-time entrepreneurship.

DISTRIBUTION OF NET SALES BY MARKET AREA 2021

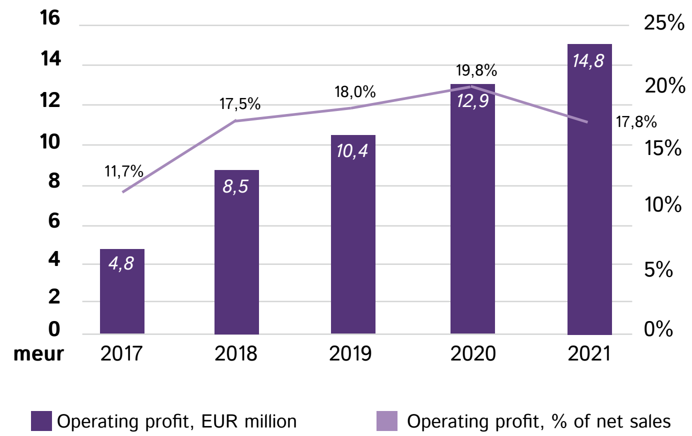


Net sales by market area 1-12/2021

DEVELOPMENT OF NET SALES



DEVELOPMENT OF OPERATING PROFIT



CEO REVIEW

2021 will be remembered for the uncertainty caused by COVID. In the end, the year was mainly positive in terms of economic growth, both in the general economy and for us at Talenom. We expanded our operations to Spain and continued implementing our internationalisation strategy. We have seen a digital transformation of the accounting services industry similar to Finland, which we have invested in for a few years, taking place in other parts of Europe as well.

The Group's net sales grew by 27.1% last year to EUR 82.8 million accelerating toward the end of the year. In addition to strong organic growth, it was based increasingly on acquisitions. The EBITDA margin was 33.4% (35.7) and the EBIT margin 17.8% (19.8). Profitability remained excellent despite weaker profitability in the acquired businesses than in other Talenom units, the integration costs of the acquisitions and the increased depreciation level.

Finnish business operations continued excellent development last year. Net sales grew by 17.1% last year to EUR 71.8 million, driven by both organic growth and acquisitions. Organic growth was driven by successful new customer acquisition and sales of value-added services. The EBITDA margin remained at an excellent 37.5% (38.1) level and the EBIT margin was 21.1% (21.8). Automation development had a positive and acquisition targets a negative short-term effect on relative profitability.

Swedish net sales increased by 177.5% to EUR 10.7 million mainly due to acquisitions. EBITDA was 7.1% (-1.6) of net sales and EBIT was -3.0% (-12.6) of net sales. During 2021, we built a Swedish country organisation, which enables accelerated growth and implementation of own software. New customer acquisition kicked-off well in the autumn, and we expect the same development to continue this year. Profitability is moving in the right direction, and we expect faster development when we can start moving customers to our platform in autumn 2022.

The strong operating cash flow has enabled significant investments in software and acquisitions, as well as continuous improvement of operations. We have updated our customer interfaces and software architecture. Our experience shows that the financial management needs of SMEs are similar, which has enabled us to focus on building a single platform for international scalability and thus faster implementation in new countries. In the small customer segment, the introduction of payment accounts and cards and the launch of digital sales are noteworthy. In the service business, we received praise from our customers for our journey from an accountant to a consultant. Customer satisfaction with our service in Finland reached record-high levels (Q4/2021 NPS 65 vs. Q4/2020 NPS 51).

Talenom reached the age of fifty at the turn of the year and the first history of the company called The Story of Talenom was completed. When reading the book, Talenom's values take centre stage: Courage, Will and Caring. We are proud and grateful for the roots of Talenom to its founders. These roots still carry us today.

We enter the new year with a positive outlook. We reorganised our Executive Board in January 2022 to better respond to the development phase of our company, where profitable growth and internationalisation play a key role. In addition to growth, the focus areas for the year are further development of services in Finland, investigating new market areas, scaling of the small customer business and implementation of systems in Sweden. We expect 2022 net sales to be around EUR 100–110 million and EBIT of some EUR 15–18 million.

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

Otto-Pekka Huhtala
CEO
Talenom Oyj

Corporate Governance Statement 2021

1. INTRODUCTION
Talenom Plc complies with the full 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 CG statement is also available on the company's website at www.sijoittajat.talenom.fi/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 shareholders at General Meetings of Shareholders. The company is managed by its Board of Directors and CEO. The Executive Board assists the CEO in the management of operations.

GENERAL MEETING OF SHAREHOLDERS
The highest decision-making power at Talenom is exercised by the company's shareholders at General Meetings, in which the shareholders 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 the 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; in this, the company follows the procedure recommended in the Corporate Governance Code.

In accordance with the Articles of Association, the Annual General Meeting takes decisions on adopting the financial statements, the use of the profit shown in the 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 Internet site no earlier than two months and no later than 21 days before the meeting, but in any case, 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 Internet site for at least five years (www.sijoittajat.talenom.fi/en).

In accordance with the Corporate Governance Code, the meetings shall be attended by the Chairman of the Board, the members of the Board and the CEO. In addition, the auditor shall attend the Annual General Meeting. At meetings where new Board members are elected, the candidates must be present.

In 2021, the Annual General Meeting was held on 3 March 2021 in Helsinki.

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 from amongst its members for a term of one year. 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 has 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 business plan and budget, and supervises aspects of performance. In addition, the Board of Directors directs and supervises the management of the company, appoints the CEO, and decides on the remuneration to be paid to the CEO and other terms and conditions of the CEO's contract. The Board of Directors also ensures that the company has set internal control and a risk management and disclosure policy, and that the company operates in the manner 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.

As set out in the Corporate Governance Code, it is the task of the Board to assess 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 the significant shareholders of the company.

The Board of Directors performs an internal self-assessment of its activities and working methods annually. Board members must have sufficient competence, knowledge of the sector and time to work on the Board. The composition of the Board must be sufficiently diverse. Members must have complementary experience and expertise. With respect to ensuring the diverse composition of the Board of Directors, the company seeks to take the age and gender balance of Board members and their educational background into consideration in addition to their experience, expertise and knowledge of the sector when preparing the composition of the Board. In the view of the company, it has ensured the diversity of the composition of the Board of Directors.

At the 2021 Annual General Meeting, Harri Tahkola (Chairman), Olli Hyyppä, Mikko Siuruainen, Sampsa Laine and Johannes Karjula were reelected to the Board of Directors. Elina Tourunen was elected as a new member. 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 13 times in 2021.

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 2021
Harri Tahkola (Chairman of the Board)	M.Sc. (Econ.), b. 1972	Entrepreneur, investor, Board professional	No	No	13/13
Olli Hyyppä (Board member)	M.Sc. (Tech.), b. 1969	Senior Vice President & Chief Information Officer, NXP Semiconductors	Yes	Yes	13/13
Mikko Siuruainen (Board member)	B.B.A., M.B.A., b. 1975	Entrepreneur, investor, Board professional	Yes	Yes	13/13
Elina Tourunen (Board member)	M.Sc. (Econ.), C.F.A., b. 1980	CIO, eQ Asset Management Ltd	Yes	Yes	12/13
Johannes Karjula (Board member)	M.Sc. (Econ.), b. 1988	CEO and founder, Trustmary Group Oy, Trustmary Finland Oy, Vice President, Sesonkia Oy	Yes	Yes	13/13
Sampsa Laine (Board member)	M.Sc. (Econ.), b. 1969	Entrepreneur and Board professional	Yes	Yes	13/13

Talenom Plc's Board of Directors 31 Dec. 2021

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 between 1994 and 2016, most recently as Talenom's CEO from 2003 to 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, and Omago Oy since 2017. In addition, he has been a member of the Boards of Alfa Finance Oy since 2014, MOCAPITAL OY since 2010 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 to be 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 from 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 the 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, B.B.A., M.B.A., B. 1975
Finnish citizen

Board member since 2016 and in 2004-2015.

Key work experience
Mikko Siuruainen has worked as the CEO of Alfa Finance Oy since 2014 and the CEO of Citinvest Oy since 2010. Mikko Siuruainen 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 (2006–2016). He also worked at Fortum Plc as a Financial Planner from 1999 to 2000.

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

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

ELINA TOURUNEN, M.SC. (ECON.), C.F.A., S. 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. From 2015 to 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 was a Board member at Tornator Oyj from 2012 to 2015 and at Futurice Ltd from 2012 to 2014. She has also served several Boards as a silent observer, including Hydroline Oy and Staffpoint Oy.

Independence
Elina Tourunen 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 the CEO of Trustmary Group Oy, which he founded, since 2016, CEO of Trustmary Finland Oy since 2019, and Senior Vice President at Sesonkia Oy since 2015. In addition, Johannes Karjula was the CEO of LeadFlow Oy from 2014 to 2016 and a private entrepreneur from 2010 to 2015.

Key positions of trust
Johannes Karjula has served as the Chairman of the Board of Directors of Eeroplan Oy since 2016 and of the Board of Satokausikalenteri 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, Markkinointitoimisto WDS Oy since 2017 (in which he is also a partner), CX International Oy since 2017 and Trustmary Finland Oy since 2017. He previously served as a member of the Board of LeadFlow Oy from 2014 to 2016.

Independence
Johannes Karjula 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 served as the Chairman of the Board of Directors of Growroad Oy, which he founded, since 2013. He 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 as 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 member of the Board of Privanet Group Oyj since 2020.

Independence
Sampsa Laine 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 the law and that its financial affairs have been arranged 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. and has worked at Talenom in a variety of positions since 2002. Prior to his appointment as CEO, he served the company for a long time as a member of the Executive Board and the head of accounting services, with responsibility for accounting service production and the development of the bookkeeping production line. He graduated from the University of Vaasa with a masters degree in economics, majoring in production economics.

OTHER MANAGEMENT
The Executive Board assists the CEO with matters such as preparing the strategy, operating principles and company-wide issues. The Executive Board is chaired by Talenom's CEO.

In 2021, 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, CFO and CHRO, M.Sc. (Econ.), KLT, b. 1979, employed by the company since 2003 and on the Executive Board since 2017
- Tuomas Iivanainen, Director, International Business, b. 1970, emloyed by the company since 2016 and on the Executive Board since 2019
- Juho Ahosola, Director, Accounting Services, B.B.A., M.Sc.A. (financial law), b. 1988, employed by the company since 2013 and on the Executive Board since 2019
- Juha Jutila, Director, Business Development, M.Sc. (Econ.), B.Sc. (Tech.), b. 1970, employed by the company since 2015 and on the Executive Board since 2019.

All members of the Executive Board are Finnish citizens.

DIRECT AND INDIRECT SHAREHOLDINGS OF BOARD MEMBERS, 31 DEC. 2021

Name	Number of shares held, 31 Dec. 2021	Proportion of total share capital, 31 Dec. 2021
Harri Tahkola (Chairman of the Board)	8,205,863	18.74%
Olli Hyyppä (Board member)	60,000	0.14%
Mikko Siuruainen (Board member)	624,716	1.43%
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 may establish committees if necessary due to the scope of Talenom's operations or to enable the Board to discharge its duties effectively. The Board did not establish any committees in 2021.

DIRECT AND INDIRECT HOLDINGS OF THE CEO AND EXECUTIVE BOARD, 31 DEC. 2021

Name	Number of shares held, 31 Dec. 2021	Number of shares earnable under the option and share-based incentive scheme (maximum)	Proportion of total share capital, 31 Dec. 2021	Shares earnable under the option and share-based incentive scheme as a proportion of the total share capital
Otto-Pekka Huhtala	387,160	289,000	0.88%	0.66%
Antti Aho	129,960	209,000	0.30%	0.48%
Juho Ahosola	16,614	179,000	0.04%	0.41%
Tuomas Iivanainen	72,296	143,000	0.17%	0.33%
Juha Jutila	41,700	143,000	0.10%	0.33%

3. INTERNAL CONTROL, INTERNAL AUDIT AND RISK MANAGEMENT

RISK MANAGEMENT

Risk management is part of Talenom's internal control. 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 team. The management is responsible for defining, implementing and monitoring the implementation of measures as part of normal operational guidance.

Risk management is coordinated by the 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. The company presents the key risks identified in the context of the financial statements.

INTERNAL CONTROL AND AUDIT

Internal control, together with risk management, sees to it that the company operates efficiently, publishes up-to-date and reliable information and complies with the regulations in force. Internal control is intended 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 enhance 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 control of the company's financial position and financial management. The Executive Board and Board of Directors monitor Talenom's financial position on a monthly basis. This 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 comparatively 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.

Financial control is intended to detect any deviations in time. In addition, internal control of financial reporting aims to ensure that Talenom's operations are effective and that decision-making is based on correct and reliable information, with adequate identification of business risks. Internal control also ensures that financial reporting complies with generally accepted accounting principles and the laws and regulations that are in force. It is the responsibility of the Board of Directors to ensure that the internal control of accounting and financial management has been 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 Administration Director and Controller. Therefore, the CFO, the Administration Director and the Controller 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. In both cases, the Board of Directors is responsible and assesses the need for them annually. In connection with annual audit planning, the Board of Directors defines the key areas that it would be appropriate for the audit to focus on.

4. OTHER INFORMATION

INSIDERS

In insider matters, Talenom complies with the 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 financial 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 notify arises when the total amount of transactions reaches the 5,000 euro threshold during a calendar year. Each individual is always responsible for complying with their obligation to notify, even if they have assigned the financial instruments to the custody of 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 discharging managerial responsibilities at Talenom (members of the Board of Directors, the CEO or their deputies and members of the Executive Board) and 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 should also comply with this trading restriction. In addition, the company recommends that its managers should make long-term investments in the company's securities and other financial instruments.

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 taken appropriately into account in the company's decision-making. Disqualification regulations and the appropriate decision-making parties must be taken into consideration 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 activities, that is, any agreements or other legal actions with related parties that are not part of the company's ordinary business or which are not carried out under customary commercial terms. The principles of the related-party guidelines are complied with throughout the Group and in decision-making concerning all Group companies. Talenom's related parties include its subsidiaries, the key personnel of the 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 the key terms and conditions. The information to be recorded on the list is collected from related-party individuals annually. The company reports on related-party activities regularly in its annual financial statements. The company discloses information as required by law in the report of the Board of Directors 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

Talenom's communications seek to ensure that all market parties have equal and timely access to relevant and sufficient information to determine the prices of Talenom's financial instruments, such as its shares. The company seeks to create a continuous flow of information that is consistent, reliable, sufficient, and up-to-date in order to ensure that capital market actors have as transparent and clear a view as possible when assessing the company's financial position and the prices of its financial instruments. The company publishes information to the capital markets and other key stakeholders at the same time.

In its communications, Talenom adheres to the principle of providing equal access to information pursuant to the Securities Markets Act and Limited Liability Companies Act as well as the rules of Nasdaq Helsinki Ltd. Talenom's communications are based on facts: they provide a truthful picture of the company's operations, business environment, strategy, objectives and financial performance. The general principles of communications are transparency, openness, honesty, equality and proactiveness. Talenom communicates about both positive and negative issues consistently and at the same time to all stakeholders.
Talenom publishes its stock exchange releases through Nasdaq Helsinki to key media in Finnish and English. All releases are published at the same time on the company's Internet site as well. In addition to its releases, Talenom's investor website – www.sijoittajat.talenom.fi/en – is its most important channel for communicating up-to-date information on its operations and finances to all stakeholders.

AUDIT

According to the Articles of Association, the General Meeting shall elect one regular auditor, which shall be an auditing firm approved by the Central Chamber of Commerce. The auditor's term of office ends at the conclusion of the Annual General Meeting following the election. The 2021 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 shareholders of the company with an auditor's report in connection with the company's annual financial statements, as required by law. 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 149,343 euros in audit fees, 8,470 euros for certificates and statements and 10,987 euros for other services in 2021.

Remuneration report 2021

1. INTRODUCTION

As of 1 January 2020, Talenom Plc complies with the full 2020 Finnish Corporate Governance Code 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 remuneration report is also available on the company's website at www.sijoittajat.talenom.fi/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 principles apply to the entire personnel. The transparency and market orientation of remuneration and remuneration based on good performance are key principles in remuneration. 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 the company's current strategy and for compliance with the set rules, as well as to motivate them to strive for the success of the Talenom Group. Well-functioning and competitive remuneration is an essential tool for engaging competent directors and executives for the company. This, in turn, contributes to the financial success of the company and the implementation of good corporate governance. In addition to supporting the company's long-term profitability and results, remuneration supports the implementation of the objectives set by the company and the company's strategy.

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

- Basic salary and employee benefits are in compliance with the local market practices, laws and regulations
- A short-term incentive scheme intended to guide the performance of an individual and the organisation as well as to support rapid 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

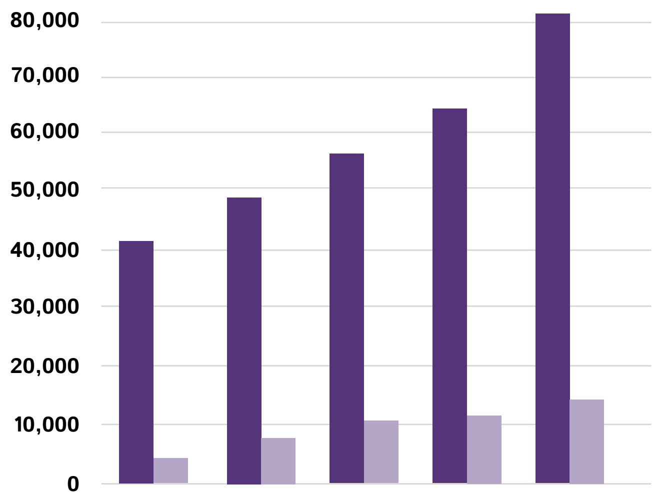
The following table and diagrams present the trend in the remuneration of the Board of Directors and CEO compared to the trend in the average remuneration of Group employees and the financial development of the Group during the past five financial periods. In accordance with Talenom's remuneration policy,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

REMUNERATION TREND

Thousand euro	2017	2018	2019	2020	2021
Annual remuneration of the Board of Directors	122.7	133.7	131.9	182.0	192.0
Annual remuneration of the CEO	146.0	212.4	409.1	712.3	231.2
Average salary trend EUR thousand per person *)	36.8	37.2	37.8	37.9	39.5

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

FINANCIAL DEVELOPMENT OF THE COMPANY



Thousand euro	2017	2018	2019	2020	2021
Consolidated net sales	41,421	48,871	57,955	65,161	82,808
Consolidated operating profit	4,840	8,545	10,409	12,881	14,763

2. REMUNERATION OF THE BOARD OF DIRECTORS

Decisions concerning the remuneration of the Board of Directors are made in general meetings for a single term of office at a time based on a proposal of 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 2021, the Annual General Meeting of 2021 approved a monthly fee of 6,000 euros for the Chairman of the Board of Directors and 2,000 euros for the members of the Board of Directors. In addition, it was decided that the Board members shall be reimbursed for their travel expenses according to the
company's travel rules.

REMUNERATION PAID TO BOARD MEMBERS 1 JANUARY–31 DECEMBER 2021

	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
Anne Riekki (Board member) *	4,000		EUR 4,000
Johannes Karjula (Board member)	24,000		EUR 24,000
Sampsa Laine (Board member)	24,000		EUR 24,000
Elina Tourunen (Board member) **	20,000		EUR 20,000
Total	192,000		EUR 192,000

*) Board member from 1 January to 2 March 2021
**) Board member since 3 March 2021

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

3. REMUNERATION OF THE CEO

Decisions concerning the remuneration of the company's CEO and the terms applicable to the service contract of the CEO are made by the company's Board of Directors within the limits of the valid remuneration policy presented to the general meeting.

The company's CEO is Otto-Pekka Huhtala. As set out in the CEO's contract, the CEO will serve in the position indefinitely, and his notice period is two months. Normal occupational pension contributions are paid on the salary of the CEO in accordance with occupational pension legislation. 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 2021, the annual salary including fringe benefits was 204,240 euros, of which fringe benefits accounted for 240 euros.

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 for the Executive Board's performance bonus take into account 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 the 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 2021. The CEO needed to reach minimum values in both. The criteria each had a weighting of 50%. No short-term performance bonus will be paid for 2021.

Long-term incentive schemes
The purpose of the long-term performance bonus is to incentivise 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, the 2021 restricted share plan, and the 2019 and 2021 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 (euros)	Share subscription time
2019	120,000	1	3.10	1 March 2022 to 28 February 2023
2021	90,000	1	13.44	1 March 2026 to 28 February 2027

With respect to the 2020–2024 long-term shared-based incentive scheme, the Board of Directors decides upon the performance metrics and the related targets and weightings 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 under the share-based incentive scheme until the value of his shareholding in the company is equal to his gross annual salary. These 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. The applicable taxes will be deducted from these sums before the shares are transferred to the CEO.

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 (weighting)	Consolidated net sales (3/6) Internationalisation (1/6) Growth (1/6) as well as Share of net sales accounted for by value-added services	Consolidated net sales (50 %) Operating profit (30 %) and Implementation of strategic projects (20%)
Year of share transfer	2023	2024

The CEO was allocated 3,200 shares under the 2021 restricted share plan. The bonuses to be paid for the period from 2021 to 2023 will be paid partly in the company's shares and partly in cash after the end of a 12–36-month vesting period. No bonus was paid for 2021.

Remuneration of the CEO during the financial period

	Fixed annual salary (including fringe benefits)	Variable short-term incentive bonus *)	Total remuneration
Bonuses paid (thousand euros)	204.2	27	231.2
Percentage of total remuneration	88%	12%	

*) Earned for performance in the 2020 financial period and paid in 2021.

Statement of non-financial information

Talenom offers small and medium-sized enterprises a wide range of accounting and software services as well as other expert and advisory services for its clients. Talenom was founded in 1972, and it operates in 52 locations in Finland, Sweden, and Sweden. In 2021, Talenom had an average of 1,012 employees.

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

BUSINESS MODEL

Talenom combines personal service with automated financial management processes with a view to helping customers succeed and making their day-to-day lives run smoother.

Talenom continuously develops its automated production line with the help of its own software. It also makes extensive use of software robotics in its solutions. Strong software expertise has enabled a very efficient and highly automated accounting process. Talenom is in a strong position as its sector undergoes a transformation that is changing the role of traditional accountants and increasing the importance of consulting and value-added services. Automating the routine accounting services has freed up human resources for advisory services that demand greater expertise, thereby boosting customer satisfaction and retention.

Talenom has thousands of customers, distributed relatively evenly across the various business sectors. As such, the company's fate does not hang on the success of any individual customer or industry. An extensive, diverse, and loyal customer base provides business continuity and transparency, and these are among the company's strengths.

Accounting services are offered with ongoing customer agreements. The company's customer relationships are long-lasting, and the accrual of billable services is highly predictable. An estimated 90 per cent of the company's invoicing is recurring in nature. Services are sold as a service package that is with monthly invoicing. The price depends on the scope of services selected by the customer. The customer is provided with system packages tailored to its own industry and Talenom's sectoral expertise. Our own strong sales organisation and new digital sale channels combine with competitive products and services to lead to steady growth in net sales and customer satisfaction.

ESSENTIAL ASPECTS OF CORPORATE RESPONSIBILITY AND KEY POLICIES

Talenom considers its main corporate responsibility perspectives to be related to information security, preventing corruption and money laundering, the expertise of employees, correct operating methods, and measures taken to eliminate paper from offices.

As part of its corporate responsibility work, Talenom will carry out a materiality analysis in 2022 and continue to improve its reporting of non-financial information on this basis.

The annual report of the Board of Directors describes the risks related to Talenom's business principles and the means of managing such risks under the heading "Estimate of the most significant risks and uncertainties".

EU TAXONOMY

The background to Talenom's taxonomy reporting is the EU's goal of becoming climate neutral by 2050 and the endeavour to steer funds towards environmentally sustainable investments.

In the first reporting year, the classification system includes the business sectors with the greatest potential to achieve the EU climate goals by mitigating climate change and adapting to it.

Talenom conducted an EU taxonomy review based on the existing data. Based on the review, it was found that in 2021, the share of Talenom's net sales, capital expenditure, and operating costs in accordance with the taxonomy is 0%. Therefore, 100% of Talenom's net sales, capital expenditure, and operating costs are non-taxonomic with respect to the first two environmental targets.

The qualitative criteria and metrics that supplement the taxonomy reporting are presented under the heading "Environmental issues" herein.

ENVIRONMENTAL ISSUES

Talenom's electronic financial management routines have a direct impact on the development of paperless operations at SMEs. The paperlessness of Talenom's thousands of customer companies has a cumulative impact with nationwide significance. Paperlessness not only improves operational efficiency and productivity; it also has a positive environmental impact. A study by Finance Finland (Assessment of the Climate Impacts of the Automation of Financial Management 2015) found that the automation of data processing in financial management can be expected to yield savings of 80–90 per cent in the climate impacts of an enterprise's financial management almost without exception, regardless of its size.

Talenom seeks to be a genuinely responsible player in environmental issues, too. For this reason, the company has worked to earn the internationally recognised Green Office certificate. Talenom succeeded in this effort – and is now the only accounting firm with Green Office certification.

Talenom's accounting services seek to be fully paperless in the case of both the customer's financial management and outsourcing services. In 2021, as much as 84.8 (82.6) per cent of the receipts recorded by Talenom were processed without using paper, from the creation of the receipt all the way to posting.

Talenom measures the degree of digitisation of its operations on the basis of paperless processing in bookkeeping. The average degree of digitalisation was 97.1 (96.4) per cent in the last financial period. However, this figure includes, for example, materials submitted to the central scanning service for digitalisation, which Talenom receives in

paper form. Talenom aims to further enhance its degree of digitalisation by developing its operations.

Talenom is a large company, as defined in the Energy Efficiency Act. For this reason, it carries out a regular energy audit of its operations as required by law. At a general level, Talenom tracks the energy efficiency of properties by monitoring the consumption of electricity – and in part heat and water – at its offices. Talenom reports on its annual electricity consumption to WWF.

Talenom measures the efficiency of property use by the number of square metres per employee, and this figure is reported in the Green Office annual schedule. In 2021, Talenom had 15.37 (18.64) square metres of office space per employee. Talenom measures and reports on business travel management in the annual schedule as the ratio of travel expenses to net sales. Due to the company's choices and the coronavirus pandemic, travel expenses accounted for 0.25 (0.24) per cent of net sales in 2021. Talenom takes the principles of sustainable travel into account in business trips. Employees primarily rely on teleconferencing whenever possible and appropriate. When a business trip is essential, employees favour public transport and avoid flying, as set out in the travel guidelines. For commuting between work and home, Talenom recommends walking, cycling or public transport. Teleworking is encouraged.

Environmental issues are also taken into consideration in Talenom's procurements. When it comes to office equipment, the company favours energy-labelled products, such as those with Energy Star or TCO certification. In the case of office supplies, the company requires either Nordic Ecolabel, FSC or FSC Recycled labelling, depending on the product. Recycling and sorting are taken into consideration in product lifecycles. When we acquire services, we verify that the service provider is environmentally responsible.

Talenom has not identified any significant risks related to environmental issues in its business operations.

SOCIAL AND PERSONNEL ISSUES

Talenom seeks to act as a responsible employer in every respect. A good personnel experience is one of the key objectives that guides operations. For the fourth consecutive time, the Great Place to Work institute listed Talenom as one of Finland's best places to work, and Talenom was also among Europe's best places to work for the first time. Talenom began working with the Siqnificant Company and used their Siqni survey to further enhance its employee understanding. The Siqni survey helps the management to gain more information about the things that employees find meaningful and new perspectives for more individualised management.

Talenom makes major investments in personnel development. The Talenom Academy offers a wide range of training courses ranging from working skills to professional competence development. Supervisory work is another strong focus 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 the company's monitors compliance with the guidelines through the means at its disposal. Talenom has a reporting policy that obligates personnel to take action when they observe harassment, inappropriate behaviour or abuse.

During the reporting period, Talenom had an average of 1012 employees at 52 offices. A total of 24 people worked as independent franchisees at 20 franchise locations. Fifty-eight per cent of employees were based at Talenom's service centres in Oulu and Tampere. The relative share of all employment relationships accounted for by part-time and temporary employees was 9.8 (7.7) per cent.

Talenom's main social and HR-related risk is the risk of the company losing its key personnel or failing to recruit, train, and retain professionally skilled employees. In the case of financial management experts and salespeople, the realisation of this risk may lead to loss of customers or otherwise prevent the company from operating, developing and growing its operations successfully. According to the report for the financial administration sector (8/2019), it has become more difficult in recent years to recruit real professionals, and salary competition is also evident in the sector.

RESPECTING HUMAN RIGHTS

Talenom respects human rights – and requires its partners to do so as well. With respect to key human rights issues in its operations, Talenom also demands responsible operations and respect for human rights in its subcontracting chains. Such risks may involve working conditions in subcontracting chains, such as the terms of employment of property maintenance staff.

PREVENTING CORRUPTION, MONEY LAUNDERING AND BRIBERY

As Talenom is a provider of financial management services, themes related to preventing corruption, money laundering and bribery are important to the company. Companies commission Talenom to handle their accounting – and thus, under the Act on Detecting and Preventing Money Laundering and Terrorist Financing, it is obligated to notify the Financial Intelligence Unit of any suspicions of money laundering or terrorist financing. Talenom has drafted policies against bribery and corruption. In addition, the company's HR Guidelines 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 provided guidelines and training for its employees to ensure they act appropriately in this respect. Talenom has drafted a risk assessment of its operations as required by the Act on Detecting and Preventing Money Laundering and Terrorist Financing. Guidelines have been issued for the process of reporting suspicions of money laundering. If a review of the situation does not dispel these suspicions, Talenom reports the matter to the Financial Intelligence Unit as required under the Act on Detecting and Preventing Money Laundering and Terrorist Financing.

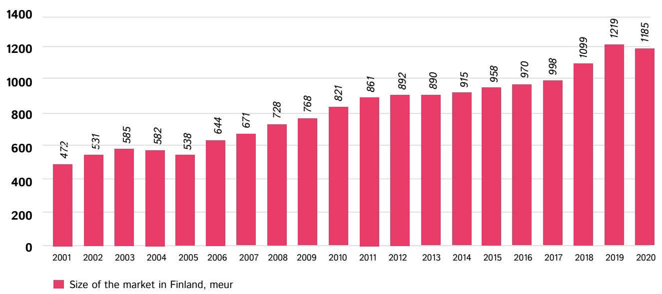
Due to the nature of the services it provides, Talenom collects, stores, processes and distributes a large volume of sensitive information, such as confidential corporate and personal data on customers, employees and suppliers. Most of the information is maintained and transferred electronically in the company's IT systems. Preventing abuse of such data is a key aspect of Talenom's risk management.

Report of the board of directors

MARKET REVIEW

The Finnish accounting and financial reporting services market was approximately EUR 1,185 (1,219) million in 2020, and Talenom's market share measured by net sales was 5.2 (4.8) %. According to Statistics Finland, net sales in the accounting and financial reporting market decreased by 2.7% in 2020 compared to the previous year. According to our estimates, the exceptional development is primarily due to the COVID pandemic.

The accounting service market is defensive, and the market has grown in Finland almost every year since 2001, despite the financial crisis and the intermittent shrinking of Finland's Gross Domestic Product. According to Statistics Finland's structural business and financial statement statistics and the preceding annual Business Register statistics, average annual net sales growth in the accounting service market amounted to 5.0% in 2001–2020.



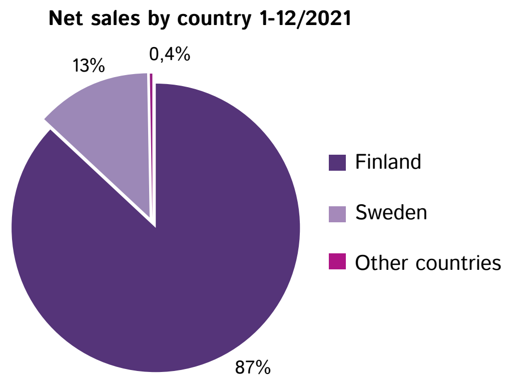
The accounting service market in Finland is fragmented. Statistics Finland's structural business and financial statement statistics indicate that in 2020 the number of companies in the sector was 4,110 (2019: 4,103) and the average company size was 3.1 (2.9) employees. The accounting service market has a lot of one-person offices and part-time entrepreneurs. Market fragmentation offers the opportunity for growth and creates economies of scale. Economies of scale are significant, for example, in information systems, sales and marketing, and in organising operations.

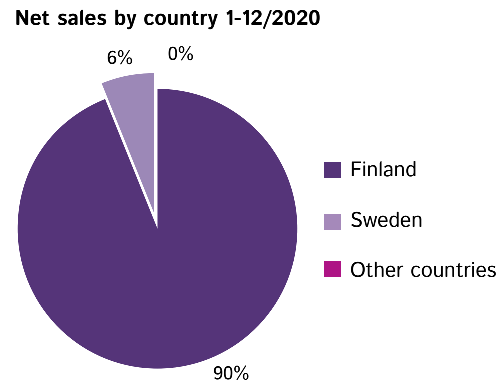
The size of the Swedish accounting services market (2019: around EUR 2 billion) is roughly double that of Finland. Market information for 2020 was not available at the time of publication of the Financial Statements Bulletin. In general, Sweden lags Finland in the development of the accounting industry, e.g., in terms of digitalisation, but the level is very good in a European comparison. The size of the Spanish accounting service market is around EUR 10 billion. Like the rest of Southern Europe, the digitalisation in Spain is lagging far behind the Nordic countries.

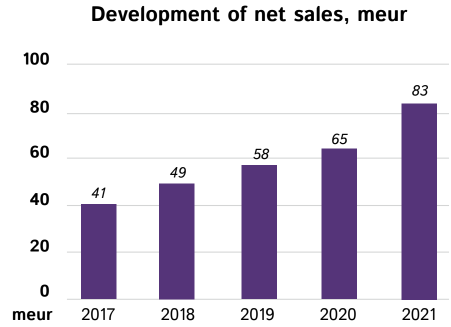
KEY FIGURES

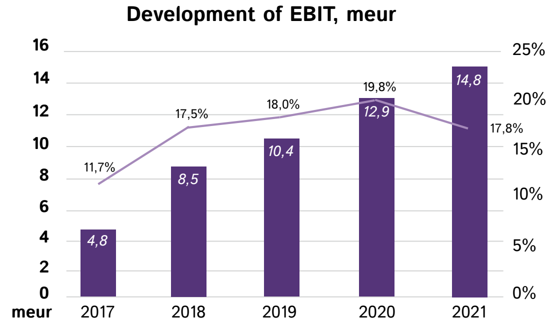
Group	1–12/2021	1–12/2020	Change, %
Net sales, EUR, 1,000	82,808	65,161	27.1%
Net sales, increase %	27.1%	12.4%	
EBITDA, EUR 1,000	27,662	23,279	18.8%
EBITDA of net sales, %	33.4%	35.7%	
Operating profit (EBIT), EUR 1,000	14,763	12,881	14.6%
Operating profit (EBIT), as % of net sales	17.8%	19.8%	
Return on investment (ROI), % (rolling 12 months)	17.7%	19.6%	
Cash flow from operations, EUR 1,000	25,582	23,436	9.2%
Interest-bearing net liabilities, EUR 1,000	39,240	29,328	33.8%
Net gearing ratio, %	88.0%	91.0%	
Equity ratio, %	38.1%	38.1%	
Net investments, EUR 1,000	37,957	20,295	87.0%
Liquid assets, EUR 1,000	10,121	9,104	11.2%
Earnings per share, EUR	0.25	0.22	10.5%
Weighted average number of shares during the period	43,462,583	42,654,214	1.9%
Net profit, EUR 1,000	10,794	9,579	12.7%

GROUP FINANCIAL DEVELOPMENT JANUARY-DECEMBER 2021









Net sales increased by 27.1% to EUR 82.8 million (65.2). 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. The pandemic had no significant impact on operations.

Personnel costs amounted to EUR 44.6 million (33.9) representing 53.9% (52.1) of net sales. Other operating expenses, including materials and services, totalled EUR 11.3 million (8.1) or 13.6% (12.4) of net sales.

Operating profit increased by 14.6% and amounted to EUR 14.8 million (12.9) or 17.8% (19.8) of net sales. Net profit grew by 12.7% to EUR 10.8 million (9.6). Relative profitability was depressed by lower profitability of the acquired businesses compared to other units, integration costs of acquisitions, increased personnel cost level, and higher depreciation.

COUNTRY-SPECIFIC FINANCIAL DEVELOPMENT

FINLAND	1–12/2021	1–12/2020	Change, %
Net sales, EUR 1,000	71 779	61 315	17,1 %
Net sales growth, %	17,1 %	8,7 %	
EBITDA, EUR 1000	26 919	23 340	15,3 %
EBITDA of net sales, %	37,5 %	38,1 %	
Depreciation and amortisations, EUR 1,000	-11 794	-9 975	18,2 %
Operating profit, EUR 1,000	15 125	13 365	13,2 %
Operating profit of net sales, %	21,1 %	21,8 %	

Net sales increased by 17.1% to EUR 71.8 million (61.3). One-half of the growth was organic and one-half came from acquisitions. Organic growth was driven by increased customer numbers and sales of value-added services.

Relative profitability remained at an excellent level. Automation development had a positive and acquisitions a negative effect on relative profitability.

SWEDEN	1–12/2021	1–12/2020	Change, %
Net sales, EUR 1,000	10 673	3 845	177,5 %
Net sales growth, %	177,5 %	147,0 %	
EBITDA, EUR 1,000	763	-61	1353,3 %
EBITDA of net sales, %	7,1 %	-1,6 %	
Depreciation and amortisations, EUR 1,000	-1 085	-423	156,5 %
Operating profit, EUR 1,000	-323	-484	33,3 %
Operating profit of net sales, %	-3,0 %	-12,6 %	

Net sales increased by 177.5% to EUR 10.7 million (3.8). Net sales growth came mainly from acquisitions.

Operating loss decreased from the comparison period and was -3.0% (-12.6) of net sales. Profitability has been depressed by our investments in sales, building support functions and developing management structures. However, because of the growth, the relative share of these in net sales has decreased, which explains the positive profitability development from the comparison period.

OTHER COUNTRIES	1–12/2021	1–12/2020	Change, %
Net sales, EUR 1,000	356		
Net sales growth, %			
EBITDA, EUR 1,000	-20		
EBITDA of net sales, %	-5,7 %		
Depreciation and amortisations, EUR 1,000	-20		
Operating profit, EUR 1,000	-40		
Operating profit of net sales, %	-11,3 %		

Talenom expanded to the Spanish accounting business market through an acquisition in July 2021 and started operating there on 1 August 2021. After the deal, we have analysed Spanish accounting processes in more detail. We launched market research on how to utilise our most scalable product on the Spanish market and started developing a digital sales channel. We are also investigating possible acquisition targets to strengthen our accounting firm operations.

COMPARISON OF COUNTRY-SPECIFIC KEY FIGURES

Finland	Q1/2021	Q2/2021	Q3/2021	Q4/2021	Q1/2020	Q2/2020	Q3/2020	Q4/2020
Net sales, EUR 1,000	18 002	18 387	16 759	18 631	16 675	15 578	13 830	15 232
Net sales growth, %	8,0 %	18,0 %	21,2 %	22,3 %	12,8 %	8,9 %	6,5 %	6,3 %
EBITDA, EUR 1,000	7 093	6 733	6 380	6 714	6 158	6 081	5 744	5 358
EBITDA of net sales, %	39,4 %	36,6 %	38,1 %	36,0 %	36,9 %	39,0 %	41,5 %	35,2 %
Depreciation and amortisations, EUR 1,000	-2 582	-2 797	-2 927	-3 488	-2 464	-2 505	-2 538	-2 468
Operating profit, EUR 1,000	4 511	3 936	3 453	3 226	3 694	3 575	3 206	2 890
Operating profit of net sales, %	25,1 %	21,4 %	20,6 %	17,3 %	22,2 %	23,0 %	23,2 %	19,0 %

Sweden	Q1/2021	Q2/2021	Q3/2021	Q4/2021	Q1/2020	Q2/2020	Q3/2020	Q4/2020
Net sales, EUR 1,000	2 305	2 993	2 455	2 919	675	925	1015	1 231
Net sales growth, %	241,7 %	223,6 %	141,8 %	137,2 %		102,8 %	96,3 %	111,0 %
EBITDA, EUR 1,000	103	469	303	-112	88	105	56	-310
EBITDA of net sales, %	4,5 %	15,7 %	12,3 %	-3,9 %	13,0 %	11,4 %	5,5 %	-25,2 %
Depreciation and amortisations, EUR 1,000	-201	-266	-300	-318	-63	-87	-118	-155
Operating profit, EUR 1,000	-98	203	3	-430	24	18	-62	-464
Operating profit of net sales, %	-4,3 %	6,8 %	0,1 %	-14,7 %	3,6 %	2,0 %	-6,1 %	-37,7 %

Other countries	Q1/2021	Q2/2021	Q3/2021	Q4/2021	Q1/2020	Q2/2020	Q3/2020	Q4/2020
Net sales, EUR 1,000			150	206				
Net sales growth, %								
EBITDA, EUR 1,000			-27	7				
EBITDA of net sales, %			-18,1 %	3,2 %				
Depreciation and amortisations, EUR 1,000			-8	-12				
Operating profit, EUR 1,000			-35	-5				
Operating profit of net sales, %			-23,3 %	-2,6 %				

BALANCE SHEET, FINANCING AND INVESTMENTS

On 31 December 2021, the consolidated balance sheet total was EUR 117.7 (84.9) million. The Group's equity ratio was 38.1% (38.1%) and net gearing was 88.0% (91.0%). The Group's interest-bearing non-current financial loans at the end of the review period were EUR 40.2 (30.0) million, excluding instalment debts. Other non-current interest-bearing liabilities (instalment debts) were EUR 0.2 (0.2) million and other current interest-bearing liabilities (instalment debts) were EUR 0.1 (0.2) million.

In accordance with IFRS 16, non-current lease liabilities stood at EUR 6.0 (5.9) million and current lease liabilities at EUR 2.9 (2.3) million on 31 December 2021.

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".

Investments stemming from new customer contracts amounted to EUR 3.8 (4.2) million in the review period. Investments concerning software and digital services amounted to EUR 11.6 (10.1) million. Our technology investments focused on developing customer interfaces, architecture renewal and developing automation further. The biggest change was the update of customer interfaces in Talenom Online, launching account and payment cards for small customers, and renewal of system architecture. We also increased the automation of the accounting and payroll system through investments. The fact that we started piloting our own systems in Sweden was also noteworthy. At the same time, we are creating a model for implementing systems in new countries.

During the review period, Talenom acquired seven business entities as share transactions and nine as business acquisitions in Finland, Sweden and Spain. The purchase prices of the share transactions carried out during the review period totalled EUR 18.0 million, including recognition of contingent consideration, and the purchase prices of business acquisitions amounted to EUR 2.2 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 20.2 million (5.1) of net investments. Read more about acquisitions under "Acquisitions in the review period".

The total net investments on 1 January–31 December 2021 were EUR 38.0 (20.3) million.

Investments	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020	Change
New customer agreements, EUR 1,000	3 850	4 239	-389
Software and digital services, EUR 1,000	11 620	10 131	1 488
Acquisitions in Finland, EUR 1,000	8 492	2 084	6 408
Acquisitions abroad, EUR 1,000	12 690	3 003	9 687
Other investments	1 305	838	467
Total net investments, EUR 1,000	**37 957**	**20 295**	**17 662**

Talenom's liquid assets on 31 December 2021 were EUR 10.1 (9.1) million. In addition, the company had unused overdraft limits of EUR 0.0 (3.0) million on 31 December 2021.

ACQUISITOINS DURING THE REVIEW PERIOD

Business acquisitions in January-December:

- Balance Systems Oy, Kemi, Finland (date of acquisition: 1 February 2021)
- Laskentalinja Oy and Lapinlahden yrityspalvelut Oy, Kuopio, Finland (1 February 2021)
- Tilipalvelu Pirkko Kemppainen Oy, Ivalo, Finland (1 March 2021)
- Frivolous Oy, Espoo, Finland (1 April 2021)
- Tilitoimisto Reijo Mäki Oy, Hämeenlinna, Finland (1 April 2021)
- Lapin Tulostieto Oy, Tornio, Ylitornio and Kolari, Finland (1 June 2021)
- Kuortaneen Kirjanpito Oy, Kuortane, Finland (1 August 2021)
- Suomenselän Tilitoimisto Oy, Ähtäri, Finland (1 October 2021)
- Peräseinäjoen Tilipalvelu Oy, Peräseinäjoki, Finland (1 November 2021)

Share transactions in January-December:

- Ekonomianalys KL AB, Järfalla, Sweden (4 January 2021)
- Persson & Thorin AB, Växjö, Sweden (4 January 2021)
- Crescendo Redovisning AB, Nacka, Sweden (1 April 2021)
- Progredo AB, Östersund ja Åre, Sweden (1 April 2021)
- Balance-Team Oy, Helsinki, Finland (15 April 2021)
- Avail Services SL, Barcelona, Spain (1 August 2021)
- YOUnited Professionals Nyköping AB, Sweden (1 September 2021)

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	13 605	1 765
Maximum contingent consideration	5 615	560
Net sales, previous 12 months at time of purchase, total	10 548	3 586
Operating profit, previous 12 months at time of purchase, total	1 951	584

In acquisitions, part of the purchase price was paid with new Talenom Plc shares subscribed for in directed issues. A total of 560,722 shares were subscribed for in directed share issues related to acquisitions during the review period

Further information on acquisitions during the review period can be found on page 36 in the Financial Statements.

ACQUISITIONS AFTER THE REVIEW PERIOD

Business acquisitions:

- Saarijärven Tilipalvelu Oy, Saarijärvi, Finland (1 January 2022)
- Tilitoimisto Kuopion Tili-Consults Oy, Kuopio, Finland (1 February 2022)
- Accodome Oy, Tuusula, Finland (1 February 2022)

Share transactions:

- Kjell Wengbrand Redovisnings AB, Ulricehamn ja Borås, Sweden (11 January 2022)
- MH Konsult Väst AB, Stenungsund ja Kungälv, Sweden (11 January 2022)

Further information on acquisitions after the review period can be found on page 36 in the Financial Statements.

EUR 1,000	Share transactions	Business acquisitions
Total purchase prices	2 178	235
Maximum contingent consideration	932	46
Net sales, previous 12 months at time of purchase, total	3 000	962
Operating profit, previous 12 months at time of purchase, total	159	43

Further information on acquisitions after the review period can be found on page 36 in the Financial Statements.

PERSONNEL AND MANAGEMENT

Talenom had 1,047 (912) employees at the end of 2021. The average number of personnel during the review period 1 January–31 December 2021 was 1,012 (868). During the review period, the members of the company's Executive Board were Otto-Pekka Huhtala (CEO), Antti Aho (CFO and CHRO), Tuomas Iivanainen (Director, International Business), Juho Ahosola (Director, Accounting Services) and Juha Jutila (Director, Business Development).

ANNUAL GENERAL MEETING 2021

Talenom's Annual General Meeting was held on 3 March 2021 in Helsinki. The AGM decided to issue a dividend of EUR 0.15 per share for the financial period 1 January–31 December 2020. The dividend was paid to shareholders on 12 March 2021.

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 deviating from the pro rata holdings of shareholders in public trading arranged by Nasdaq Helsinki Ltd for the market price at time of purchase.

The Annual General Meeting authorised the Board of Directors to resolve on the issuance of shares and the issuance of special rights entitling to shares as referred to in Chapter 10 Section 1 of the Finnish Limited Liability Companies Act in one or several tranches, either against payment or without payment. The aggregate amount of shares to be issued, including the shares to be received based on special rights, must not exceed 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% 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-based incentive schemes or to issue share options or for other purposes decided by the Board of Directors.

BOARD OF DIRECTORS AND AUDITOR

The Annual General Meeting elected Harri Tahkola, Mikko Siuruainen, Olli Hyyppä, Johannes Karjula and Sampsa Laine for a new term as the members of the Board of Directors and Elina Tourunen as a new member of the Board of Directors. In its organising 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.

The Board of Directors 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.

BOARD AUTHORISATIONS

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 deviating from the pro rata holdings of shareholders in public trading arranged by Nasdaq Helsinki Ltd for the market price at time of purchase. The authorisation remains valid until the closing of the next Annual General Meeting, but no longer than until 30 June 2022.

The Annual General Meeting 2021 authorised the Board of Directors to resolve on the issuance of shares and the issuance of special rights entitling to shares as referred to in Chapter 10 Section 1 of the Finnish Limited Liability Companies Act in one or several tranches, either against payment or without payment. The aggregate amount of shares to be issued, including the shares to be received based on special rights, must not exceed 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% 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-based incentive 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 2022. The authorisation revokes all previous unused authorisations to resolve on the issuance of shares, option rights and other special rights entitling to shares.

STOCK OPTION SCHEMES AND SHARE-BASED INCENTIVE SCHEMES

The Group has two valid stock option schemes on the closing date. The Board of Directors decided based on authorization granted by the AGM on 26 February 2019, on the 2019 stock option scheme and with the authorization granted by the AGM on 3 March 2021, on the 2021 stock option scheme. The two 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 and for stock options 2021 it is 1 March 2026 to 28 February 2027.

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 2021 as follows:

Option categories (pcs)	2019	2021
Options given	1 200 000	600 000
Options exercised	0	0
Talenom Plc's holding or undistributed	276 000	90 000
Options given but not exercised	924 000	510 000

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	2 021
The current subscription price of options	3,10	13,44
Total number of unexercised options	924 000	510 000
Exercised or Talenom Plc's holding or undistributed	276 000	90 000
Number of shares on 31 December 2021	43 790 252	43 790 252
Number of shares if all options are converted into new shares	44 714 252	44 300 252
Proportion of holdings and votes if all options are converted into new shares	2,066 %	1,151 %

The total number of shares will rise from 43,790,252 to 45,224,252, provided that all options under option types 2019 and 2021 are used in full to subscribe for new shares. The total voting and holding rights from both option types is 3.171%, 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 sijoittajat.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	- consolidated net sales
	- internationalization	- operating profit and
	- growth as well as	- implementation of strategic projects
	- share of net sales from value-added services	
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.

SHARES AND SHAREHOLDERS

Per-share key figures

	2021	2020	2019
Earnings per share, euro	0,25	0,22	0,18
Equity per share, euro	1,03	0,75	0,57
Dividend per share, euro	0,17	0,15	0,13
Dividend per share as % of result	68,5 %	66,8 %	68,2 %
Effective dividend yield, %	1,5 %	1,0 %	1,7 %
P/E ratio	47,16	67,01	40,95
Market value of the shares	512 345 948	650 382 439	313 770 240
Value of the shares traded, euro	163 766 030	129 342 779	51 051 258
Number of shares, weighted average	43 462 583	42 654 214	41 574 954
Number of shares, period end	43 790 252	43 214 780	41 836 032
Highest share price, euro	17,04	15,2	7,85
Lowest share price, euro	10,60	4,93	3,15
Average price, euro	12,88	7,84	5,28
Closing price, euro	**11,70**	**15,05**	**7,50**
Shares traded, pcs	**12 715 979**	**16 506 856**	**9 671 718**
Value of the shares traded, euro	**163 766 030**	**129 342 779**	**51 051 258**

Largest shareholders 31 Dec. 2021

Name	Shares, no	Shares, %
Tahkola Harri	8 120 015	18,54
Tahkola Markus	4 815 824	11,00
Evli Finnish Small Cap Fund	1 645 000	3,76
Ilmarinen Mutual Pension Insurance Company	1 635 517	3,73
Danske Invest Finnish Equity Fund	1 348 296	3,08
Conficap Oy	925 000	2,11
SEB Finland Small Cap	782 486	1,79
Föreningen Konstsamfundet r.f.	780 000	1,78
Siuruainen Mikko	624 716	1,43
Aktia Nordic Micro Cap	515 515	1,18
Ten largest, total	**21 192 369**	**48,40**
Nominee registered	**13 287 364**	**30,34**
Other shareholders	**9 310 519**	**21,26**
Total	**43 790 252**	**100,00**

Shareholdings of Board members, CEO and Executive Board, 31 Dec. 2021

	shares, no	shares, %
Board of Directors	8 819 543	20,14
CEO	387 160	0,88
Other Executive Board	260 570	0,60
Total	**9 467 273**	**21,62**

Shareholders by sector, 31, Dec. 2021

Sector	Shares	% of Shares	% of Votes	Num. of known owners
Private Individuals	19 779 139	45,10	45,10	7 555
Fund company	14 687 118	33,51	33,51	42
Pension & Insurance	4 841 691	11,04	11,04	13
Other	1 826 412	4,17	4,17	332
Foundation	789 537	1,80	1,80	3
Treasury Shares	150 600	0,34	0,34	1
State	2 682	0,01	0,01	1
Investment & PE	0	0	0	0
Anonymous	1 713 073	4,03	4,03	-
Total	**43 790 252**	**100,00**	**100,00**	**7 947**

Owner distribution by holding, 31, Dec. 2021

Distrbution	Num. Of shares	% of Shares	% of Votes	Num. of known owners
1 - 100	158 047	0,36	0,36	3 641
101 - 500	631 068	1,44	1,44	2 500
501 - 1 000	566 097	1,29	1,29	787
1 001 - 5 000	1 623 898	3,71	3,71	773
5 001 - 10 000	674 530	1,54	1,54	95
10 001 - 50 000	1 778 806	4,06	4,06	86
50 001 - 100 000	1 800 425	4,11	4,11	27
100 001 - 500 000	5 785 610	13,20	13,20	23
500 001 - 1 000 000	4 306 434	9,82	9,82	6
1 000 001 -	24 752 264	56,44	56,44	9
Anonymous	1 713 073	4,03	4,03	-
Total	**43 790 252**	**100,00**	**100,00**	**7 947**

On 31 December 2021, Talenom Plc had a total of 43,790,252 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 2021. On 31 December 2021, Talenom had a total of 7,947 (6,636) shareholders. The number of shareholders is based on information collected by Modular Finance from various sources, such as Euroclear Finland Oy.

A total of 12,715,979 shares were traded in January-December, and the value of the shares traded was EUR 163,766,030. The highest price of the share was EUR 17.04, and the lowest price was EUR 10.6. The volume weighted average price was EUR 12.88 and the closing price at the end of the review period was EUR 11.7. In accordance with the closing price, the combined market value of the shares was approximately EUR 512.3 million.

FLAGGING NOTIFICATIONS

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

According to a notification received on 10 February 2021, the number of Talenom Plc shares owned by Harri Tahkola decreased below the 20% limit of all Talenom Plc shares due to share transactions.

According to a notification received on 6 May 2021, the number of Talenom Plc shares owned by Danske Bank A/S decreased below the 5% limit of all Talenom Plc shares due to share transactions.

According to a notification received on 17 June 2021, the number of Talenom Plc shares owned by Danske Bank A/S rose above the 5% limit of all Talenom Plc shares due to share transactions.

According to a notification received on 3 September 2021, the number of Talenom Plc shares owned by Danske Bank A/S decreased below the 5% limit of all Talenom Plc shares due to share transactions.

According to a notification received on 25 November 2021, the number of Talenom Plc shares owned by SEB Investment Management AB rose above the 5% limit of all Talenom Plc shares due to share transactions.

According to a notification received on 17 December 2021, 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.

SIGNIFICANT EVENTS DURING THE REVIEW PERIOD

The 14,750 new shares subscribed for with the stock options 2016C were registered in the Trade Register on 8 March 2021. The total subscription price, EUR 11,652.50, was recorded in full in the company's invested unrestricted equity fund.

During the review period, Talenom updated its financial outlook for 2021 twice:

- On 18 March 2021, Talenom revised its financial outlook and raised its guidance for 2021 regarding net sales. The new guidance for 2021 was: Net sales for 2021 are expected to amount to EUR 78–82 million and operating profit is expected to be EUR 14–16 million.

- On 15 April 2021, Talenom revised its financial outlook and raised its guidance for 2021 regarding net sales. The new guidance for 2021 was: Net sales for 2021 are expected to amount to EUR 80–84 million and operating profit is expected to be EUR 14–16 million.

On 1 April 2021, Talenom announced that after successful testing, its account and payment traffic services had gone into production and were successfully deployed for the first customers. The company announced also that it was starting the deployment of account and payment traffic services for customers in the TiliJaska service for small customers.

Talenom announced on 20 May 2021 that its Board of Directors had resolved on the performance criteria and targets for the 2021–2023 performance period of the Performance Share Plan it established in February 2020 and the maximum number of shares to be issued. The Board of Directors also resolved on the issuance of option rights to key employees in deviation from the pre-emptive subscription right. For more information, see "Stock option schemes" and "Performance Share Plan".

In June, Talenom agreed with Danske Bank A/S, Finland branch on a EUR 40 million collateralised loan and a EUR 10 million credit facility for potential acquisitions and projects in support of growth. Thanks to this arrangement, Talenom's annual financing costs will decline by a total of around EUR 0.18 million. The loan period is three years, and it can be extended twice by a period of one year each with separate consent from the bank. With this new loan, Talenom repaid its collateralised loan and credit facility from Danske Bank, which totalled EUR 37 million.

On 30 November 2021, Talenom announced that it has decided to issue 72,301 new shares in a directed share issue for the sellers of acquisition targets (Kjell Wengbrand Redovisnings AB and MH Konsult Väst AB). The subscription date for the shares is 11 January 2022. The number of new shares to be issued corresponds with approximately 0.17% of all Talenom Plc's shares prior to the share issue. After the registration of the new shares the total number of shares in Talenom Plc is 43,862,553. The new shares will carry shareholder rights as of their registration day, estimated on 13 January 2022. The issued shares will later be admitted to trading on the official list of Nasdaq Helsinki Ltd.

On 16 December 2021, Talenom announced that it expects 2022 net sales to be EUR 100–110 million and operating profit (EBIT) to be EUR 15–18 million. The guidance includes the estimates for the Swedish accounting firms Kjell Wengbrand Redovisnings AB and MH Konsult Väst AB, acquired at the end of November 2021. The acquisitions will be completed at the beginning of 2022. The net sales transferred to Talenom from the acquired companies is some EUR 3.3 million annually.

EVENTS AFTER THE REVIEW PERIOD

On 10 January 2022, Talenom announced that it reorganises its Executive Board. With the reorganisation, Talenom aims to better respond to the opportunities offered by internationalisation, digitalisation and the use of real-time financial data. Composition and responsibilities of the Executive Board from 10 January 2022:

- Otto-Pekka Huhtala, CEO
- Antti Aho, Executive Vice President
- Matti Eilonen, CFO
- Juho Ahosola, COO and CHRO
- Tuomas Iivanainen, CMO
- Juha Jutila, CBDO

FINANCIAL REPORTING AND ANNUAL GENERAL MEETING IN 2022

Talenom will publish its financial reports for 2022 as follows:

- Financial Statements Release and Annual Review for 2021 on Tuesday, 8 February 2022
- Business Review for January–March on Tuesday, 26 April 2022
- Half-year Report for January–June on Tuesday, 2 August 2022
- Business Review for January–September on Tuesday, 25 October 2022

Talenom Plc's Annual General Meeting is planned to be held in Helsinki on Thursday, March 3, 2022.

BOARD OF DIRECTORS' PROPOSAL FOR THE TREATMENT OF PROFIT

The Board of Directors proposes that the parent company's profit for the period of EUR 10,514,330.71 to be transferred to the Profit/Loss Account for the previous financial years. The Board of Directors proposes that a dividend of EUR 0.17 per share be paid.

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

RISKS, UNCERTAINTIES AND RISK MANAGEMENT

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

The key identified risks are as follows:

- The economic and political development of society may adversely affect the company's profitability.
- The competitive situation may intensify as competitors bring new services to the market or engage in price competition.
- The IT systems and communications connections of the company or those provided by its partners may be subject to security breaches, or to failures, faults or disturbances during maintenance and updates that affect the company's business, profitability and financial position.
- The COVID pandemic causes uncertainty in Talenom's financial forecasts. Uncertainties will increase if the exceptional circumstances persist for a long time and lead to bankruptcies among Talenom's customer companies, weaker new sales and reduced volume invoicing, or increasing employee sick leave.

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 2022 UNCHANGED (PUBLISHED 16 DECEMBER 2021)

Talenom expects the accounting services market to grow in all of the company's operating countries in 2022 and demand to remain stable. In addition, consolidation in the industry is expected to continue due to, for instance, digital disruption. 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.

Talenom expects 2022 net sales to be EUR 100–110 million and operating profit (EBIT) to be EUR 15–18 million.

The guidance includes the estimates for the Swedish accounting firms Kjell Wengbrand Redovisnings AB and MH Konsult Väst AB, acquired at the end of November 2021. The acquisitions were completed at the beginning of 2022. The net sales transferred to Talenom from the acquired companies is some EUR 3.3 million annually.

In addition to organic growth and the above-mentioned acquisitions, the guidance includes an estimation of possible acquisitions during 2022, which are subject to significant uncertainty. As in the ongoing year, majority of the total net sales growth in 2022 is expected to come from acquisitions in Finland and Europe. 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 implemented at the target. In Sweden, implementation of new software is planned to start in autumn 2022. Talenom's investments in automation, customer-friendly user interfaces and the small customer segment in recent years will increase the depreciation level relative to net sales, but operational profitability measured by EBITDA will improve.

GROUP KEY FIGURES FROM THE PREVIOUS THREE FINANCIAL YEARS

Group	2021	2020	2019
Net sales, EUR 1,000	82 808	65 161	57 955
Net sales, increase %	27,1 %	12,4 %	18,6 %
EBITDA, EUR 1,000	27 662	23 279	18 907
EBITDA of net sales, %	33,4 %	35,7 %	32,6 %
Operating profit (EBIT), EUR 1,000	14 763	12 881	10 409
Operating profit (EBIT), as % of net sales	17,8 %	19,8 %	18,0 %
Return on investment (ROI), % (rolling 12 months)	17,7 %	19,6 %	20,2 %
Cash flow from operations, EUR 1,000	25 582	23 436	18 337
Interest-bearing net liabilities, EUR 1,000	39 240	29 328	29 204
Net gearing ratio, %	88,0 %	91,0 %	124,0 %
Equity ratio, %	38,1 %	38,1 %	33,2 %
Net investments, EUR 1,000	37 957	20 295	15 439
Liquid assets, EUR 1,000	10 121	9 104	7 786
Earnings per share, EUR	0,25	0,22	0,18
Weighted average number of shares during the period	43 462 583	42 654 214	41 574 952
Net profit, EUR 1,000	10794	9 579	7 615

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, i.e. performance measures not based on IFRS, provide notable supplemental information to management, investors and other interested parties. Alternative performance measures may not be considered as a substitute for measures of performance in accordance with IFRS. Alternative performance measures used by the company include operating profit (EBIT), operating profit (EBIT) as % of net sales, EBITDA, EBITDA as % of net sales, cash flow from operations, return on investment (ROI) %, interest-bearing net liabilities, net gearing ratio %, equity ratio % and net investments. The formulas can be found under the title "Formulas".

FORMULAS

Net sales, increase %

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

Operating profit

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

Operating profit (EBIT), %

$$= \frac{\text{operating profit (EBIT)}}{\text{net sales}} \times 100$$

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

Net 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-interestbearing current liabilities

Net investments

= investments in tangible and intangible assets - sales of assets

Earnings per share

$$= \frac{\text{net profit of the review period}}{\text{Weighted average number of shares outstanding during the review x 100 period}} \times 100$$

The average annual increase in net sales

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

EBITDA

= operating profit + depreciation + impairment

EBITDA, %

$$= \frac{\text{EBITDA}}{\text{net sales}}$$

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

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

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

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

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

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

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

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

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 2021

Consolidated comprehensive income statement

Thousand euro	Note	2021	2020
Net sales	6	**82,808**	**65,161**
Other operating income	7	729	121
Materials and services	8	-3,052	-2,466
Employee benefit expenses	9, 21	-44,618	-33,947
Depreciation and impairment	10	-12,899	-10,398
Other operating expenses	11	-8,204	-5,589
Operating profit		**14,763**	**12,881**
Financial income	12	109	82
Financial expenses	12	-880	-939
Net financial expenses		**-771**	**-857**
Profit (loss) before taxes		**13,991**	**12,024**
Income taxes	13	-3,198	-2,445
PROFIT FOR THE FINANCIAL PERIOD		**10,794**	**9,579**
Other items of comprehensive income		0	0
Total comprehensive income for the financial period		**10,794**	**9,579**
Earnings per share calculated on the profit attributable to owners of the parent company			
Undiluted earnings per share (euro)	14	0.25	0.22
Diluted earnings per share (euro)	14	0.25	0.22

Consolidated balance sheet

Thousand euro	Note	31 Dec. 2021	31 Dec. 2020
ASSETS			
Non-current assets			
Goodwill	16	37,284	23,956
Other intangible assets	16	36,323	22,921
Right-of-use assets	15	8,626	7,965
Property, plant and equipment	15	2,784	2,479
Other non-current financial assets	17	852	337
Deferred tax assets	13	90	64
Capitalised contract costs	6	11,805	11,033
Total non-current assets		**97,765**	**68,754**
Current assets			
Trade and other receivables	18	9,832	7,055
Tax assets based on the taxable income for the financial period		1	10
Cash and cash equivalents	19	10,121	9,104
Total current assets		**19,954**	**16,168**
Total assets		**117,718**	**84,923**
CAPITAL AND RESERVES			
Share capital	20	80	80
Reserve for invested unrestricted equity	20	21,587	14,818
Retained earnings	20, 21	23,051	17,271
Total equity		**44,718**	**32,169**
LIABILITIES			
Non-current liabilities			
Financial liabilities	23	40,203	30,000
Trade and other payables	25	2,211	556
Lease liabilities	24	5,985	5,859
Deferred tax liabilities	13	2,030	732
Total non-current liabilities		**50,429**	**37,147**
Current liabilities			
Trade and other payables	25	17,911	12,134
Lease liabilities	24	2,850	2,280
Tax liabilities based on the taxable income for the financial period	25	1,810	1,193
Total current liabilities		**22,571**	**15,607**
Total liabilities		**73,000**	**52,754**
Total equity and liabilities		**117,718**	**84,923**

Consolidated cash flow statement

Thousand euro	Note	2021	2020
Cash flow from operating activities			
Profit before taxes		13,991	12,024
Adjustments:			
Depreciation and impairment	10	12,899	10,398
Financial income	12	-108	-82
Financial expenses	12	879	939
Other adjustments		938	636
Changes in working capital:			
Change in trade and other receivables	18	-1,121	182
Change in trade payables and other liabilities	25	933	1,169
Interest income		108	82
Paid taxes		-2,938	-1,912
Net cash flow from operating activities		**25,582**	**23,436**
Cash flow from investing activities			
Revenue from the sale of property, plant and equipment	15	204	252
Acquisition of property, plant and equipment	15	-952	-792
Capitalisation of contract costs	6	-3,850	-4,239
Acquisition of intangible assets	16	-11,699	-10,332
Acquired businesses	5	-7,570	-2,352
Investments		-515	-100
Net cash flow from investing activities		**-24,382**	**-17,563**
Cash flow from financing			
Proceeds from share issue		12	1,878
Paid interest		-973	-943
Dividends paid		-6,480	-5,211
Change in instalment payment liabilities	23	29	-148
Repayment of lease liabilities	24	-2,705	-2,129
Loan withdrawals	23	40,000	30,000
Loan repayments	23	-30,050	-28,000
Net cash flow from financing		**-168**	**-4,554**
Change in cash and cash equivalents		**1,032**	**1,320**
Cash and cash equivalents, 1 Jan.		9,104	7,786
Net effect of exchange rate fluctuations on cash and cash equivalents		-15	-2
Cash and cash equivalents, 31 Dec.	**19**	**10,121**	**9,104**

Consolidated statement of changes in equity

		Equity attributable to owners of the parent company				
Thousand euro	**Note**	**Share capital**	**Reser-ve for invested un-restricted equity**	**Fair value reserve**	**Retained earnings**	**Total**
Total equity, 1 Jan. 2021	20	**80**	**14,818**	**0**	**17,271**	**32,169**
Comprehensive income						
Profit for the financial period					10,794	10,794
Total comprehensive income for the financial period		**0**	**0**	**0**	**10,794**	**10,794**
Transactions with owners						
Dividend distribution and repayment of capital					-6,480	-6,480
Average exchange rate difference and translation differences					3	3
Share issue			6,768			6,768
Share-based payments	21				1,500	1,500
Transactions with owners, total		**0**	**6,768**	**0**	**-4,978**	**1,790**
Other adjustments		0	0		**-35**	**-35**
Total equity, 31 Dec. 2021		**80**	**21,587**	**0**	**23,051**	**44,718**

		Equity attributable to owners of the parent company				
Thousand euro	**Note**	**Share capital**	**Reser-ve for invested un-restricted equity**	**Fair value reserve**	**Retained earnings**	**Total**
Total equity 1 January 2020	20	**80**	**11,234**	**-45**	**12,304**	**23,573**
Comprehensive income						
Profit for the financial period					9,579	9,579
Total comprehensive income for the financial period		**0**	**0**	**0**	**9,579**	**9,579**
Transactions with owners						
Dividend distribution and repayment of capital					-5,211	-5,211
Average exchange rate difference and translation differences					-2	-2
Share issue			3,585			3,585
Share-based payments	21				643	643
Transactions with owners, total		**0**	**3,585**	**0**	**-4,570**	**-986**
Other adjustments				**45**	**-42**	**3**
Total equity, 31 Dec. 2020	**20**	**80**	**14,818**	**0**	**17,271**	**32,169**

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.

When these financial statements were released, the company had a total of 52 offices in Finland, Sweden, and Spain. The company had 1,012 employees on average during the financial period.

The Group's parent company, Talenom Plc (Business ID 2551454-2), is a Finnish public listed company that operates under Finnish legislation. The parent company is domiciled in Oulu, and its registered address is Yrttipellontie 2, 90230 Oulu. Copies of the financial statements are available from sijoittajat.talenom.fi/en and the head office of the Group's parent company.

The company's Board of Directors approved the consolidated financial statements for publication at its meeting on 7 February 2022.

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 the requirements of Finnish accounting and corporate legislation, complementing the IFRS regulations. The consolidated financial statements for the 2021 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 the entire share capital of Talenom Audit Oy. The subsidiary Frivision AB owns 100 per cent of two subsidiaries, the subsidiary Talenom Redovisning AB owns 100 per cent of two subsidiaries, the subsidiary AVAIL Services SL owns 100 per cent of two subsidiaries, and the subsidiary YOUunited Professionals Nyköping AB owns 100 per cent of one subsidiary. The parent company Talenom Plc owns 100 per cent of the other subsidiaries. The Group has 100 per cent control of all its subsidiaries. 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 the other Group companies. Financial statement information is presented in thousands of euros. For this reason, the sum total of individual figures may differ from the sum total presented. The consolidated financial statements have been prepared on the basis of 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 best assessments on the reporting date, which may differ from the actual results. The Group's management has exercised judgement in the capitalisation of the costs of contracts. 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.

The Group monitors the realisation of estimates and assumptions, as well as changes in the underlying factors, on a regular basis. Any changes to these 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 following financial period concern the impairment testing of development projects in progress and goodwill, in which the key assumptions require the use of estimates. When Talenom acquires new businesses, the management exercises discretion in its valuations of the acquired customer relationships, as well as the amount to be recognised in contingent considerations. Estimates are also involved in the treatment of software projects in progress and the recognition of deferred tax assets on losses.

The coronavirus pandemic poses uncertainties to Talenom's financial forecasts. If the operating restrictions related to the coronavirus pandemic continue, it could lead to bankruptcies among customer companies, weaker figures for new sales, and lower invoicing volumes. In addition, absences due to illness could cause problems with service provision. The Group aims to safeguard the provision of its services by favouring remote work.

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 as of the moment that the Group gains control over them, and divested subsidiaries are included until the moment when control is relinquished. All intra-Group transactions, receivables, liabilities and unrealised gains and 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. Furthermore, 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 wholly owned; 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. 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 allocated first to reduce the goodwill allocated to the unit and then to the 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. Impairment losses recognised for goodwill are 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

The figures for the result and financial position of Group units are valued in the principal currency of the operating environment of the unit in question ("functional currency"). The consolidated financial statements are presented in euros, which is the functional and presentation currency of the Group's parent company.

INTANGIBLE ASSETS

An intangible asset is only recognised in the balance sheet if its acquisition cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group. Intangible assets are entered in the balance sheet at acquisition cost, which comprises the expenditure 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. With respect to intangible assets, the Group applies the following estimated useful lives:

Software	5 years
Customised software	5 years
Customer relationships	10 years

Development expenditure is capitalised in the balance sheet only if it meets the requirements for the capitalisation of development expenditure in IAS 38. Customised software includes development expenditure capitalised by the Group related to financial management tools for customers to handle their daily financial management routines and for developing the quality and efficiency of the company's own service provision. Development expenses that do not meet the capitalisation criteria and all research expenses are recognised through profit or loss in the period they were incurred. Expenditure previously recognised as an expense is not capitalised subsequently. 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 are 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 expenditure. The capitalised development expenditure applies to the company's own software, and the company holds the 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 lives and tested for impairment if there is any indication of potential impairment.

The estimated useful lives are:

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 enterprise resource planning 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 on the basis of individual contracts, and they are related to the fulfilment of future contractual obligations arising from the contract. They are also expected to generate a 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 enterprise resource planning system. The hours logged into the enterprise resource planning system are contract- and customer-specific and can be directly allocated to a 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 deferred, and costs are recognised on the basis of the provision of services at an even rate over the expected duration of the control. During the duration of the contract, the expected date of contract renewal is taken into consideration in addition to the actual duration of the contract. Based on prior experience, the management estimates that the average length of a customer relationship with the 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. In other words, it is allocated to the lowest level for which there are 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. Impairment losses are recognised through profit or loss. Impairment losses allocated to cash-generating units are allocated first by reducing the goodwill allocated to the cash-generating 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 ASSETS

Financial assets are classified into the following categories: financial assets designated 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 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 purchases and sales 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, taking into consideration 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 on a group-by-group basis. The amount to be recognised in the future is also estimated on a group-by-group basis 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. 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 Annual General Meeting.

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 expensed 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 on the basis of subscription rights and options exercised. The subscription rights and options assumed to have been exercised are not taken into account 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 the Group applies IFRS 16, it 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 unwinding the lease or returning to the original premises. 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 on the basis of residual value guarantees, the price of exercising the option to buy if it is reasonably certain that the tenant will exercise this option, and the fees at the end of the lease if it is reasonably certain that the lease will end. The lease fees are discounted at the internal rate of interest in the lease agreement. In general, this rate cannot be determined directly. In such cases, the Group uses the interest rate for additional credit. In other words, it uses the interest rate that the tenant would need to pay on the inception date of the lease to take out a loan to purchase an equivalent asset. The Group applies the 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 expenditure evenly over the lease period.

In the case of fixed-term leases, the lease period is determined on the basis of 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 enterprise resource planning 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 from customer to 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. 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 agreement. Contracts do not include significant variable consideration.

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 either an hourly charge 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 provider of financing services, Talenom acts as an agent, so the commission is recognised in net sales. In its other partnership agreements, Talenom usually acts as the principal, so the sale is recognised on the no netting principle.

OPERATING PROFIT

The 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 expenses.

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 tax rate applying to the taxable income or the tax rate approved in practice by the balance sheet date. Tax is 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 in practice 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 by subsidiaries where the Group is able to determine the date when the temporary difference will be unwound and the temporary difference is unlikely to be unwound 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 due to the initial recognition of an asset or liability if the case 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 in the event that the Group has a legally enforceable right to offset tax assets and tax liabilities based on the taxable income for the period from each other and the deferred tax assets and liability 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 tax 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

As the Group grows and expands internationally, the management reporting model has been updated, leading to changes in the operating segments. The new operating segments are formed according to geographical regions, while the Group previously had a single operating segment to report (accounting services). Segment reporting is based on the operating models of Group companies. Countries in the early phase of development are reported as a single entity. This grouping makes it possible to describe the financial performance of countries in different phases to a greater degree of detail.

As the most senior operational decision-maker, the CEO assesses the development of the segments monthly. Each segment's performance is assessed based on its operating margin and operating profit.

UNALLOCATED ITEMS

The Group's assets and liabilities are not allocated to the business segments because the most senior operating decision-maker does not allocate resources based on segment assets or liabilities and does not review the segment assets or liabilities. Assets and liabilities are reviewed at Group level.

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

INFORMATION ON THE WHOLE ENTITY

The Group does not have any customers whose net sales would have amounted to at least 10 per cent of consolidated net sales in the 2020 and 2021 financial periods.

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

OPERATING SEGMENTS 2021

Thousand euro	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**

OPERATING SEGMENTS 2020

Thousand euro	Finland	Sweden	Other countries	Group total
Net sales	**61,315**	**3,845**	**0**	**65,161**
Other income	82	39	0	121
Operating expenses	-38,039	-3,964	0	-42,003
EBITDA	**23,358**	**-80**	**0**	**23,279**
Depreciation	-8,119	-423	0	-8,542
Impairment	-1,856	0	0	-1,856
Operating profit	**13,383**	**-503**	**0**	**12,881**

NOTE 5

Group structure and acquisitions

The consolidated financial statements include the following companies:

Subsidiary name:	Domicile
Talenom Plc	Oulu
Talenom Taloushallinto Oy	Oulu
Talenom Talouspalvelu Oy	Kalajoki
Talenom Consulting Oy	Helsinki
Talenom Yritystilit Oy	Tampere
Talenom Audit Oy	Tampere
Talenom Talousosastopalvelut Oy	Oulu
Talenom Konsultointipalvelut Oy	Oulu
Talenom Software Oy	Oulu
Talenom Balance Oy	Oulu
Talenom Kevytyrittäjä Oy	Oulu
Talenom Finance Oy	Oulu
Balance-Team Oy	Helsinki
Talenom Redovisning Ab	Stockholm
Talenom Redovisning Malmö Ab	Göteborg
Talenom Redovisning Göteborg Ab	Göteborg
Talenom Redovisning Haninge Ab	Haninge
Frivision Ab	Göteborg
Frivision Göteborg AB	Göteborg
Frivision Stockholm AB	Göteborg
Talenom Järfälla AB	Stockholm
Talenom Växjö AB	Växjö
Talenom Nacka AB	Nacka
Talenom Åre Östersund AB	Östersund
YOUnited Professionals Nyköping AB	Nyköping
YOUnited Professionals Sweden AB	Nyköping
Avail Services SL	Barcelona
Avalanding Across Borders Spain SL	Barcelona
Awalaw Mergers SL	Barcelona

BUSINESS ACQUISITIONS IN 2021

During the financial period, the Group acquired several businesses in Finland and Sweden and one in Spain. The acquired businesses have strengthened and established the Group's position in new market areas or customer segments. In the future, Talenom's strong position will underpin organic growth in different customer sectors and market areas. The business acquisitions have a short-term negative impact on relative profitability due to depreciation and integration expenses. The company is seeking profitability growth and synergies by introducing its own software. Using Talenom's own software increases efficiency and reduces the costs of other software used by the acquired businesses. The profitability of acquired businesses will increase to the level of Talenom's core business within an estimated three years of the systems deployed by the businesses. The deployment of new software in the businesses in Sweden is planned to begin in autumn 2022.

The transactions are itemised in the table below.

Thousand euro	Date of acquisition	Transaction type	Means 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 and 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 Jun. 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 contingent consideration recognised as liabilities for these transactions totals 4,786 thousand euros. The amount of contingent consideration recognised is based on the management's estimate of the probable realisation of the financial and operational targets separately agreed upon in connection with the transactions. The original calculation of the acquisition cost of Ekonomianalys KL AB was revised during the reporting period because the company received new information during the review period concerning the prevailing conditions related to the determination of the contingent consideration. As a result of the revision, the goodwill and contingent consideration related to the acquisition increased by 956 thousand euros.

Expenses from the acquisitions have been recognised in the income statement. If the acquisitions had been carried out at the beginning of the 2021 financial period, their estimated positive impact on the profit for the financial period would have been EUR 477 thousand and on net sales EUR 3,827 thousand.

The combined values of acquired assets and liabilities at the time of the acquisition were as follows:

SHARE TRANSACTIONS

Thousand euro	Balance-Team Oy	Ekonomianalys KL AB	Persson& Thorin AB	Crescendo Redovisning Ab	Progredo AB	AVAIL Services SL	YOUnited Professionals Nyköping AB	Total
Intangible rights	0	0	0	0	0	11	123	134
Property, plant and equipment	38	112	42	0	11	51	19	273
Customer relationships	2,322	505	636	718	711	200	719	5,811
Right-of-use assets	203	253	127	177	89	95	129	1,072
Current assets	422	710	327	382	233	210	329	2,614
Total assets	**2,984**	**1,581**	**1,132**	**1,276**	**1,044**	**568**	**1,319**	**9,904**
Trade and other payables	483	750	164	320	165	358	466	2,707
Lease liabilities	203	253	127	177	89	95	129	1,072
Deferred tax liabilities	464	104	131	148	146	50	148	1,192
Total liabilities	1,150	1,107	422	645	400	503	743	4,971
Net assets	1,834	474	710	631	644	65	576	4,933
Paid in cash	2,650	490	651	413	751	1,000	891	6,847
Paid in Talenom Plc shares	2,650	1,145	595	414	681	890	384	6,759
Contingent consideration recognised	350	1,923	555	292	49	1,000	177	4,346
Total consideration transferred	5,650	3,558	1,801	1,119	1,481	2,890	1,452	17,951
Net assets of acquired company	-1,834	-474	-710	-631	-644	-65	-576	-4,933
Goodwill	**3,816**	**3,085**	**1,091**	**488**	**837**	**2,825**	**876**	**13,018**

BUSINESS ACQUISITIONS, TOTAL

Thousand euro	Business acquisitions, total
Intangible rights	0
Property, plant and equipment	50
Customer relationships	2,032
Right-of-use assets	153
Current assets	0
Total assets	**2,235**
Trade and other payables	0
Lease liabilities	153
Deferred tax liabilities	199
Total liabilities	**352**
Net assets	**1,883**
Paid in cash	1,765
Paid in Talenom Plc shares	0
Contingent consideration recognised	440
Consideration transferred	2,205
Net assets of acquired company	-1,883
Goodwill	**322**

BUSINESS ACQUISITIONS IN 2020

On 28 February 2020, the Group acquired the accounting business operations of Addvalue Advisors Oy through a business acquisition. The acquisition cost of this deal was 268 thousand euros, which was paid in cash and shares.

On 4 May 2020, the Group acquired the shares in the Swedish accounting firm Niva Ekonomi Ab. The acquisition cost of these shares was 1,082 thousand euros, which was paid in cash and shares. In connection with the transaction, 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 ranges from 0 to 2 million Swedish kronor. Based on the management's estimate, 1.5 million Swedish kronor (140 thousand euros) of the contingent consideration has been recognised in the purchase price and as a liability.

On 20 August 2020, the Group acquired the software business operations of Vanaja Technologies Oy. The acquisition cost was 400 thousand euros, which was paid in cash.

On 1 September 2020, the Group acquired the shares in the Swedish accounting firm Frivision Ab. The acquisition cost of these shares was 1,457 thousand euros, which was paid in cash and shares. In connection with the transaction, 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 ranges from 0 to 6.4 million Swedish kronor. Based on the management's estimate, 4.35 million Swedish kronor (420 thousand euros) of the contingent consideration has been recognised in the purchase price and as a liability.

On 30 September 2020, the Group acquired the accounting business operations of Larsen & Co Tilitoimisto Oy. The acquisition cost of this business acquisition was 1,000 thousand euros, which was paid in cash and shares.

On 1 December 2020, the Group acquired the accounting business of TiliTeam / E-P:n Yrityspalvelu Oy through a business acquisition. The acquisition cost was 210 thousand euros, which was paid in cash.

The combined values of acquired assets and liabilities at the time of the acquisition were as follows:

Thousand euro	Share transactions	Business acquisitions
Development expenditure	19	10
Property, plant and equipment	30	38
Customer relationships	946	923
Right-of-use assets	538	0
Current assets	997	0
Total assets	**2,530**	**971**
Trade and other payables	702	0
Lease liabilities	538	0
Deferred tax liabilities	202	93
Total liabilities	**1,442**	**93**
Net assets	**1,087**	**879**
Consideration transferred	3,145	1,878
Net assets of acquired company	-1,087	-879
Goodwill	**2,057**	**999**

Expenses from the acquisitions have been recognised in the income statement. If the acquisitions had been carried out at the beginning of the 2020 financial period, their estimated impact on the profit for the financial period would have been EUR 260 thousand and on net sales EUR 3,340 thousand.

CONTINGENT CONSIDERATIONS

Businesses 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 500 thousand in unrealised contingent considerations was recognised under other operating income during the financial period. On 31 December 2021, a liability of EUR 4,648 thousand was recognised for contingent considerations. The maximum amount in outstanding contingent considerations according to the relevant agreements is EUR 6,077 thousand.

NOTE 6

Revenue from contracts with customers

CUSTOMER CONTRACTS

All of the Group's sales income 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". There were no assets recognised in the balance sheet for customer contracts on the balance sheet dates in 2020 and 2021.

The Group applies the practical expedients and chooses not to present information on the transaction price allocated to the outstanding performance obligations (also known as order book details). The Group's performance obligations are fulfilled as the service is provided and the customer receives the ownership of the service. Invoicing takes place monthly, and invoices are due within one or two weeks. The amounts of consideration are fixed, and there are no separate financing components. Furthermore, the service does not involve specific return or refund obligations or warranties.

Distribution of the Group's sales revenue	2021	2020
Revenue from indefinite customer contracts	79,650	62,480
Revenue from one-off assignments	3,158	2,681
	82,808	65,161

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

Asset items recognised

Thousand euro	2021	2020
Opening balance	11,033	10,054
Costs of obtaining customer contracts	2,477	2,715
Deployment costs	1,373	1,523
	14,883	14,293
Depreciation for the financial period	-1,591	-1,404
Impairment	-1,487	-1,856
Capitalised contract costs in the balance sheet	**11,805**	**11,033**

Expenditure is amortised over 10 years on the basis of 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

Thousand euro	2021	2020
Capital gains from disposal of fixed assets	28	6
Unrealised contingent considerations from business acquisitions	500	0
Subsidies and grants received	107	12
Other items	93	103
Total	**729**	**121**

NOTE 8

Materials and services

Thousand euro	2021	2020
Materials and services		
External services	-3,052	-2,466
Total	**-3,052**	**-2,466**

NOTE 9

Employee benefit expenses

Thousand euro	2021	2020
Salaries	33,122	26,605
Options and share bonuses implemented and paid as shares	1,500	643
Personnel add-on costs		
Pension costs – defined contribution plans	4,992	3,687
Other personnel expenses	5,004	3,012
Total	**44,618**	**33,947**

Average number of Group personnel in the financial period:	2021	2020
Salaried employees	1,012	867
Total	**1,012**	**867**
Number of personnel at the end of the period	**1,047**	**912**

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

NOTE 10

Depreciation and impairment

DEPRECIATION AND IMPAIRMENT BY ASSET CATEGORY

Intangible assets

Thousand euro	2021	2020
Depreciation of intangible rights	220	208
Depreciation of other intangible assets	6,043	4,011
Total	**6,263**	**4,219**

Capitalised contract costs

Thousand euro	2021	2020
Depreciation of capitalised contract costs	1,591	1,404
Impairment	1,487	1,856
Total	**3,078**	**3,260**

Property, plant and equipment

Thousand euro	2021	2020
Depreciation of plant and equipment	736	632
Depreciation of right-of-use assets	2,750	2,196
Depreciation of other tangible assets	73	91
Total	**3,558**	**2,919**
Total depreciation and impairment	**12,899**	**10,398**

NOTE 11

Other operating expenses

Thousand euro	2021	2020
Office expenses	1,555	1,204
Machinery and equipment costs	4,775	3,394
Other expenses (marketing, administration and other expenses)	1,874	992
Total	**8,204**	**5,589**

Auditors' fees

Thousand euro	2021	2020
Audit		
KPMG	139	153
Other	11	0
Auditor's statements and certificates		
KPMG	8	7
Other	0	0
Tax advice		
KPMG	0	1
Other	0	0
Other services		
KPMG	10	36
Other	1	0
Total	**169**	**197**

NOTE 12

Financial income and expenses

RECOGNISED IN THE INCOME STATEMENT THROUGH PROFIT OR LOSS

Financial income

Thousand euro	2021	2020
Other financial income	109	82
Total	**109**	**82**

Financial expenses

Thousand euro	2021	2020
Interest expenses		
Liabilities measured at amortised cost	-604	-648
Lease liabilities	-205	-207
Other financial expenses	-71	-84
Total	**-880**	**-939**
Net financial expenses	**-771**	**-857**

Income taxes

RECOGNISED IN THE INCOME STATEMENT THROUGH PROFIT OR LOSS

Tax based on the taxable income for the financial period

Thousand euro	2021	2020
Tax based on the taxable income for the financial period	3,307	2,485
Taxes from previous periods	11	0
Total	**3,317**	**2,485**

Change in deferred tax

Thousand euro	2021	2020
Change in deferred tax assets	**-26**	**-8**
Change in deferred tax liabilities	-93	-31
Total	**-119**	**-40**
Total tax expense in the income statement	**3,198**	**2,445**

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

Thousand euro	2021	2020
Profit before taxes	**13,991**	**12,024**
Taxes calculated using the tax rate applicable in Finland (20%)	-2,798	-2,405
Previously unrecognised tax losses used to reduce the taxes for the period	0	94
Unrecognised deferred tax assets from tax losses	-113	-53
Tax-exempt income and non-deductible expenditure	-1	-2
Taxes from previous financial periods	-10	0
Employee share and option schemes	-300	-129
Other differences	25	50
Taxes in the income statement	**-3,198**	**-2,445**

CHANGES IN DEFERRED TAXES 2021

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

CHANGES IN DEFERRED TAXES 2020

Thousand euro	1 Jan. 2020	Recognised in profit or loss	Recognised in equity	Exchange differences and other differences	31 Dec. 2020
Deferred tax assets					
Derivatives	11		-11		0
Right-of-use assets	18	13			32
Other temporary differences	37	-5			32
Total deferred tax assets	**67**	**8**	**-11**	**0**	**64**
Deferred tax liabilities					
Acquisitions of subsidiaries and businesses	-236	39	-457		-654
Property, plant and equipment	-71	3			-68
Other temporary differences	0	-10			-10
Total deferred tax liabilities	**-307**	**31**	**-457**	**0**	**-732**

DEFERRED TAX ASSETS ON LOSSES

The Group did not have any confirmed losses when the 2020 and 2021 financial periods ended. No deferred tax assets have been recognised for unconfirmed losses in 2021.

NOTE 14

Earnings per share

The figure for undiluted earnings per share is calculated by dividing the profit for the financial period attributable to the shareholders of the parent company by the weighted average number of outstanding shares during the financial period. The company's treasury shares are deducted from the total number of outstanding shares when calculating the weighted average number of outstanding shares.

	2021	2020
Profit for the financial period attributable to owners of the parent company (thousands of euros)	10,794	9,579
Weighted average number of shares during the period (thousands)	43,463	42,654
Effect of share options	117	540
Weighted average number of shares for calculating diluted earnings per share (thousands)	43,579	43,194
Undiluted earnings per share (euro/share)	0.25	0.22
Diluted earnings per share (euros/share)	0.25	0.22

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

NOTE 15

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

	RIGHT-OF-USE ASSETS 2021	PROPERTY, PLANT AND EQUIPMENT 2021		
Thousand euro		**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		-359		-359
Exchange rate differences				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 financial period	-2,750	-706	-80	-786
Accumulated depreciation on deductions		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**

	RIGHT-OF-USE ASSETS 2020	PROPERTY, PLANT AND EQUIPMENT 2020		
Thousand euro		**Machinery and equipment**	**Other tangible assets**	**Total**
Acquisition cost, 1 Jan. 2020	10,238	6,544	652	7,196
Increases	1,222	722	69	792
Acquisitions via business combinations	538	78		78
Decreases		-476		-476
Exchange rate differences	-1			0
Acquisition cost, 31 Dec. 2020	**11,998**	**6,868**	**722**	**7,589**
Accumulated depreciation and impairment, 1 Jan. 2020	-1,837	-4,220	-392	-4,612 0
Depreciation for the financial period	-2,196	-632	-91	-723
Accumulated depreciation on deductions		224		224
Accumulated depreciation and impairment, 31 Dec. 2020	**-4,033**	**-4,628**	**-483**	**-5,111**
Book value, 1 Jan. 2020	**8,401**	**2,323**	**260**	**2,583**
Book value, 31 Dec. 2020	**7,965**	**2,240**	**239**	**2,478**

Intangible assets

INTANGIBLE ASSETS 2021

Thousand euro	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	13,328	79	11,620	7,855	32,882
Acquisitions via business combinations		15	119		134
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**

INTANGIBLE ASSETS 2020

Thousand euro	Goodwill	Intangible rights	Software development expenditure	Customer relationships	Total
Acquisition cost, 1 Jan. 2020	20,728	2,004	22,684	3,510	48,926
Increases		203	10,148		10,351
Acquisitions via business combinations	3,229			1,858	5,087
Acquisition cost, 31 Dec. 2020	**23,956**	**2,208**	**32,832**	**5,369**	**64,364**
Accumulated depreciation and impairment, 1 Jan. 2020	0	-1,350	-11,440	-478	-13,268
Depreciation for the financial period	0	-208	-3,571	-440	-4,219
Accumulated depreciation and impairment, 31 Dec. 2020	**0**	**-1,558**	**-15,011**	**-918**	**-17,487**
Book value, 1 Jan. 2020	**20,728**	**654**	**11,244**	**3,032**	**35,659**
Book value, 31 Dec. 2020	**23,956**	**650**	**17,821**	**4,450**	**46,877**

IMPAIRMENT TESTING

The Group evaluates the recoverable amount of goodwill annually, regardless of whether or not there are any 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:

Thousand euro	2021	2020
Accounting services Finland – book value	69,346	56,029
Sweden – book value	15,765	6,529
Spain – book value	3,247	0
Total	**88,358**	**62,558**

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 the 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 179 million euros (2020: 109 million euros). The key variables used to calculate the recoverable cash value are presented below:

%	2021	2020
Growth rate in the residual value period	1.7%	1.7%
Discount rate before taxes (WACC)	8.1%	8.8%
Net sales (average annual growth rate, 3 years)	10.2%	23.4%
Forecast EBITDA (average, 3 years)	36.9%	39.3%

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 1,039 thousand euros (2020: 582 thousand euros). The key variables used to calculate the recoverable cash value are presented below:

%	2021	2020
Growth rate in the residual value period	1.7%	1.7%
Discount rate before taxes (WACC)	15.1%	14.9%
Net sales (average annual growth rate, 3 years)	15.9%	34.3%
Forecast EBITDA (average, 3 years)	12.8%	8.1%

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 were executed in Sweden in 2020 and 2021. 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. 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	2021	2020
Net sales (average annual growth rate, 3 years)	-2.3%	-4.2%
Forecast EBITDA (average, 3 years)	-0.8%	-0.6%
Residual value growth rate	-1.1%	-1.2%
Discount rate (WACC)	0.8%	1.1%

Spain

The recoverable cash value of the cash-generating unit was estimated to exceed the book value by 372 thousand euros. The key variables used to calculate the recoverable cash value are presented below:

%	2021
Growth rate in the residual value period	1.7%
Discount rate before taxes (WACC)	17.9%
Net sales (average annual growth rate, 5 years)	28.0%
Budgeted EBITDA (average, 5 years)	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 acquisition of the Spain business took place in August 2021. 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 five years. As the acquisition is 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	2021
Net sales (average annual growth rate, 5 years)	-7.4%
Budgeted EBITDA (average, 5 years)	-3.7%
Residual value growth rate	-2.8%
Discount rate (WACC)	1.5%

NOTE 17

Other financial assets

FINANCIAL ASSETS RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS:

Financial income

Thousand euro	2021	2020
Other investments	850	337
Total	**850**	**337**
Current	-	-
Non-current	**850**	**337**

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 they are 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.

NOTE 18

Trade and other receivables

Thousand euro	2021	2020
Trade receivables	6,762	4,727
Other receivables	3,069	2,328
Total	**9,832**	**7,055**
Current	**9,832**	**7,055**
Non-current	**0**	**0**

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

Thousand euro	2021	2020
Advances paid	1,735	1,084
Lease collateral	308	195
Other prepayments and accrued income	1,027	1,050
Total	**3,069**	**2,328**

The book value of trade receivables and other receivables is a reasonable estimate of their fair value. The Group recognised a total of 244 thousand euros in provisions for expected credit losses in 2021 (218 thousand euros in 2020). The book values of trade receivables and other receivables best correspond to the maximum amount of the Group's credit risks.

NOTE 18

Age distribution of trade receivables and expected credit losses

Thousand euro	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
Total overdue	1,241	-153		1,088
Total	**7,006**	**-244**		**6,762**

Thousand euro	2020	Expected credit loss		Net 2020
Not overdue	4,244	-76	2%	4,168
Overdue				
1–30 days	406	-4	1%	402
31–60 days	83	-9	11%	74
61–90 days	47	-16	34%	31
91–120 days	44	-17	39%	27
over 120 days	120	-95	79%	25
Total overdue	701	-142		559
Total	**4,945**	**-218**		**4,727**

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 on the basis of experience and the age distribution of the receivables.

NOTE 19

Cash and cash equivalents

Thousand euro	2021	2020
Cash in hand and at banks	10,121	9,104
Cash and cash equivalents in the balance sheet	**10,121**	**9,104**
Cash and cash equivalents in the cash flow statement	**10,121**	**9,104**

NOTE 20

Notes on equity

Thousand euro	Number of shares Thousands	Share capital	Reserve for invested unrestricted equity	Fair value reserve	Total
1 Jan. 2020	6 973	80	11,234	-45	11,269
Share issue	36,242		3,585		3,585
Cash flow hedging				45	45
31 Dec. 2020	43,215	80	14,818	0	14,899
1 Jan. 2021	43,215	80	14,818	0	14,899
Share issue	575		6,768		6,768
31 Dec. 2021	43,790	80	21,587	0	21,667

SHARE CAPITAL

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

The 2020 Annual General Meeting resolved to issue new shares free of charge in order to enhance the liquidity of the company's share. The new shares were issued to shareholders in proportion to their holdings such that five new shares were issued for each share. The shares were issued to shareholders who were registered in the shareholder list maintained by Euroclear Finland Oy on the record date, 27 February 2020.

On 31 December 2021, the Group held 150,600 of its own shares.

When shares are issued, the subscription price that the company receives is recognised under share capital unless the share issue decision calls for the subscription price to be recognised in the reserve for invested unrestricted equity.

DIVIDENDS

The Board of Directors proposes that a dividend of 0.17 euros per share be paid. A dividend of 0.15 euros per share was paid in 2020.

RESERVE FOR INVESTED UNRESTRICTED EQUITY

The reserve for invested unrestricted equity includes other equity-like investments and the subscription price of shares unless a specific decision is made to recognise the subscription price in the share capital.

NOTE 21

Share-based payments

OPTION-BASED INCENTIVE SCHEMES

The Group has option-based incentive and commitment schemes that are directed at Group key 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.

On the balance sheet date, the Group had two option schemes in effect. Under the authorisation granted by the Annual General Meeting of 26 February 2019, the Board of Directors decided on the 2019 option scheme. Under the authorisation granted by the Annual General Meeting of 3 March 2021, the Board of Directors decided on the 2021 option scheme. Both option schemes carry an additional condition concerning ownership of shares, whereby the stock option owner must use 20 per cent of the gross earnings received from the stock options to acquire the company's shares. This number of shares must be held for two years after acquisition. The arrangements are covered by IFRS 2.

Various stock option-based incentive schemes are targeted at Group key employees. Under the terms of the incentive schemes, the stock options are granted free of charge, and all arrangements are conditional. The subscription period for subscribing for shares via 2019 option rights is 1 March 2022 to 28 February 2023, and for 2021 option rights, the period is 1 March 2026 to 28 February 2027. The option rights 2016A, 2016B, 2016C and 2018 have been executed or cancelled.

The 2020 Annual General Meeting resolved to issue new shares free of charge in order to enhance the liquidity of the company's share. The new shares were issued to shareholders in proportion to their holdings such that five new shares were issued for each share. Due to the share issue without payment, the Board of Directors decided on 25 February 2020 to change the number and subscription price of the shares subscribed for with the options. After these amendments, the total number of shares to be subscribed with 2019 option rights is 1,200,000. The total number of shares to be subscribed with 2021 option rights is 600,000.

The maximum total number of option rights, adjusted for share issues and including the rights already executed, in accordance with the option schemes is 4,260,000, and these are granted free of charge. The option rights entitle or have entitled their holders to subscribe for a maximum of 4,260,000 shares, which may be either new shares or ones held by the company. A total of 1,324,380 new shares were subscribed for with stock options, and 1,135,620 stock options were cancelled.

The subscription price, adjusted for share issues, was 3.38 euros when the 2019 stock options were issued and 13.44 euros when the 2021 stock options were issued. The proceeds from share subscriptions are transferred to the company's reserve for invested unrestricted equity.

If the employment relationship of the option rights owner with the Group ends, he or she immediately forfeits the stock options allocated to him or her 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 upon by the Board of Directors with regard to the 2019 stock options by the amount of the dividend per share and capital paid out from the reserve for unrestricted equity on the reconciliation date of the dividend or return of capital where the dividend or return of capital is decided upon on or after 26 February 2019 and before the share subscription. 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 upon by the Board of Directors by the amount of capital returns per share on the reconciliation date where the return of capital is decided upon 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
Nature of the scheme	Stock option	Stock option
Date granted	20 Mar. 2019	20 May 2021
Vesting period	20 Mar. 2019–28 Feb. 2022	20 May 2019–28 Feb. 2026
Subscription period	1 Mar. 2022–28 Feb. 2023	1 Mar. 2026–28 Feb. 2027
Vesting condition	Employment condition	Employment condition
Maximum number of options	1,200,000	600,000
Current subscription price (euros)	3.10	13.44
Share price at time of granting	4.55	13.44
Implementation	As shares	As shares

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

	2019	2021	Total
Options held by the company	276,000	90,000	366,000

KEY ASSUMPTIONS USED IN THE BLACK-SCHOLES VALUATION MODEL (FULLY DILUTED)

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

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

CHANGES IN THE NUMBER OF OPTIONS OUTSTANDING (FULLY DILUTED)

Number	2021	2020
Beginning of period	**938,750**	**2,046,300**
Granted during the period	510,000	0
Returned	0	-65,400
Executed	-14,750	-1,042,150
Lapsed		
End of the period	1,434,000	938,750
Available for execution	0	14,750

The subscription price of these options is presented above.

SHARE-BASED INCENTIVE PLANS

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

Performance Share Plan 2020–2024
The Performance Share Plan 2020–2024 consists of three performance periods, covering the calendar years 2020–2022, 2021–2023 and 2022–2024. The Board of Directors decides on the earnings criteria and the targets set for each criterion at the beginning of the performance period. For the performance period 2020–2022, these were decided on 25 February 2020, and for the performance period 2021–2023 on 20 May 2021. Any 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. Rewards will be paid for the first time 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 bonus is paid, the bonus is not usually paid.

	Performance period 2020–2022	Performance period 2021–2023
Basis for the reward	- Consolidated operating profit - Internationalisation - Growth and - Share of net sales accounted for by value -added services	- Consolidated net sales - Operating profit and - Implementation of strategic projects
Rewards to be paid for the performance period	The rewards correspond to the value of an approximate maximum total of 326,000 Talenom Plc shares, including the cash component.	The rewards correspond to the value of an approximate maximum total 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

NOTE 21

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 relationship, the continuity of the employment or service during the vesting period and other possible terms imposed by the Board of Directors.

The rewards to be granted based on the Restricted Share Plan from 2021 to 2025 currently correspond to the value of a maximum total of 160,000 Talenom Plc shares, including the cash component. The reward is paid partly in the company's shares and partly in cash after the end of a 12–60-month vesting period.

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

Thousand euro	**2021**	**2020**
Share-based payments	1,500	643
Total	**1,500**	**643**

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.

NOTE 22

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 present the fair values of financial assets and liabilities that are not measured at fair value if their book value is a reasonable estimate of their fair value. Financial assets and liabilities have been classified in accordance with IFRS 9.

31 Dec. 2021

BOOK VALUE						FAIR VALUE			
Thousand euro	**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				
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		
Trade payables	25			2,171	2,171				
Total				**42,374**	**42,374**	**-**	**40,203**		**40,203**

31 Dec. 2020

BOOK VALUE						FAIR VALUE			
Thousand euro	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 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			7,155	7,155		100		100
Cash and cash equivalents	19			9,104	9,104				
Total				**16,259**	**16,259**		**100**		**100**
Financial liabilities that are not regularly measured at fair value									
Bank loans	23			30,000	30,000		30,000		
Trade payables	25			1,787	1,787				
Total				**31,787**	**31,787**	**-**	**30,000**	**0**	**30,000**

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, taking into account 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 2021 or 2020 financial periods.

NOTE 23

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	
Thousand euro	**Interest rate**	**Maturity date**	**2021**	**2020**
Financial liabilities	1.20%	31 May 2024	40,203	30,000
Instalment payment liabilities	1.65%		221	122
Total			**40,424**	**30,122**

Current liabilities measured at amortised cost			Book value	
Thousand euro	**Interest rate**	**Maturity date**	**2021**	**2020**
Instalment payment liabilities	1.65%		101	171
Total			**101**	**171**
Total interest-bearing liabilities			**40,525**	**30,293**

On 30 June 2021, Talenom made an agreement with Danske Bank A/S Finland branch for a secured loan of 40 million euros to pay off a loan of 30 million euros withdrawn in 2020. 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 31 May 2026. The loan is tied to the six-month Euribor plus a margin. In addition, Talenom has agreed on an additional loan of 10 million euros for potential acquisitions and projects in support of growth.

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

		Cash flows	Changes that do not affect cash flow			
	2019		**New leases**	**Increases**	**Fair value changes**	**2020**
Non-current liabilities	28,215	1,907				30,122
Current liabilities	226	-56				171
Contingent considerations on acquired businesses				583		583
Lease liabilities	8,492	-2,129	1,775			8,138
Assets used to hedge non-current liabilities	56				-56	0
Total liabilities from financing operations	**36,990**	**-277**	**1,775**	**583**	**-56**	**39,014**

		Cash flows	Changes that do not affect cash flow			
	2020		**New leases**	**Increases**	**Fair value changes**	**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			8,836
Assets used to hedge non-current liabilities	0					0
Total liabilities from financing operations	**39,014**	**7,355**	**3,403**	**4,238**	**0**	**54,009**

NOTE 24

Lease liabilities and other non-current financial liabilities

Thousand euro	2021	2020
Lease liabilities		
Non-current lease liabilities	5,985	5,859
Current lease liabilities	2,850	2,280
Total lease liabilities	**8,836**	**8,138**

The maturities of lease liabilities are presented in Note 26.

There are no derivative instruments.

NOTE 25

Trade and other payables

Thousand euro	2021	2020
Instalment payment liabilities	322	293
Trade payables	1,848	1,494
Advances received on customer contracts	322	443
Accrued expenses and deferred income	12,981	9,877
Contingent considerations from business acquisitions	4,648	583
Total	**20,122**	**12,690**
Total current	**17,911**	**12,134**
Total non-current	**2,211**	**556**

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

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

Thousand euro	2021	2020
Employee benefit expenses	8,219	7,379
Interest payable	41	87
Value-added tax liability	3,340	2,285
Other accrued expenses and deferred income	1,381	126
Total	**12,981**	**9,877**

NOTE 26

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 in relation 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 primary 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, taking into account any changes in the interest rate.

The following tables describe the Group's sensitivity to changes in market interest 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 were 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 as a result of its interest-bearing financial liabilities.

	Nominal value	
Thousand euro	**2021**	**2020**
Variable-rate instruments		
Bank loans	40,203	30,000
Open position	**40,203**	**30,000**

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 2021, interest rates rise/fall by 0.5 percentage point compared with 31 December 2021

	Impact on income statement	
Thousand euro	**+0.5%**	**-0.5%**
Liability	0	0
Impact before taxes		

Sensitivity analysis 31 December 2020, interest rates rise/fall by 0.5 percentage point compared with 31 December 2020

	Impact on income statement	
Thousand euro	**+0.5%**	**-0.5%**
Liability	0	0
Impact before taxes	**0**	**0**

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 in relation 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 in relation 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 2021 financial period, the Group had financial covenants attached to its financial liabilities. Further details on the constraints related to the Group's assets and mergers 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 2021

Thousand euro	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			
Trade and other payables	**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**

MATURITY ANALYSIS OF FINANCIAL LIABILITIES 2020

Thousand euro	Balance sheet value	Cash flow	2021	2022	2023	2024	2025	2026
Financial liabilities								
Bank loans	30,000	31,155	495	495	30,165			
Trade and other payables	12,690	2,370	1,814	495	61			
Lease liabilities	8,138	8,612	2,321	1,665	1,527	1,389	1,236	475
Total	**50,828**	**42,137**	**4,630**	**2,655**	**31,753**	**1,389**	**1,236**	**475**

CAPITAL MANAGEMENT
The aim of the Group's capital management is to ensure that it has 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 the capital structure

Thousand euro	2021	2020
Interest-bearing financial liabilities	40,203	30,000
Lease liabilities	8,836	8,138
Instalment payment liabilities	322	293
Cash and cash equivalents	10,121	9,104
Net liabilities	**39,240**	**29,328**
Total equity	**44,718**	**32,169**
Net gearing ratio (%)	**88%**	**91%**

NOTE 27

Lease agreements

Items entered in the income statement	2021	2020
Thousand euros		
Interest expenses on lease liabilities	205	207
Expenses related to short-term leases	93	97
Expenses related to low-value leases	0	0

The total cash flow from leases in 2021 was 3,016 thousand euros (2020: 2,417 thousand euros).

Rental income from subletting is presented in Note 7

NOTE 28

Contingent liabilities

COLLATERAL AND CONTINGENT LIABILITIES

Thousand euro	2021	2020
Liabilities secured by an enterprise mortgage		
Loans from financial institutions	40,000	30,000
Mortgages	50,360	45,360
Other deposits and contingent liabilities		
Deposits	3,072	3,072
Other*	10,823	3,895

*) Other contingent liabilities are related to the issued, undrawn loan limit, bank guarantee limit, andcommitments for instalment payment liabilities.

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. 2021. The covenants are reviewed at six-month intervals.

Legal proceedings
The Group did not have any significant pending legal proceedings on 31 December 2021.

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 and 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 OF KEY MANAGEMENT PERSONNEL

Thousand euro	2021	2020
Fundu Platform Oy: subcontracted software	10	0
Fundu Technology Oy: subcontracted software	11	0
MOCAPITAL OY: rental of holiday homes	0	41
Hukka Oy: sports services	1	0
Virta Advisory Oy: legal services	8	0
Total	**30**	**41**

The terms and conditions of purchases carried out 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:

Thousand euro	2021	2020
Salaries and other short-term employment benefits	752	2,194
Post-employment benefits	127	119
Share-based benefits	449	132
Total	**1,328**	**2,445**

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 upon the contributions to be paid into the supplementary pension insurance annually. No supplementary pension contributions were paid in 2020 and 2021.

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

The CEO is entitled to a statutory pension, and the CEO's retirement age is within the range permitted by the statutory employee pension system. The CEO's statutory pension cost in 2021 was 39 thousand euros (30 thousand euros in 2020).

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

Thousand euro		2021	2020
	Otto-Pekka Huhtala, CEO	231	712
Board of Directors			
	Harri Tahkola, Chairman of the Board	72	70
	Olli Hyyppä, member of the Board	24	23
	Mikko Siuruainen, member of the Board	24	23
	Anne Riekki, member of the Board (1 Jan.–2 Mar. 2021)	4	23
	Johannes Karjula, member of the Board	24	23
	Sampsa Laine, member of the Board (since 25 Feb. 2020)	24	20
	Elina Tourunen, member of the Board (since 3 Mar. 2021)	20	0
Total		**423**	**894**

NOTE 30

Events after the end of the reporting period

Talenom Plc acquired the full share capital of the Swedish accounting firms Kjell Wengbrand Redovisnings AB and MH Konsult Väst AB on 11 January 2022. The combined net sales of the acquired entities in the past 12-month period amounted to around 3.3 million euros, and their operating profit was approximately 0.2 million euros. The total acquisition cost of these shares was 2,162 thousand euros, which 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 ranges from 0 to 9.5 million Swedish kronor. Based on the management's estimate, 8 million Swedish kronor (780 thousand euros) of the contingent consideration has been recognised in the purchase price and as a liability.

The 72,301 new shares subscribed for in the directed share issue related to the acquisition were registered in the Trade Register on 13 January 2022. The total number of Talenom Plc shares is now 43,862,553, following the registration of the new shares.

The Group acquired the accounting business of Saarijärven Tilipalvelu Oy on 1 January 2022 and the accounting businesses of Tilitoimisto Kuopion Tili-Consults Oy and Accodome Oy on 1 February 2022.

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

Thousand euros, pro forma	Share transactions	Business acquisitions
Property, plant and equipment	25	0
Customer relationships	1,644	236
Right-of-use assets	136	0
Current assets	785	0
Total assets	**2,590**	**236**
Trade and other payables	552	51
Lease liabilities	136	0
Deferred tax liabilities	339	0
Total liabilities	**1,026**	**51**
Net assets	1,564	184
Consideration transferred	2,945	184
Net assets of acquired companies	-1,564	-184
Goodwill	**1,381**	**0**

No other significant events took place after the review period.

Parent company’s income statement

Currency EURO	1 Jan. 2021–31 Dec. 2021	1 Jan. 2020–31 Dec. 2020
NET SALES	34,797,184.31	27,112,049.22
Other operating income	1,759,007.59	1,258,565.62
Materials and services		
External services	-19,580,040.14	-14,926,329.32
Total materials and services	-19,580,040.14	-14,926,329.32
Personnel expenses		
Salaries and bonuses	-3,109,174.07	-3,444,971.10
Personnel add-on costs		
Pension contributions	-519,897.00	-511,934.10
Other personnel add-on costs	-50,669.40	-27,602.16
Total personnel expenses	-3,679,740.47	-3,984,507.36
Depreciation and impairment		
Planned depreciation	-8,205,923.86	-6,555,637.45
Impairment of fixed assets	-1,219,419.50	-1,352,028.32
Total depreciation and impairment	-9,425,343.36	-7,907,665.77
Other operating expenses	-2,948,961.15	-2,653,478.69
OPERATING PROFIT (LOSS)	922,106.78	-1,101,366.30
Financial income and expenses		
Other interest and financial income		
From Group companies	6,019.46	7,668.88
From others	62,436.53	31,249.89
Interest expenses and other financial expenses		
To others	-640,420.64	-717,957.47
Total financial income and expenses	-571,964.65	-679,038.70
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	350,142.13	-1,780,405.00
Appropriations		
Increase (-) or decrease (+) in depreciation difference	41,981.66	27,494.41
Group contributions		
Group contributions received	13,100,000.00	12,650,000.00
Total appropriations	13,141,981.66	12,677,494.41
Income taxes		
Taxes for the period	-2,977,793.08	-2,456,529.47
Total income taxes	-2,977,793.08	-2,456,529.47
PROFIT (LOSS) FOR THE FINANCIAL PERIOD	10,514,330.71	8,440,559.94

Parent company's balance sheet

Currency EURO	31 Dec. 2021	31 Dec. 2020
A S S E T S		
FIXED ASSETS		
Intangible assets		
Development expenditure	24,489,076.94	17,804,529.80
Intangible rights	475,966.32	648,557.64
Goodwill	8,207,327.13	9,627,973.83
Other intangible assets	9,835,191.84	8,390,075.91
Total intangible assets	43,007,562.23	36,471,137.18
Tangible assets		
Machinery and equipment	1,448,391.47	1,471,889.15
Total tangible assets	1,448,391.47	1,471,889.15
Investments		
Holdings in Group companies	27,852,043.60	9,286,403.89
Other receivables	613,000.00	100,000.00
Total investments	28,465,043.60	9,386,403.89
TOTAL FIXED ASSETS	72,920,997.30	47,329,430.22
CURRENT ASSETS		
Receivables		
Current		
Trade receivables	2,436,157.97	1,773,810.82
Receivables from Group companies	16,333,369.65	15,943,409.21
Loan receivables	14,763.66	8,529.61
Other receivables	224,804.11	323,183.50
Prepayments and accrued income	1,005,774.98	733,632.91
Total current	20,014,870.37	18,782,566.05
Cash and cash equivalents	9,031,484.47	8,765,479.91
TOTAL CURRENT ASSETS	29,046,354.84	27,548,045.96
TOTAL ASSETS	101,967,352.14	74,877,476.18

Currency EURO	31 Dec. 2021	31 Dec. 2020
L I A B I L I T I E S		
CAPITAL AND RESERVES		
Share capital		
Share capital	80,000.00	80,000.00
	80,000.00	80,000.00
Other reserves		
Reserve for invested unrestricted equity	21,993,200.21	15,224,757.88
Total other reserves	21,993,200.21	15,224,757.88
Retained earnings	4,402,807.50	2,442,395.61
Profit (loss) for the financial period	10,514,330.71	8,440,559.94
TOTAL EQUITY	36,990,338.42	26,187,713.43
ACCUMULATED APPROPRIATIONS		
Depreciation difference	147,516.28	189,497.94
TOTAL ACCUMULATED APPROPRIATIONS	147,516.28	189,497.94
LIABILITIES		
Non-current		
Loans from financial institutions	40,000,000.00	30,000,000.00
Trade payables	45,221.35	6,103.90
Other liabilities	1,916,441.71	433,513.05
Total non-current	41,961,663.06	30,439,616.95
Current		
Advances received	90,491.38	60,161.48
Trade payables	960,125.96	757,822.67
Liabilities to Group companies	16,917,457.88	14,761,064.19
Other liabilities	2,405,319.47	292,321.27
Accrued expenses and deferred income	2,494,439.69	2,189,278.25
Total current	22,867,834.38	18,060,647.86
TOTAL LIABILITIES	64,829,497.44	48,500,264.81
TOTAL LIABILITIES	101,967,352.14	74,877,476.18

Parent company's cash flow statement

Currency EURO	1 Jan. 2021–31 Dec. 2021	1 Jan. 2020–31 Dec. 2020
Cash flow from operating activities		
Profit (loss) before appropriations and taxes	350,142.13	-1,780,405.00
Adjustments:		
Planned depreciation	9,425,343.36	7,907,665.77
Financial income and expenses	571,964.65	679,038.70
Gains from the sale of tangible assets	-3,725.08	-5,351.86
Losses from the sale of tangible assets	6,607.82	6,501.39
Other adjustments	-502,932.52	-15,979.21
Change in working capital:		
Inc. (-)/dec. (+) in current receivables	-223,067.75	-1,303,259.09
Inc. (-)/dec. (+) in non-current receivables	-513,000.00	300,000.00
Inc. (+)/dec. (-) in current liabilities	1,040,963.06	2,788,549.76
Operating cash flow before financial items and taxes	10,152,295.67	8,576,760.46
Interest income	68,455.99	38,918.77
Interest paid and payments on other financial expenses from operations	-715,360.01	-720,922.53
Direct taxes paid	-2,458,529.40	-1,918,845.17
Cash flow from operating activities	**7,046,862.25**	**5,975,911.53**
Cash flow from investing activities:		
Acquisition of shares in subsidiaries	-7,654,266.00	-1,335,714.45
Acquired businesses *)	-1,577,600.00	-1,297,872.78
Divested businesses *)	1,577,600.00	1,346,702.46
Investments in software	-11,666,129.30	-10,334,688.29
Capitalisation of contract costs	-3,796,965.13	-4,190,844.58
Investments in other intangible assets	-25,950.00	-5,900.00
Acquisition of property, plant and equipment	-537,309.04	-421,771.70
Sale of property, plant and equipment	88,082.74	84,249.53
Cash flow from investing activities	**-23,592,536.73**	**-16,155,839.81**
Cash flow from financing:		
Withdrawal of long loans	40,000,000.00	30,000,000.00
Repayment of long-term loans	-30,000,000.00	-28,000,000.00
Increase (+)/decrease (-) in instalment payment liabilities	76,664.45	-85,278.52
Paid share issue	11,652.50	1,877,978.50
Dividends paid	-6,480,148.05	-5,210,678.99
Group contributions received	12,650,000.00	12,620,000.00
Change in Group financing	553,510.14	88,675.61
Cash flow from financing	**16,811,679.04**	**11,290,696.60**
Increase (+)/decrease (-) in cash and cash equivalents	**266,004.56**	**1,110,768.32**
Cash and cash equivalents at beginning of period	**8,765,479.91**	**7,654,711.59**
Cash and cash equivalents at end of period	9,031,484.47	8,765,479.91

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

NOTE 1

Notes on the preparation of the financial statements

MEASUREMENT AND AMORTISATION 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 on the basis of the useful lives of tangible and intangible assets. Depreciation is carried out from the month in which the asset is taken into use.

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. Valuation of subsidiary shares is based on the long-term financial performance of the subsidiaries. The balance sheet values of the subsidiaries' shares are reviewed annually as part of the Group's impairment testing. In addition, the development of the subsidiaries' results and balance sheet position is evaluated annually based on the company's earnings trend and balance sheet position.

NOTE 2

Notes to the income statement

OTHER OPERATING INCOME

	1 Jan. 2021–31 Dec. 2021	1 Jan. 2020–31 Dec. 2020
Licence fees from subsidiaries	1,200,000.00	1,200,000.00
Gains from the sale of fixed assets	3,725.08	5,351.86
Unrealised additional transaction prices in acquisitions	500,047.70	0.00
Other income	55,234.81	53,213.76
	1,759,007.59	**1,258,565.62**

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. 2021–31 Dec. 2021	1 Jan. 2020–31 Dec. 2020
Own software		
External services	11,577,885.36	10,054,738.47
Personnel expenses	49,941.18	72,666.90
	11,627,826.54	**10,127,405.37**
Customer contract expenses		
External services	1,366,731.38	1,496,960.98
Personnel expenses	1,582,244.07	1,653,933.22
Other operating expenses	847,989.68	1,039,950.42
	3,796,965.13	**4,190,844.62**

GROUNDS FOR PLANNED DEPRECIATION AND CHANGES, 31 DEC. 2021

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

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

TOTAL DIVIDEND INCOME, INTEREST INCOME, AND INTEREST EXPENSES:

	1 Jan. 2021–31 Dec. 2021	1 Jan. 2020–31 Dec. 2020
Dividend income from Group companies	0.00	0.00
Interest income from Group companies	6,019.46	7,668.88
Interest expenses to Group companies	0.00	0.00
Dividend income from others	0.00	0.00
Interest income from others	62,436.53	31,249.89
Interest expenses to others	-640,420.64	-717,957.47
	-571,964.65	-679,038.70

NOTES ON INCOME TAXES

	1 Jan. 2021–31 Dec. 2021	1 Jan. 2020–31 Dec. 2020
Income taxes on ordinary operations	-2,977,793.08	-2,456,529.47
Deferred taxes	0.00	0.00
	-2,977,793.08	-2,456,529.47

NOTE 3

Notes on balance sheet assets

Changes in fixed assets, 1 Jan. 2021–31 Dec. 2021

	Development expenditure	Intangible rights	Goodwill	Other intangible assets	Machinery and equipment
Acquisition cost at beginning of 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 end of 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 beginning of 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	-1,158,379.76	-472,723.98
Impairment				-1,219,419.50	
Accumulated planned depreciation at end of 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 beginning of 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 end of period	0.00	0.00	0.00	0.00	147,516.28
Acquisition cost at end of period	43,925,809.84	1,487,589.55	18,627,844.01	17,781,739.78	4,752,310.27
Accumulated depreciation at end of 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 period	24,489,076.94	475,966.32	8,207,327.13	9,835,191.84	1,448,391.47
Accumulated depreciation difference at end of 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

Changes in fixed assets, 1 Jan. 2020–31 Dec. 2020

	Development expenditure	Intangible rights	Goodwill	Other intangible assets	Machinery and equipment
Acquisition cost at beginning of period	22,175,621.13	1,236,960.54	18,247,844.01	9,762,080.01	3,945,561.80
Increases during the financial period	10,131,448.29	203,240.01	1,370,000.00	4,196,744.58	441,771.70
Decreases during the financial period			-990,000.00		-84,249.53
Acquisition cost at end of period	32,307,069.42	1,440,200.55	18,627,844.01	13,958,824.59	4,303,083.97
Accumulated planned depreciation at beginning of period	-10,931,906.56	-584,296.71	-7,604,556.84	-3,288,144.13	-2,377,426.20
Depreciation according to plan during financial period	-3,570,633.06	-207,346.20	-1,395,313.34	-928,576.23	-453,768.62
Impairment				-1,352,028.32	
Accumulated planned depreciation at end of period	-14,502,539.62	-791,642.91	-8,999,870.18	-5,568,748.68	-2,831,194.82
Accumulated depreciation difference at beginning of period	0.00	0.00	0.00	0.00	216,962.35
Depreciation difference for the financial period	0.00	0.00	0.00	0.00	-27,464.41
Accumulated depreciation difference at end of period	0.00	0.00	0.00	0.00	189,497.94
Acquisition cost at end of period	32,307,069.42	1,440,200.55	18,627,844.01	13,958,824.59	4,303,083.97
Accumulated planned depreciation at end of period	-14,502,539.62	-791,642.91	-8,999,870.18	-5,568,748.68	-2,831,194.82
Residue of initial outlay at end of period	17,804,529.80	648,557.64	9,627,973.83	8,390,075.91	1,471,889.15
Accumulated depreciation difference at end of period	0.00	0.00	0.00	0.00	189,497.94
Residue of initial outlay after full depreciation	17,804,529.80	648,557.64	9,627,973.83	8,390,075.91	1,282,391.21

Depreciation and impairment of fixed assets and other long-term expenditure:

	1 Jan. 2021–31 Dec. 2021	1 Jan. 2020–31 Dec. 2020
Development expenditure	4,934,193.16	3,570,633.06
Intangible rights	219,980.32	207,346.20
Goodwill	1,420,646.70	1,395,313.34
Other intangible assets	1,158,379.70	928,576.23
Machinery and equipment	472,723.98	453,768.62
Impairment	1,219,419.50	1,352,028.32
Total depreciation	9,425,343.36	7,907,665.77

Receivables from Group companies:

	31 Dec. 2021	31 Dec. 2020
Current		
Group trade receivables	645,285.78	610,853.05
Other Group receivables	14,706,852.55	13,738,877.90
Group prepayments and accrued income	981,231.32	1,593,678.26
	16,333,369.65	15,943,409.21
Total receivables from Group companies	16,333,369.65	15,943,409.21

Prepayments and accrued income

	31 Dec. 2021	31 Dec. 2020
Lease collateral paid	56,816.45	36,616.26
Tax assets	0.00	0.00
Other expense advances	948,958.53	697,016.65
	1,005,774.98	733,632.91

NOTE 4

Notes on balance sheet liabilities

	1 Jan. 2021–31 Dec. 2021	1 Jan. 2020–31 Dec. 2020
Shareholders' equity		
Share capital at beginning of period	80,000.00	80,000.00
Change during financial period	0.00	0.00
Share capital at end of period	80,000.00	80,000.00
Total restricted equity	**80,000.00**	**80,000.00**
Reserve for invested unrestricted equity at beginning of period	15,224,757.88	11,640,159.84
Share issue	6,768,442.33	3,584,598.04
Reserve for invested unrestricted equity at end of period	21,993,200.21	15,224,757.88
Retained earnings at beginning of period	2,442,395.61	1,374,064.87
Retained earnings	8,440,559.94	6,279,009.73
Dividends paid	-6,480,148.05	-5,210,678.99
Retained earnings at end of period	4,402,807.50	2,442,395.61
Profit/loss for the financial period	10,514,330.71	8,440,559.94
Total unrestricted equity	**36,910,338.42**	**26,107,713.43**
Total equity	**36,990,338.42**	**26,187,713.43**

Calculation of distributable assets

	1 Jan. 2021–31 Dec. 2021	1 Jan. 2020–31 Dec. 2020
Retained earnings at beginning of period	10,882,955.55	7,653,074.60
Profit/loss for the financial period	10,514,330.71	8,440,559.94
Dividends paid	-6,480,148.05	-5,210,678.99
Reserve for invested unrestricted equity	21,993,200.21	15,224,757.88
Capitalised development expenditure	-24,489,076.94	-17,804,529.80
Total distributable assets	12,421,261.48	8,303,183.63

LOANS FROM FINANCIAL INSTITUTIONS

Liabilities due after five years

	31 Dec. 2021	31 Dec. 2020
Loans from financial institutions	0.00	0.00

Liabilities to Group companies:

Current	31 Dec. 2021	31 Dec. 2020
Trade payables	5,765,599.35	4,604,232.85
Other liabilities	11,151,858.53	10,156,831.34
	16,917,457.88	14,761,064.19

Accrued expenses and deferred income

	31 Dec. 2021	31 Dec. 2020
Holiday pay liabilities	561,008.34	567,313.99
Social security expenses for holiday pay	117,531.35	102,740.61
Interest liabilities	40,767.12	86,625.00
Deferred tax liabilities	1,546,793.19	1,027,529.51
Other accrued expenses and deferred income	228,339.69	405,069.14
	2,494,439.69	2,189,278.25

NOTE 5

Collateral and contingent liabilities

Liabilities secured by an enterprise mortgage	31 Dec. 2021	31 Dec. 2020
Loans from financial institutions	40,000,000	30,000,000
Enterprise mortgages provided as security	50,100,000	45,100,000
Other deposits and enterprise mortgages		
Deposits	2,865,837	2,865,837
Enterprise mortgages	50,100,000	45,100,000

Overdraft agreements	31 Dec. 2021	31 Dec. 2020
Total overdraft granted	0	3,000,000
In use	0	0

Instalment payment commitments	31 Dec. 2021	31 Dec. 2020
Total instalment payment liabilities	108,905.10	32,240.65
Book value of assets held as collateral	158,690.53	106,257.60

Off-balance sheet leasing liabilities	31 Dec. 2021	31 Dec. 2020
Rental liabilities	7,300,619.38	8,427,840.37

Other contingent liabilities

In January 2022, the company granted a contingent liability of 3,000,000 Swedish kronor (approximately 290 thousand euros) to strengthen the equity of its subsidiary, Frivision AB.

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 of the covenants of the financing agreement on 31 Dec. 2021.

NOTE 7

Notes on the remuneration of the auditor

	1 Jan. 2021–31 Dec. 2021	1 Jan. 2020–31 Dec. 2020
Audit	87,100.00	117,210.46
Assignments as referred to in section 1(1)(2) of the Auditing Act	8,470.00	7,400.00
Tax advice	0.00	1,300.00
Other services	5,689.09	35,583.56
	101,259.09	161,494.02

NOTE 8

Notes on related party transactions

	1 Jan. 2021–31 Dec. 2021	1 Jan. 2020–31 Dec. 2020
Other operating expenses	7,650.00	0.00

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 administrative bodies

Number of personnel

	31 Dec. 2021	31 Dec. 2020
Average number of employees at the company	88	88

Salaries and bonuses of senior managers

	1 Jan. 2021–31 Dec. 2021	1 Jan. 2020–31 Dec. 2020
CEO	231,240.00	712,320.50
Board of Directors	192,000.00	182,000.00

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 2021 and 2020.

NOTE 10

Holdings in other companies

Holdings of companies in which the company owns more than one-fifth, 31 Dec. 2021

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%
Balance-Team Oy	Helsinki	100%
Talenom Redovisning Ab	Stockholm	100%
Talenom Haninge Ab	Haninge	100%
Frivision Ab	Göteborg	100%
Talenom Järfälla AB	Stockholm	100%
Talenom Växjö AB	Växjö	100%
Talenom Nacka AB	Nacka	100%
Talenom Åre Östersund AB	Östersund	100%
YOUnited Professionals Nyköping AB	Nyköping	100%
Avail Services SL	Barcelona	100%

NOTE 11

Other notes as specified in the Limited Liability Companies Act

The company's share classes:

Share class	number
Shares	43,790,252, of which the company holds 150,600

NOTE 12

List of records and material

Financial statements and annual report	Electronic PDF file
Journal	Electronic PDF file
General ledger	Electronic PDF file
Accounts receivable	Electronic PDF file
Accounts payable	Electronic PDF file
Payroll accounting	Electronic PDF file
Balance sheet itemisations	Electronic PDF file
Supporting documents	Electronic PDF file

	Voucher type	Storage method
Bank receipts, Danske Bank	7	Electronic PDF file
Bank receipts, OP	5	Electronic PDF file
Salary receipts	50	Electronic PDF file
Travel expense vouchers	53,54,55,56	Electronic PDF file
Credit card receipts	10	Electronic PDF file
Sales receipts	35,39,80	Electronic PDF file
Purchase receipts	20,21,22,25,41,42,45,46	Electronic PDF file
Internal Group memos	60,98	Electronic PDF file
Memo receipts	9	Electronic PDF file
Accrual vouchers	90	Electronic PDF file
VAT receipts	99	Electronic PDF file

Talenom Group

Oulu, 7 February 2022

Annual report and financial statements signed by the Board of Directors and the CEO:

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, 7 February 2022

KPMG Oy Ab

Juho Rautio, Authorised Public Accountant

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 2021. 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

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good 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 (Basis of Preparation for the consolidated financial statements as well as Note 16 to the consolidated financial statements)	
• Goodwill in the consolidated financial statements amounts to EUR 37.3 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. • Resulting from elements of uncertainty present in the estimation of future cash flows, management judgment underlying estimates and the significance of the book value of goodwill, the valuation of goodwill is perceived as a key audit matter.	Our audit procedures included, among others: • We have assessed the cash flow estimates employed in the calculations, the appropriateness of the discount rate applied, the technical integrity of the calculations prepared, and we have also compared the estimates used to the market- and sector-based information. We have assessed critically the foundations and management assumptions underlying the future cash flow projections. • We have assessed the goodwill stated in the consolidated accounts and the appropriateness of notes concerning impairment testing.
Correctness and valuation of capitalized incremental contract costs (Basis of Preparation for the consolidated and parent company financial statements as well as Note 6 to the consolidated financial statements and Note 2 to the parent company financial statements)	
• The Group has during the financial year capitalized costs totaling EUR 3.9 million and parent company costs totaling EUR 3,8 million, arising from incremental costs of obtaining new customer contracts and fulfilling the customer contracts. The total balance of capitalized incremental customer contract costs in the consolidated financial statements amounted to EUR 11.8 million or 26 % in proportion to consolidated equity at the end of the financial year, while the balance of capitalized contract costs stated in the parent company's financial statement totaled EUR 9.7 million or 26 % in proportion to parent company equity. • Costs of customer contracts are capitalized in the consolidated and parent company´s balance sheet providing that they meet the conditions of the relevant financial reporting standard. The capitalized costs are expensed evenly as services are being rendered over the expected duration of the contracts, which based on management judgment and experience is estimated at 10 years. • The impairment of the value of asset in the balance sheet is evaluated by comparison of the book value to projected proceeds from rendering the service deducted by related costs that have not yet been expensed. • Capitalized contract costs have, considering the above, a significant effect on the group's and parent company's operating profit. In addition, the estimation of projected proceeds and related costs involves management judgment. Consequently, the correctness of capitalized incremental costs and valuation of the asset are perceived as a key audit matter.	Our audit procedures included, among others: • We have assessed the functionality of the process of recording capitalized customer contract costs and performed tests of related controls in place in the process. Additionally, we have assessed the conditions for capitalization of the customer contract costs during the financial year considering the requirements of the relevant financial reporting framework as well as the basis of the hourly fee, derived from the company's internal accounting, employed in the capitalization of incremental costs of obtaining new customer contracts. • We have performed sample tests and analytical audit measures aimed at verifying the correctness of capitalization transactions of contract costs in the bookkeeping records. • As regards the valuation calculations of incremental contract costs, we have assessed critically the foundations and management judgment underlying projections of proceeds and related costs. Additionally, we have assessed the appropriateness of depreciation period employed. • We have assessed the appropriateness of the notes to the consolidated financial statements and parent company´s financial statements concerning incremental contract costs.

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 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 11.6 million of software-related development costs have been capitalized in the consolidated and parent company balance sheet. The balance of the capitalized software development costs in the consolidated balance sheet amounted to EUR 24.6 million or 55 % 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 24.5 million or 66 % 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. • The company employs projected cash flows in the estimation of the recoverable amount from software development costs. 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.	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 costs by reviewing the cash flow projections related to the most significant projects and the technical integrity of the calculations. • 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 27.9 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 cash flow estimates employed in the calculations, the appropriateness of the discount rate applied, the technical integrity of the calculations prepared, and we have also compared the estimates used to the market- and sector-based information. We have assessed critically the foundations and management assumptions underlying the future cash flow projections. • 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

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.

Auditor's Report 1 January - 31 December 2021

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 9 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, 7 February 2022
KPMG OY AB

Juho Rautio, Authorised Public Accountant, KHT www.talenom.fi