

TALENOM'S HALF-YEAR REPORT 2022: STRONG FINANCIAL DEVELOPMENT CONTINUED AND THE STRATEGY WAS DETERMINEDLY PROGRESSED

1 January–30 June 2022
(Unaudited)

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

Talenom's growth history is strong – average annual net sales growth 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 Market of Nasdaq Helsinki.



TALENOM

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TALENOM'S HALF-YEAR REPORT 2022: STRONG FINANCIAL DEVELOPMENT CONTINUED AND THE STRATEGY WAS DETERMINEDLY PROGRESSED

JANUARY–JUNE 2022 IN BRIEF

- Net sales EUR 52.2 million (41.7), growth 25.2% (23.1)
- EBITDA EUR 18.2 million (14.4), 34.8% (34.5) of net sales
- Operating profit (EBIT) EUR 10.0 million (8.6), 19.1% (20.5) of net sales
- Net profit EUR 7.8 million (6.4)
- Earnings per share EUR 0.18 (0.15)

APRIL–JUNE 2022 IN BRIEF

- Net sales EUR 27.0 million (21.4), growth 26.2% (29.6)
- EBITDA EUR 9.3 million (7.2), 34.4% (33.7) of net sales
- Operating profit (EBIT) EUR 5.1 million (4.1), 19.0% (19.4) of net sales
- Net profit EUR 4.1 million (3.1)
- Earnings per share EUR 0.09 (0.07)

GUIDANCE FOR 2022 UNCHANGED (PUBLISHED 16 DECEMBER 2021)

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

KEY FIGURES

Group	1-6/2022	1-6/2021	Change, %	4-6/2022	4-6/2021	Change, %
Net sales, EUR 1,000	52,188	41,687	25.2%	26,979	21,380	26.2%
Net sales, increase %	25.2%	23.1%		26.2%	29.6%	
EBITDA, EUR 1,000	18,155	14,398	26.1%	9,291	7,202	29.0%
EBITDA of net sales, %	34.8%	34.5%		34.4%	33.7%	
Operating profit (EBIT), EUR 1,000	9,993	8,551	16.9%	5,132	4,138	24.0%
Operating profit (EBIT), as % of net sales	19.1%	20.5%		19.0%	19.4%	
Return on investment (ROI), % (rolling 12 months)	15.7%	18.4%		15.7%	18.4%	
Interest-bearing net liabilities, EUR 1,000	43,816	38,141	14.9%	43,816	38,141	14.9%
Net gearing ratio, %	87%	100%		87%	100%	
Equity ratio, %	34.9%	35.6%		34.9%	35.6%	
Net investments, EUR 1,000	15,438	23,454	-34.2%	8,036	13,670	-41.2%
Liquid assets, EUR 1,000	25,562	10,601	141.1%	25,562	10,601	141.1%
Earnings per share, EUR	0.18	0.15	19.6%	0.09	0.07	30.3%
Weighted average number of shares during the period	44,070,003	43,306,302	1.8%	44,070,003	43,416,968	1.5%
Net profit, EUR 1,000	7,799	6,411	21.7%	4,051	3,062	32.3%

CEO OTTO-PEKKA HUHTALA

Financial development in the first half of the year was excellent, despite a challenging operating environment. Our employees have done an excellent job for our customers. Net sales grew by 25.2% (23.1) to EUR 52.2 million (41.7). One-third of the growth was organic and two-thirds came from acquisitions. The EBITDA margin was 34.8% (34.5) and the EBIT margin 19.1% (20.5). 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.

Net sales growth was strong. The positive development in Finnish operations continued, with net sales growth of 16.4% in the second quarter and the same in the first half of the year. In addition to acquisitions, net sales growth was boosted by new customer acquisitions and sales of value-added services. Development on the Swedish market was also strong, mainly driven by acquisitions. Net sales increased by 77.3% during the second quarter and by 75.5% during the first half of the year.

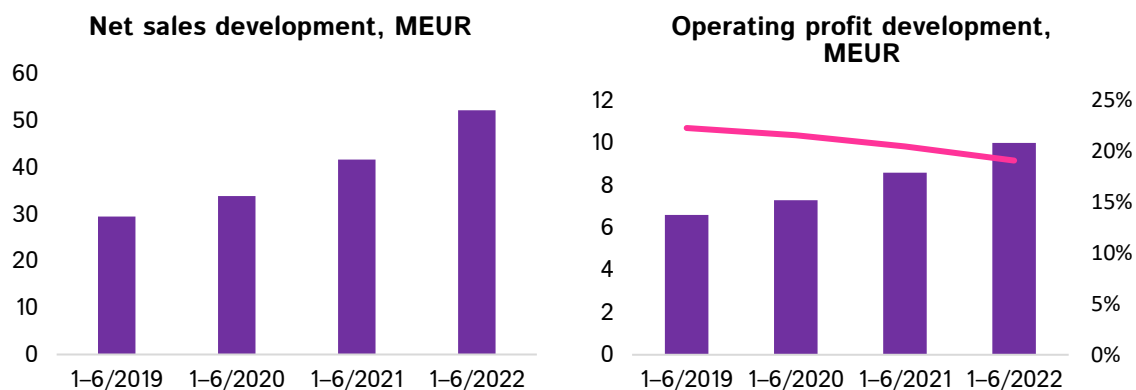
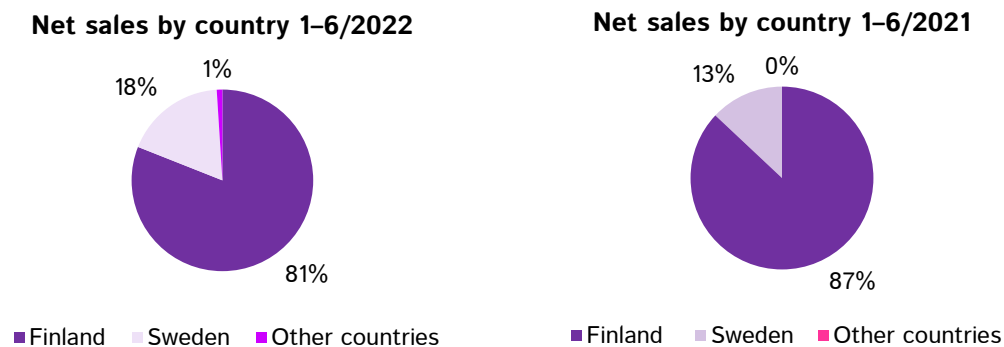
We continued to implement the strategy as planned and made progress in all three growth areas: active sales kicked off well in Sweden and we continued to grow the sales organization, in Finland, we promoted our digital sales channel in the small customer segment and started digital marketing activities in the segment, as well as implemented a number of acquisitions that support our strategy and growth in all operating countries. In Sweden, we continued to prepare for the large-scale implementation of our own software, which is planned to take place in the autumn. We want to utilise our accumulated expertise and be involved in the digitalisation of the European accounting service market, and we have continued researching new accounting service markets as planned.

Trends affecting our industry include the accelerating digital transformation driven by EU's Green Transition projects, and a number of EU-level legislative projects, such as the Payment Services and e-Invoicing Directive. We estimate that over 90% of European companies employ less than five people. We believe a majority of small businesses do not yet use a financial management platform. The above drivers have an impact on the fact that smaller and smaller companies are adopting financial management platforms. We have, therefore, developed our small customer concept and digital sales. To our understanding customer retention in the chosen financial management platform is strong. To speed up the implementation of our software platform in Spain, we acquired the locally operating Nomo customer interface. Our aim is to integrate Nomo into Talenom's own software. Talenom's vision is to be a one stop shop for a software platform, accounts and cards, and accounting services which we believe provides the best possible customer experience and retention.

The first half of the year went very well in terms of profitability and in accordance with the typical seasonality of our business. Our inflation resistance is good. We will grow our investments in strategic growth projects in the second half of the year. We, e.g., accelerate the scaling of our small customers business, implement our software in Sweden and speed up the business ramp-up in Spain. These actions will be visible as increased investments and costs.

We reiterate our guidance and expect 2022 net sales to be around EUR 100-110 million and EBIT to be EUR 15-18 million.

GROUP FINANCIAL DEVELOPMENT JANUARY-JUNE 2022



Net sales increased by 25.2% to EUR 52.2 million (41.7). 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 or the war in Ukraine had no significant impact on operations.

Personnel costs amounted to EUR 27.6 million (22.4) representing 52.9% (53.7) of net sales. Other operating expenses, including materials and services, totalled EUR 6.9 million (5.2) or 13.3% (12.4) of net sales.

Operating profit increased by 16.9% and amounted to EUR 10.0 million (8.6) or 19.1% (20.5) of net sales. Net profit grew by 21.7% to EUR 7.8 million (6.4). 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.

GROUP'S FINANCIAL PERFORMANCE APRIL-JUNE 2022

Net sales increased by 26.2% to EUR 27.0 million (21.4). Slightly over one-half of net sales growth came from acquisition and close on one-half was organic. Operating profit increased by 24.0% to EUR 5.1 million (4.1) or 19.0% (19.4) of net sales. Net profit grew by 32.3% to EUR 4.1 million (3.1).

COUNTRY-SPECIFIC FINANCIAL DEVELOPMENT

FINLAND

	1-6/2022	1-6/2021	Change, %	4-6/2022	4-6/2021	Change, %
Net sales, EUR 1,000	42,369	36,389	16.4%	21,404	18,387	16.4%
Net sales growth, %	16.4%	12.8%		16.4%	18.0%	
EBITDA, EUR 1000	16,976	13,826	22.8%	8,512	6,733	26.4%
EBITDA of net sales, %	40.1%	38.0%		39.8%	36.6%	
Depreciation and amortisations, EUR 1,000	-7,308	-5,380	35.8%	-3,695	-2,797	32.1%
Operating profit, EUR 1,000	9,668	8,446	14.5%	4,816	3,936	22.4%
Operating profit of net sales, %	22.8%	23.2%		22.5%	21.4%	

JANUARY-JUNE 2022

Net sales increased by 16.4% to EUR 42.4 million (36.4). Two thirds of the growth was organic and one third 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.

APRIL-JUNE 2022

Net sales increased by 16.4% to EUR 21.4 million (18.4). Approximately 85 percent of the growth was organic and 15 percent came from acquisitions. Organic growth was driven by increased customer numbers and sales of value-added services.

Automation development had a positive and acquisitions and increased depreciation levels a negative effect on relative profitability.

SWEDEN

	1-6/2022	1-6/2021	Change, %	4-6/2022	4-6/2021	Change, %
Net sales, EUR 1,000	9,297	5,298	75.5%	5,308	2,993	77.3%
Net sales growth, %	75.5%	231.2%		77.3%	223.6%	
EBITDA, EUR 1,000	1,294	572	126.3%	833	469	77.7%
EBITDA of net sales, %	13.9%	10.8%		15.7%	15.7%	
Depreciation and amortisations, EUR 1,000	-805	-467	72.2%	-427	-266	60.6%
Operating profit, EUR 1,000	489	104	368.4%	406	203	100.0%
Operating profit of net sales, %	5.3%	2.0%		7.6%	6.8%	

JANUARY-JUNE 2022

Net sales increased by 75.5% to EUR 9.3 million (5.3). Net sales growth came mainly from acquisitions.

Operating profit increased from the comparison period and was 5.3% (2.0) 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.

APRIL-JUNE 2022

Net sales increased by 77.3% to EUR 5.3 million (3.0). Net sales growth came mainly from acquisitions.

Operating profit increased from the comparison period and was 7.6 % (6.8) of net sales.

OTHER COUNTRIES

	1-6/2022	1-6/2021	Change, %	4-6/2022	4-6/2021	Change, %
Net sales, EUR 1,000	522			267		
Net sales growth, %						
EBITDA, EUR 1,000	-115			-54		
EBITDA of net sales, %	-22.1%			-20.1%		
Depreciation and amortisations, EUR 1,000	-49			-37		
Operating profit, EUR 1,000	-164			-90		
Operating profit of net sales, %	-31.4%			-33.9%		

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. In addition to the agreed transactions of the locally operating Nomo platform and a small business transaction, we also researched other potential acquisition targets to strengthen our accounting firm operations.

BALANCE SHEET, FINANCING AND INVESTMENTS

On 30 June 2022, the consolidated balance sheet total was EUR 144.1 (107.6) million. The Group's equity ratio was 34.9% (35.6) and net gearing was 87.0% (100.0). The Group's interest-bearing non-current financial loans at the end of the review period were EUR 60.2 (40.0) million, excluding instalment debts. Other non-current interest-bearing liabilities (instalment debts) were EUR 0.1 (0.3) million and other current interest-bearing liabilities (instalment debts) were EUR 0.2 (0.2) million. Net cash flow from operating activities increased and was EUR 15.7 (13.0) million. During the review period a total of EUR 20.0 million has been borrowed for acquisitions.

In accordance with IFRS 16, non-current lease liabilities stood at EUR 5.7 (5.7) million and current lease liabilities at EUR 3.2 (2.6) million on 30 June 2022.

The Group recognises the costs of new customer contracts, such as costs of obtaining and fulfilling a contract, as investments as specified in IFRS 15. These costs are presented in the balance sheet under "capitalised contract costs". Furthermore, the Group recognises part of the development costs related to software and digital services as investments according to the requirements outlined in IAS 38. These costs are presented in the balance sheet under "other intangible assets".

Investments stemming from new customer contracts amounted to EUR 1.7 (1.9) million in the review period. Investments concerning software and digital services amounted to EUR 6.1 (5.7) 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 five business entities as share transactions and four as business acquisitions in Finland and Sweden. The purchase prices of the share transactions

carried out during the review period totalled EUR 7.1 million, including recognition of contingent consideration, and the purchase prices of business acquisitions amounted to EUR 0.3 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 7.2 million (15.1) of net investments. Read more about acquisitions under “Acquisitions in the review period”.

The total net investments on 1 January–30 June 2022 were EUR 15.4 (23.5) million.

Investments	1 Jan–30 Jun 2022	1 Jan–30 Jun 2021	Change
New customer agreements, EUR 1,000	1,718	1,944	-226
Software and digital services, EUR 1,000	6,136	5,683	453
Acquisitions in Finland, EUR 1,000	402	8,012	-7,610
Acquisitions abroad, EUR 1,000	6,827	7,099	-273
Other investments	355	715	-360
Total net investments, EUR 1,000	15,438	23,454	-8,016

Talenom’s liquid assets on 30 June 2022 were EUR 25.6 (10.6) million.

ACQUISITIONS DURING THE REVIEW PERIOD

Business acquisitions during the review period:

- Accodome Oy, Finland
- Tilitoimisto Kuopion Tili-Consults Oy, Finland
- Saarijärven Tilipalvelu Oy, Finland
- PJ Yrityspalvelu Oy, Finland

Share transactions during the review period:

- MH Konsult Väst AB, Sweden
- Kjell Wengbrand Redovisnings AB, Sweden
- Lindgren & Lindgren Ekonomi AB, Sweden
- Confido Redovisning AB, Sweden
- Redovisningsbyrå Öckerö AB, Sweden

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

EUR 1,000	Share transactions	Business acquisitions
Total purchase prices	4,290	356
Maximum contingent consideration	2,563	46
Net sales, previous 12 months at time of purchase, total	5,960	1,279
Operating profit, previous 12 months at time of purchase, total	439	74

In acquisitions, part of the purchase price was paid with new Talenom Plc shares subscribed for in directed issues. A total of 162,470 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 in the table section of this release.

ACQUISITIONS AFTER THE REVIEW PERIOD

Business acquisitions:

- Nomo, Spain, starting from 1 October 2022
- ACompany Asesoraria Y Gestion de Empresas, Spain, starting from 1 August 2022

Share transactions:

- Mazars Sweden, starting from 1 September 2022

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

EUR 1,000	Share transactions	Business acquisitions
Total purchase prices	4,660	3,200
Maximum contingent consideration	7,083	0
Net sales, previous 12 months at time of purchase, total	5,126	1,200
Operating profit, previous 12 months at time of purchase, total	1,000	-700

PERSONNEL AND MANAGEMENT

Talenom had 1,220 (1,057) employees on 30 June 2022. The average number of personnel during the review period 1 January–30 June 2022 was 1,147 (983). Since 10 January 2022, 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 2022

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

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

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

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

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

The Annual General Meeting authorised the Board of Directors to resolve on the repurchase of a maximum of 150,000 own shares in the company in one or several tranches using the company's unrestricted shareholders' equity. The shares will be repurchased otherwise than in proportion to the shareholdings of the shareholders in public trading arranged by Nasdaq Helsinki Ltd for the market price at the moment of purchase. The authorisation remains valid until the closing of the next Annual General Meeting, but no longer than until 30 June 2023. The authorisation replaces the previous authorisation to repurchase own shares granted by the Annual General Meeting on 3 March 2021.

The Annual General Meeting authorised the Board of Directors to resolve on the issuance of shares and the issuance of special rights entitling to shares as referred to in Chapter 10 Section 1 of the Finnish Limited Liability Companies Act in one or several tranches, either against payment or without payment. The aggregate number of shares to be issued, including the shares to be received based on special rights, must not exceed 2,100,000 shares. The Board of the Directors may resolve to issue new shares or to transfer own shares possibly held by the company. The maximum amount of the authorisation corresponds to approximately 4.8 per cent of all shares in the company. The Board of Directors is authorised to decide on all other matters related to the issuance of shares and special rights entitling to shares, including the right to deviate from the pre-emptive right of shareholders to subscribe for shares to be issued. The authorisation is used for the purposes of paying purchase prices of corporate acquisitions, share issues directed to personnel or share award schemes or to issue share options or for other purposes decided by the Board of Directors. The authorisation remains valid until the closing of the next Annual General Meeting, but no longer than until 30 June 2023. The authorisation revokes all previous unused authorisations to resolve on the issuance of shares, option rights and other special rights entitling to shares.

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

STOCK OPTION SCHEMES AND SHARE-BASED INCENTIVE SCHEMES

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

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

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

The options granted and the holdings or undistributed options of the company are divided into option categories on 30 June 2022 as follows:

Option categories (pcs)	2019	2021	2022
Options given	1,200,000	600,000	500,000
Options exercised	787,000	0	0
Talenom Plc's holding or undistributed	276,000	105,000	19,000
Options given but not exercised	137,000	495,000	481,000

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

Option categories	2019	2021	2022
The current subscription price of options	2.93	13.44	9.46
Total number of unexercised options	137,000	495,000	481,000
Exercised or Talenom Plc's holding or undistributed	1,063,000	105,000	19,000
Number of shares on 30 December 2021	44,760,055	44,760,055	44,760,055
Number of shares if all options are converted into new shares	44,897,055	45,255,055	45,241,055
Proportion of holdings and votes if all options are converted into new shares	0.305%	1.094%	1.063%

The total number of shares will rise from 44,760,055 to 45,873,055, provided that all options under option types 2019, 2021 and 2022 are used in full to subscribe for new shares. The total voting and holding rights from both option types is 2.426%, 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	<ul style="list-style-type: none"> consolidated operating profit internationalization growth as well as share of net sales from value-added services 	<ul style="list-style-type: none"> consolidated net sales operating profit and implementation of strategic projects
Rewards to be paid from the performance period	The rewards correspond to the value of an approximate maximum total of 326,000 Talenom Plc shares, including also the proportion to be paid in cash	The rewards correspond to the value of an approximate maximum total of 239,900 Talenom Plc shares, including also the proportion to be paid in cash
Target group	Approximately 50 persons, including the company's Executive Board members	Approximately 85 persons, including the company's Executive Board members
Payment of the rewards	No later than April 2023	No later than April 2024

Restricted Share Plan

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

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

SHARES AND SHAREHOLDERS

On 30 June 2022, Talenom Plc had a total of 44,760,055 shares entered in the Trade Register. The company held 150,600 treasury shares (0.34% of the total number of shares and votes) on 30 June 2022. On 30 June 2022, Talenom had a total of 9,619 (7,655) shareholders. The number of shareholders is based on information collected by Modular Finance from various sources, such as Euroclear Finland Oy.

A total of 7,779,346 shares were traded in January-June, and the value of the shares traded was EUR 75,550,570. The highest price of the share was EUR 12.00, and the lowest price was EUR 7.75. The volume weighted average price was EUR 9.71 and the closing price at the end of the review period was EUR 9.70. In accordance with the closing price, the combined market value of the shares was approximately EUR 434.2 million.

FLAGGING NOTIFICATIONS

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

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

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

SIGNIFICANT EVENTS DURING THE REVIEW PERIOD

As part of acquisitions, Talenom decided to issue 72,301 new shares in a directed share issue for the sellers of the acquisition targets, i.e., Kjell Wengbrand Redovisnings AB and MH Konsult Väst AB. The subscription date for the shares was 11 January 2022. The number of new shares issued corresponded with some 0.17% of all Talenom Plc's shares prior to the share issue. The new shares carried shareholder rights as of their registration day on 13 January 2022.

The 357,000 new shares subscribed for in line with Talenom Plc's 2019 terms and conditions for option rights were registered in the Trade Register on 24 March 2022. The total subscription price, EUR 1,046,010.00, was recognised in full in the company's reserve for invested unrestricted equity. Talenom Plc's Board of Directors decided on 21 March 2022 on a directed free share issue in line with the terms and conditions of the Restricted Share Plan 2021 for the payment of remuneration. The share issue distributed 21,333 new Talenom Plc shares free of charge. The shares were registered in the Trade Register on 24 March 2022.

The Board of Directors decided on 21 March 2022 to distribute a maximum of 500,000 option rights free of charge to Talenom Group's 86 key persons in line with the terms and conditions of Talenom Plc's 2022 Option Scheme. The decision is based on the authorization given by the Annual General Meeting to the Board of Directors on 3 March 2022.

As part of acquisitions, Talenom decided to issue 90,169 new shares on 29 March 2022 in a directed share issue for the sellers of the acquisition targets, i.e., Lindgren & Lindgren Ekonomi AB, Confido Redovisning AB and Redovisningsbyrå Öckerö AB. The subscription date for the shares was 4 April 2022. The number of new shares issued corresponded with some 0.20 percent of all Talenom Plc's shares prior to the share issue.

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

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

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

EVENTS AFTER THE REVIEW PERIOD

Talenom has agreed on 30 May 2022 to acquire the accounting services of Swedish Mazars Sweden. The acquired business will be transferred to Talenom starting from 1 September 2022.

Talenom Plc has agreed on 30 June 2022 to acquire the Spanish platform business called Nomo in an asset deal. The acquired business will be transferred to Talenom starting from 1 October 2022.

Talenom announced on 7 July 2022 the acquisition of the Spanish accounting business ACompany Asesoraria Y Gestion de Empresas SL. The acquired business will be transferred to Talenom on 1 August 2022.

FINANCIAL REPORTING

Talenom publishes its Business Review for January–September on Tuesday, 25 October 2022.

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 global economic and geopolitical development 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.

In addition to organic growth, the guidance includes an estimation of possible acquisitions during 2022, which are subject to significant uncertainty. As in the ongoing year, the majority of 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.

ACCOUNTING PRINCIPLES OF THE HALF YEAR FINANCIAL REPORT

The Half Year Financial Report has been prepared in accordance with IAS 34 Interim Financial Reporting and its accounting policies are presented in the financial statement 2021 published by the company. The financial statement is available on the company's investor pages at www.sijoittajat.talenom.fi/en/.

The operating segments have been formed based on geographical areas. Segment reporting is based on the operating countries of the Group companies. Countries in the early development phase are reported as a whole. The figures in the financial statements have been audited. The Company reports commonly applied alternative performance measures to reflect the underlying business performance and enhance comparability between financial periods. Alternative performance measures not based on IFRS standards provide notable additional information to company management, investors and other interested parties. Alternative performance measures should not be considered as a substitute for key figures in accordance with IFRS. Alternative performance measures used by the company include operating profit (EBIT), operating profit (EBIT) as % of net sales, EBITDA, EBITDA as % of net sales, return on investment (ROI) %, interest-bearing net liabilities, net gearing ratio %, equity ratio % and net investments. The formulas are presented below in the section "Formulas".

TABLES

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

EUR 1,000	1-6/2022	1-6/2021	1-12/2021
Net sales	52,188	41,687	82,808
Other operating income	522	281	729
Materials and services	-1,767	-1,354	-3,052
Employee benefit expenses	-27,622	-22,388	-44,618
Depreciation and amortisations	-8,162	-5,847	-12,899
Other operating expenses	-5,167	-3,828	-8,204
Operating profit	9,993	8,551	14,763
Financial income	235	70	109
Financial expenses	-445	-528	-880
Net financial expenses	-210	-458	-771
Profit (loss) before taxes	9,783	8,093	13,991
Income taxes	-1,984	-1,683	-3,198
Profit (loss) for the financial period	7,799	6,411	10,794
Other items of comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Translation differences	36	8	3
Total comprehensive income for the financial period	7,835	6,419	10,796
Earnings per share calculated on the profit attributable to equity holders of the parent company			
Undiluted earnings per share (euro)	0.18	0.15	0.25
Diluted earnings per share (euro)	0.18	0.15	0.25

CONSOLIDATED BALANCE SHEET

EUR 1,000	30 Jun. 2022	30 Jun. 2021	31 Dec. 2021
ASSETS			
Non-current assets			
Goodwill	43,220	32,612	37,284
Other intangible assets	39,336	32,420	36,323
Right-of-use assets	8,756	8,041	8,626
Property, plant and equipment	2,619	2,792	2,784
Other non-current financial assets	850	337	852
Deferred tax assets	121	89	90
Capitalised contract costs	11,911	11,492	11,805
Total non-current assets	106,813	87,783	97,765
Current assets			
Trade and other receivables	11,580	9,162	9,832
Current tax assets	12	10	1
Cash and cash equivalents	25,667	10,601	10,121
Total current assets	37,259	19,773	19,954
Total assets	144,072	107,557	117,718
CAPITAL AND RESERVES			
Share capital	80	80	80
Reserve for invested unrestricted equity	25,630	20,314	21,587
Retained earnings	24,529	17,807	23,051
Total equity	50,239	38,201	44,718
LIABILITIES			
Non-current liabilities			
Financial liabilities	60,143	40,000	40,203
Trade and other payables	4,121	3,143	2,211
Lease liabilities	5,675	5,654	5,985
Deferred tax liabilities	2,139	1,879	2,030
Total non-current liabilities	72,077	50,676	50,429
Current liabilities			
Financial liabilities	104	0	0
Trade and other payables	17,902	14,833	17,911
Lease liabilities	3,181	2,580	2,850
Current tax liabilities	568	1,267	1,810
Total current liabilities	21,755	18,680	22,571
Total liabilities	93,833	69,356	73,000
Total equity and liabilities	144,072	107,557	117,718

CONSOLIDATED CASH FLOW STATEMENT

EUR 1,000	30 Jun. 2022	30 Jun. 2021	31 Dec. 2021
Cash flow from operating activities			
Profit (loss) before taxes	9,783	8,093	13,991
Adjustments:			
Depreciation and amortisations	8,162	5,847	12,899
Financial income	-235	-70	-108
Financial expenses	445	528	879
Other adjustments	749	427	938
Changes in working capital:			
Change in trade and other receivables	-759	-779	-1,121
Change in trade payables and other liabilities	724	817	933
Interest income	51	70	108
Paid taxes	-3,257	-1,941	-2,938
Net cash flow from operating activities	15,663	12,992	25,582
Cash flow from investing activities			
Revenue from the sale of property, plant and equipment	97	138	204
Acquisition of property, plant and equipment	-264	-558	-952
Capitalisation of contract costs	-1,718	-1,944	-3,850
Acquisition of intangible assets	-6,270	-5,708	-11,699
Acquired businesses	-4,875	-5,254	-7,570
Investments	1	0	-515
Net cash flow from investing activities	-13,030	-13,327	-24,382
Cash flow from financing			
Proceeds from share issue	2,303	12	12
Paid interest	-426	-607	-973
Dividends paid	-7,431	-6,480	-6,480
Change in instalment payment liabilities	-47	216	29
Repayment of lease liabilities	-1,591	-1,298	-2,705
Loan withdrawals	20,036	47,000	40,000
Loan repayments	0	-37,000	-30,050
Net cash flow from financing	12,843	1,842	-168
Change in cash and cash equivalents	15,477	1,507	1,032
Cash and cash equivalents, 1 Jan.	10,121	9,104	9,104
Net effect of exchange rate fluctuations on cash and cash equivalents	-36	6	-15
Cash and cash equivalents	25,562	10,617	10,121

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR 1,000	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total
Total equity 1 January 2022	80	21,587	23,051	44,718
Comprehensive income				
Profit for the financial period			7,799	7,799
Average exchange rate difference and translation differences			36	36
Total comprehensive income for the financial period	0	0	7,835	7,835
Transactions with owners				
Dividend distribution and repayment of capital			-7,431	-7,431
Share issue		4,043		4,043
Share-based payments			878	878
Transactions with owners, total	0	4,043	-6,553	-2,509
Changes and other adjustments for previous accounting periods	0	0	196	196
Total equity 30 June 2022	80	25,630	24,529	50,239

EUR 1,000	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total
Total equity 1 January 2021	80	14,818	17,271	32,169
Comprehensive income				
Profit for the financial period			6,411	6,411
Average exchange rate difference and translation differences			8	8
Total comprehensive income for the financial period	0	0	6,419	6,419
Transactions with owners				
Dividend distribution and repayment of capital			-6,480	-6,480
Share issue		5,496		5,496
Share-based payments			569	569
Transactions with owners, total	0	5,496	-5,911	-415
Changes and other adjustments for previous accounting periods	0	0	28	28
Total equity 30 June 2021	80	20,314	17,807	38,201

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

OPERATING SEGMENTS

As the Group grows and expands internationally, the management reporting model has been updated, and as a result the operating segments changed in 2021.

The new operating segments have been formed based on geographical areas. Previously, the Group had only one reportable segment (Accounting Services). Segment reporting is based on the operating countries of the Group companies. Countries in the early development phase are reported as a whole. This division allows us to better describe the economic performance of countries at different stages.

The CEO, as the chief operational decision maker, assesses segment development monthly. Assessment of segment performance is based on the segment's EBITDA and EBIT.

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

Operating segments 1–6/2022

EUR 1,000	Finland	Sweden	Other countries	Group total
Net sales	42,369	9,297	522	52,188
Other income	422	92	9	522
Operating expenses	-25,814	-8,095	-646	-34,556
EBITDA	16,976	1,294	-115	18,155
Depreciation	-6,562	-805	-49	-7,416
Impairment	-746	0	0	-746
Operating profit	9,668	489	-164	9,993

Operating segments 1–6/2021

EUR 1,000	Finland	Sweden	Other countries	Group total
Net sales	36,389	5,298		41,687
Other income	209	71		281
Operating expenses	-22,773	-4,798		-27,571
EBITDA	13,826	572	0	14,397
Depreciation	-4,665	-467		-5,133
Impairment	-714	0		-714
Operating profit	8,446	104	0	8,550

Operating segments 1–12/2021

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

COLLATERAL AND CONTINGENT LIABILITIES

Liabilities secured by an enterprise mortgage	30 Jun. 2022	30 Jun. 2021	31 Dec. 2021
Loans from financial institutions	60,000	40,000	40,000
Enterprise mortgages provided as security	60,360	50,360	50,360
Other deposits and contingent liabilities			
Deposits	3,072	3,072	3,072
Other *	10,775	679	10,823

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

BUSINESS ACQUISITIONS 1 JANUARY-30 JUNE 2022

During the review period, the Group made several business acquisitions in Finland and Sweden.

The transactions are detailed in the table below.

EUR 1,000	Time of acquisition	Transaction type	Method of payment	Acquisition cost	Maximum contingent consideration
MH Konsult Väst AB	13 Jan 2022	Share transaction	Cash and shares	2,172	606
Kjell Wengbrand Redovisnings AB	13 Jan 2022	Share transaction	Cash and shares	909	280
Saarijärven Tilipalvelu Oy	3 Jan 2022	Business acquisition	Cash	70	0
Accodome Oy	1 Feb 2022	Business acquisition	Cash	18	8
Kuopion Tili-Consults Oy	1 Feb 2022	Business acquisition	Cash	142	38
Lindgren&Lindgren Ekonomi AB	4 Apr 2022	Share transaction	Cash and shares	658	186
Confido Redovisning AB	4 Apr 2022	Share transaction	Cash and shares	1,710	746
Redovisningsbyrån Öckerö AB	4 Apr 2022	Share transaction	Cash and shares	1,651	746
PJ Yrityspalvelu Oy	1 May 2022	Business acquisition	Cash and shares	102	0
				7,431	2,609

The contingent acquisition cost recorded from the transaction is based on the management's assessment of the likely outcome of the contingent purchase price.

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

EUR 1,000	Share transactions	Business acquisitions
Development expenditure	0	0
Property, plant and equipment	54	0
Customer relationships	891	402
Right-of-use assets	470	27
Current assets	1,689	0
Total assets	3,104	429
Trade and other payables	1,287	0
Lease liabilities	470	27
Deferred tax liability	184	0
Total liabilities	1,940	27
Net assets	1,164	402
Consideration transferred	7,099	402
Net assets of acquisition target	-1,164	-402
Goodwill	5,935	0

The costs arising from acquisitions are recognised in profit or loss.

If the acquisitions had taken place at the beginning of the financial year 2022, they would have increased the EBIT for the accounting period by an estimated EUR 60,000 and net sales by around EUR 900,000.

BUSINESS ACQUISITIONS IN 1 JAN-30 JUNE 2021

During the review period, the Group acquired 5 business entities as share transactions and 6 as asset purchases in Finland and Sweden. The transactions are detailed in the table below.

1000 euroa	Time of acquisition	Transaction type	Method of payment	Acquisition cost	Maximum contingent consideration
Ekonomianalys KL AB	4 Jan 2021	Share transaction	Cash and shares	2,587	1,558
Persson & Thorin AB	4 Jan 2021	Share transaction	Cash and shares	1,801	682
Balance Systems Oy	1 Feb 2021	Business acquisition	Cash	466	150
Laskentalinja Oy ja Lapinlahden yrityspalvelut Oy	1 Feb 2021	Business acquisition	Cash	256	95
Crescendo Ab	1 Apr 2021	Share transaction	Cash and shares	1,119	345
Progredo Ab	1 Apr 2021	Share transaction	Cash and shares	1,481	49
Tilipalvelu Pirkko Kemppainen Oy	2 Mar 2021	Business acquisition	Cash	353	165
Tilitoimisto Reijo Mäki Oy	1 Apr 2021	Business acquisition	Cash	145	0
Frivolous Oy	1 Apr 2021	Business acquisition	Cash	89	0
Balance-Team Oy	15 Apr 2021	Share transaction	Cash and shares	5,650	700
Lapin Tulostieto Oy	1 Jun 2021	Business acquisition	Cash	280	100
				14,227	3,844

The contingent acquisition cost recorded from the transaction is based on the management's assessment of the likely outcome of the contingent purchase price.

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

EUR 1,000	Share transactions	Business acquisitions
Development expenditure	0	0
Property, plant and equipment	202	50
Customer relationships	4,892	1,554
Right-of-use assets	745	0
Current assets	1,912	0
Total assets	7,751	1,604
Trade and other payables	1,884	137
Lease liabilities	582	0
Deferred tax liability	993	199
Total liabilities	3,459	336
Net assets	4,292	1,268
Consideration transferred	12,638	1,589
Net assets of acquisition target	-4,292	-1,268
Goodwill	8,346	321

The costs arising from acquisitions are recognised in profit or loss.

If the acquisitions had taken place at the beginning of the financial year 2021, they would have increased the EBIT for the accounting period by an estimated EUR 350,000 and net sales by around EUR 1.8 million.

FORMULAS

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

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

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

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

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

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

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

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

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

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

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

TALENOM PLC

Board of Directors

FURTHER INFORMATION:

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