

# Half-year Financial Report 2023

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1 Jan to 30 Jun 2023 (unaudited)



# Half-year Financial Report 2023:

In line with the strategy, Talenom's growth continued as strong. The growth strategy, together with the challenging economic cycle, weakened profitability.

## January–June 2023 in brief

- Net sales EUR 63.7 million (52.2), growth 22.1% (25.2)
- EBITDA EUR 17.2 million (18.2), 27.0% (34.8) of net sales
- Operating profit (EBIT) EUR 7.1 million (10.0), 11.2% (19.1) of net sales
- Net profit EUR 4.2 million (7.8)
- Earnings per share EUR 0.09 (0.18)

## April–June 2023 in brief

- Net sales EUR 32.4 million (27.0), growth 20.1% (26.2)
- EBITDA EUR 8.9 million (9.3), 27.3% (34.4) of net sales
- Operating profit (EBIT) EUR 3.7 million (5.1), 11.3% (19.0) of net sales
- Net profit EUR 2.2 million (4.1)
- Earnings per share EUR 0.05 (0.09)

## Guidance for 2023 (specified)

Talenom estimates that 2023 net sales will be about EUR 125–130 million (previously EUR 120–130 million) and that its euro-denominated EBITDA and operating profit will grow from 2022.

## Key figures

Group	1–6/2023	1–6/2022	Change, %	4–6/2023	4–6/2022	Change, %
Net sales, EUR 1,000	63,720	52,188	22.1%	32,409	26,979	20.1%
Net sales, growth %	22.1 %	25.2 %		20.1 %	26.2 %	
EBITDA, EUR 1,000	17,228	18,155	-5.1%	8,862	9,291	-4.6%
EBITDA of net sales, %	27.0%	34.8%		27.3%	34.4%	
Operating profit (EBIT), EUR 1,000	7,123	9,993	-28.7%	3,665	5,132	-28.6%
Operating profit (EBIT), as % of net sales	11.2%	19.1%		11.3%	19.0%	
Return on investment (ROI), % (rolling 12 months)	9.7%	15.7%		9.7%	15.7%	
Cash flow from operations, EUR 1,000	14,932	15,663	-4.7%			
Interest-bearing net liabilities, EUR 1,000	70,438	43,816	60.8%	70,438	43,816	60.8%
Net gearing ratio, %	126%	87%		126%	87%	
Equity ratio, %	32.8%	34.9%		32.8%	34.9%	
Net investments, EUR 1,000	24,848	15,438	61.0%	12,207	8,036	51.9%
Liquid assets, EUR 1,000	10,789	25,562	-57.8%	10,789	25,562	-57.8%
Earnings per share, EUR	0.09	0.18	-47.0%	0.05	0.09	-47.9%
Weighted average number of shares during the period	45,004,577	44,070,003	2.1%	45,115,100	44,070,003	2.4%
Net profit, EUR 1,000	4,219	7,799	-45.9%	2,162	4,051	-46.6%

## CEO Otto-Pekka Huhtala

The European accounting market is becoming digitalized and consolidated. The EU's e-Invoicing Directive practically forces Member States to oblige companies to implement software that enables sending and receiving e-invoices. In Finland, the e-invoicing rate of SMEs is about 80% while, for example, in Sweden and Spain the development is in its infancy. We have systematically developed our software platform to respond to the changes in the operating environment brought on by digitalization. In view of the digitalization process that has been set in motion, we have chosen strong growth as a strategic focus area. Our strategic focus on international growth will reduce our relative profitability as planned in the short term but also creates good conditions for profitability growth in the coming years.

During the first half of the year, we made determined progress on strategic priorities:

1. Digital sales progressed supported by a unified brand, new website and more attractive productization. The digital purchasing path was simplified. For example, the Talenom software product can be implemented as a self-service.
2. Distribution of banking services progressed and we began distributing Talenom Accounts. This means significant savings and ease of banking for customers. We also believe that Talenom Accounts will advance new customer acquisition.
3. In Sweden, implementation of our own platform has focused on refining functionalities and introducing new features. We have now reached a point in the long and challenging project where we are pleased to say that we are accelerating the introduction of the platform gradually, office by office after the holiday season. The Swedish project has taught us a lot about the introduction of our own platform in a new country. At the same time, we have created an ability to deploy the platform in new countries and a scalable platform architecture. Based on the experience in Finland, the introduction of Talenom's processes and platform enables reducing routine work to up to a quarter of the current time spent on such tasks.

In the first half of the year, our net sales grew by 22.1% (25.2) to EUR 63.7 million (52.2). The growth was based on several acquisitions in Sweden and Spain and organic growth in Finland. Net sales were below the targeted level due to the reflection effects of a general economic slowdown and the weak Swedish krona. The general slowdown in the economy resulted in a reduction in volume-based invoicing per customer as customers' business activity declined, and also in increased business closures. We estimate that the negative effect of these in total on net sales was about 4%.

EBITDA for the first half of the year was EUR 17.2 million (18.2). The EBITDA margin remained strong and was 27.0 (34.8). Operating profit was EUR 7.1 million (10.0) and the EBIT margin was 11.2% (19.1). Relative profitability was depressed by our planned frontloaded investments in growth, wage inflation, the system platform acquired in Spain, as well as integration and other non-recurring costs arising from acquisitions. In the first half of the year, growth investments and the integration and other non-recurring costs of the Spanish platform and acquisitions were over EUR 3 million higher than in the comparison period. We launched significant profitability improvement measures for the whole Group during spring, the most significant actions being temporary suspension of recruitment and cutting our fixed cost structure.

In the first half of the year, net sales in Finland grew by 10.2% (16.4) to EUR 46.7 million (42.4). EBITDA was EUR 16.6 million (16.8) and the EBITDA margin was still excellent at 35.6 (39.6). Overall, net sales growth was slower than we expected due to the effects of the general slowdown in the economy. At the same time, new customer acquisition has been successful and customer prices were raised in line with inflation. In resourcing, we prepared for stronger growth, which together with weaker than expected net sales depressed profitability. In the spring, we launched measures to improve profitability in Finnish operations, and we expect profitability to return to the high level of the previous year in the second half of the year. In automation, we also achieved

a significant leap forward when the first monthly accounts were created completely automatically, without any manual steps. This will have a positive impact on Finland's profitability in coming years.

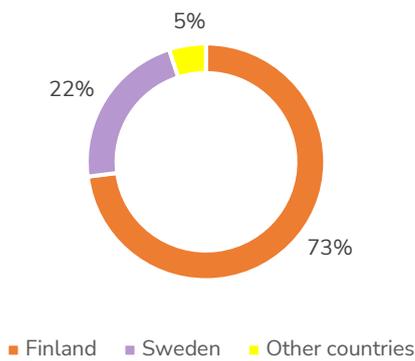
In Sweden, growth continued as strong driven by acquisitions. In the first half of the year, our net sales grew by 50.9% (75.5) to EUR 14.0 million (9.3). Sweden's growth figures were significantly weakened by the weak Swedish krona. EBITDA was EUR 1.3 million (1.3) and the EBITDA margin was 9.6 (13.9). Profitability in Sweden is still being depressed by the planned acceleration of integration and the introduction of our platform, as well as the resourcing required for these activities. In addition, growth and profitability were weakened by the reflection effects of a general economic slowdown. After a period of strong growth, we are now focusing on reaping the economic benefits of a unified approach and the platform. Therefore, we will slow down our acquisition pace for the near future. We estimate that the measures will improve profitability already in the second half of the year.

In Spain, acquisition-driven growth accelerated. We have utilized our experience of becoming established in Sweden and strengthened resources in management on a front-loaded basis while simplifying and accelerating integration processes. In Spain, we also harmonized our product offering to boost growth and launched robotics projects to improve process efficiency. Measured by EBITDA, the Spanish accounting business is profitable but the share of support functions in the business is still high as planned. We expect the Spanish businesses to improve their relative profitability considerably as the business volume grows and Talenom's efficient processes are implemented. The profitability of the Spanish business is still burdened by the platform business acquired in the autumn 2022. The platform enables customer segmentation, which supports profitable growth. We will continue growing strongly in Spain trying to fully utilize the opportunities offered by the implementation of the EU e-Invoicing Directive. In Italy, we continue to learn about the market and operating environment through the acquisition we completed.

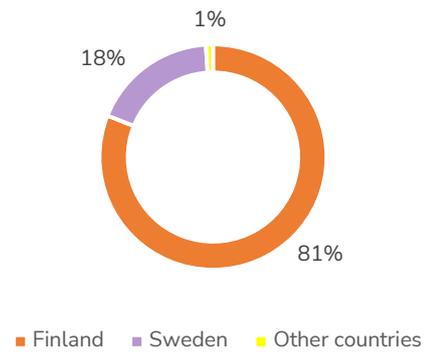
We specify our guidance in terms of net sales. We estimate that our net sales will be about EUR 125–130 million this year (previously 120-130) and that euro-denominated EBITDA and operating profit will grow from 2022.

## Group's financial performance January-June 2023

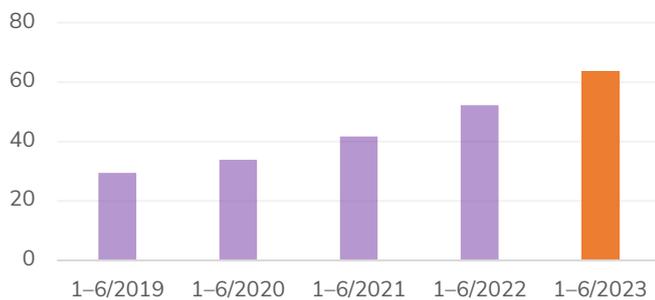
Net sales by country 1-6/2023



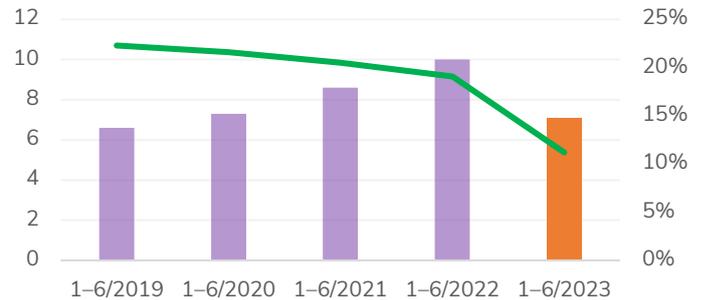
Net sales by country 1-6/2022



Net sales development, EUR million



EBIT development, EUR million



Net sales increased by 22.1% to EUR 63.7 million (52.2). About two-thirds of the net sales growth came from acquisitions, especially in Sweden and Spain, and about one-third organically through growth in customer numbers and sales of value-added services in Finland. Net sales were below the targeted level due to the reflection effects of a general economic slowdown and the weak Swedish krona. The general slowdown in the economy resulted in a reduction in volume-based invoicing per customer as customers' business activity declined, and also in increased business closures. Talenom estimates that the combined negative impact on net sales was about 4%.

Personnel costs amounted to EUR 37.0 million (27.6) representing 58.1% (52.9) of net sales. Other operating expenses, including materials and services, totalled EUR 9.8 million (6.9) or 15.4% (13.3) of net sales.

Operating profit decreased by 28.7% to EUR 7.1 million (10.0) or 11.2% (19.1) of net sales. Relative profitability was depressed by frontloaded investments in growth, wage inflation, personnel and other costs related to the system platform acquired in Spain, as well as integration and other costs arising from acquisitions. In the first half of the year, growth investments and the integration and other non-recurring costs of the Spanish platform and acquisitions were more than EUR 3 million higher than in the comparison period. Net profit decreased by 45.9% to EUR 4.2 million (7.8).

## Group's financial performance April-June 2023

Net sales increased by 20.1% to EUR 32.4 million (27.0). About two-thirds of the net sales growth came from acquisitions and about one-third organically through growth in customer numbers and sales of value-added services in Finland. The weakening of the Swedish krona continued and the general slowdown in the economy intensified in the second quarter. The slowdown has resulted in a reduction in volume-based

invoicing per customer as customers' business activity declined, and in increased business closures. Talenom estimates that the combined negative impact on net sales was about 6%.

Operating profit decreased by 28.6% to EUR 3.7 million (5.1) or 11.3% (19.0) of net sales. Relative profitability was depressed by frontloaded investments in growth, wage inflation, personnel and other costs related to the system platform acquired in Spain, as well as integration and other costs arising from acquisitions. Net profit decreased by 46.6% to EUR 2.2 million (4.1).

## Country-specific financial development

### Finland

	1-6/2023	1-6/2022	Change	4-6/2023	4-6/2022	Change
Net sales, EUR 1,000	46,709	42,369	10.2%	23,332	21,404	9.0%
Net sales growth, %	10.2%	16.4%		9.0%	16.4%	
EBITDA, EUR 1000	16,622	16,786	-1.0%	8,344	8,512	-2.0%
EBITDA of net sales, %	35.6%	39.6%		35.8%	39.8%	
Depreciation and amortisations, EUR 1,000	-8,529	-7,308	16.7%	-4,374	-3,696	18.4%
Operating profit, EUR 1,000	8,093	9,478	-14.6%	3,970	4,817	-17.6%
Operating profit of net sales, %	17.3%	22.4%		17.0%	22.5%	

### January-June 2023

Net sales increased by 10.2% to EUR 46.7 million (42.4). Net sales growth was organic and driven by increased customer numbers and sales of value-added services. The overall economic slowdown weakened growth, although new customer acquisition remained at a good level.

Relative profitability decreased both measured by EBITDA and operating profit. Profitability was still at an excellent level.

### April-June 2023

Net sales increased by 9.0% to EUR 23.3 million (21.4). Net sales growth was driven by increased customer numbers and sales of value-added services. Overall economic development was negatively reflected in growth. The general slowdown in the economy resulted in a reduction in volume-based invoicing per customer as customers' business activity declined, and in increased business closures the effects of which became more strongly visible in the second quarter. Price adjustments made against inflationary cost increases were significantly eroded due to the effects of the general slowdown in the economy.

Relative profitability decreased both measured by EBITDA and operating profit. Relative profitability was weakened by higher costs and lower than expected growth. In the spring, Talenom launched measures to improve profitability in its Finnish businesses. The most significant measure being the temporary suspension of recruitment until the desired profitability level has been achieved as a result of growth. In addition, the company reviews its fixed cost structure in premise and subcontracting agreements and adjustments of other costs.

## Sweden

	1-6/2023	1-6/2022	Change	4-6/2023	4-6/2022	Change
Net sales, EUR 1,000	14,026	9,298	50.9%	7,299	5,308	37.5%
Net sales growth, %	50.9%	75.5%		37.5%	77.3%	
EBITDA, EUR 1000	1,340	1,294	3.5%	540	833	-35.2%
EBITDA of net sales, %	9.6%	13.9%		7.4%	15.7%	
Depreciation and amortisations, EUR 1,000	-1,189	-805	47.6%	-603	-428	41.1%
Operating profit, EUR 1,000	151	489	-69.1%	-63	406	-115.6%
Operating profit of net sales, %	1.1%	5.3%		-0.9%	7.6%	

### January-June 2023

Net sales increased by 50.9% to EUR 14.0 million (9.3). Net sales growth came mainly from acquisitions. The weak Swedish krona had a negative impact on euro-denominated net sales development.

Relative EBITDA was 9.6% (13.9) and the operating profit was 1.1% (5.3) of net sales. Sweden's profitability was depressed by strengthening the organization, accelerating integration, and implementation of the own software. The weak Swedish krona had a negative impact on euro-denominated EBITDA development.

### April-June 2023

Net sales increased by 37.5% to EUR 7.3 million (5.3). Net sales growth came mainly from acquisitions. Growth was slowed down by the reflection effects of a general economic slowdown. In addition, the weaker Swedish krona had a negative impact on euro-denominated net sales development.

Relative profitability decreased. The EBITDA margin was 7.4% (15.7) and the EBIT margin -0.9% (7.6). Profitability in Sweden was still depressed by the planned acceleration of integration and the introduction of our own platform, as well as the resourcing required for these activities. Profitability was also weakened by the reflection effects of a general economic slowdown, in addition to which the weak Swedish krona had a negative impact on euro-denominated EBITDA development. In Sweden, after a period of strong growth, Talenom is slowing down the implementation of acquisitions for a restricted period focusing on improving efficiency and profitability by reaping economic benefits from a unified approach and the platform.

## Other countries

	1-6/2023	1-6/2022	Change	4-6/2023	4-6/2022	Change
Net sales, EUR 1,000	2,985	522	471.6%	1,778	267	566.8%
Net sales growth, %	471.6%			566.8%		
EBITDA, EUR 1000	-704	-115	-511.2%	-269	-54	-401.5%
EBITDA of net sales, %	-23.6%	-22.1%		-15.1%	-20.1%	
Depreciation and amortisations, EUR 1,000	-388	-49	691.8%	-221	-37	500.8%
Operating profit, EUR 1,000	-1,092	-164	-565.0%	-490	-90	-441.8%
Operating profit of net sales, %	-36.6%	-31.4%		-27.5%	-33.9%	

## January-June 2023

Net sales increased by 471.6% to EUR 3.0 million (0.5). Net sales growth came mainly from acquisitions.

The business was loss-making. The Spanish accounting business is profitable measured by EBITDA, but profitability is depressed by the relative share of support functions and the acquired platform business. Talenom expects the Spanish businesses to improve their relative profitability considerably as the business volume grows and Talenom's efficient processes are implemented. Support functions and the Spanish platform business were some EUR 1.5 million more than in the comparison period depressing overall profitability into negative.

## April-June 2023

Net sales increased by 566.8% to EUR 1.8 million (0.3). Net sales growth came mainly from acquisitions.

The business was loss-making. The Spanish accounting business is profitable measured by EBITDA, but profitability is depressed by the relative share of support functions and the acquired platform business. Talenom expects the Spanish businesses to improve their relative profitability considerably as the business volume grows and Talenom's efficient processes are implemented. With the acquisitions in the second quarter, the balance between volume and support functions has improved. Acquisitions carried out at the end of the period and future acquisitions support profitability development. The acquired platform enables customer segmentation, which supports future profitability growth. Utilization of robotics has also begun in Spain to improve the efficiency of business processes.

## Unallocated items

	1-6/2023	1-6/2022	Change	4-6/2023	4-6/2022	Change
Net sales, EUR 1,000						
Net sales growth, %						
EBITDA, EUR 1000	-30	190		248	0	
EBITDA of net sales, %						
Depreciation and amortisations, EUR 1,000						
Operating profit, EUR 1,000	-30	190.3		248	0	
Operating profit of net sales, %						

## Balance sheet, financing and investments

On 30 June 2023, the consolidated balance sheet total was EUR 171.3 (144.1) million. The Group's equity ratio was 32.8% (34.9%) and net gearing was 125.7% (87.2%). The Group's interest-bearing non-current financial loans at the end of the review period were EUR 70.9 (60.2) million, excluding instalment debts. Other non-current interest-bearing liabilities (instalment debts) were EUR 0.3 (0.1) million and other current interest-bearing liabilities (instalment debts) were EUR 0.2 (0.2) million.

In accordance with IFRS 16, non-current lease liabilities stood at EUR 6.1 (5.7) million and current lease liabilities at EUR 3.8 (3.2) million on 30 June 2023.

The Group recognises the costs of new customer contracts, such as costs of obtaining and fulfilling a contract, as investments as specified in IFRS 15. These costs are presented in the balance sheet under

“capitalised contract costs”. Furthermore, the Group recognises part of the development costs related to software and digital services as investments according to the requirements outlined in IAS 38. These costs are presented in the balance sheet under “other intangible assets”.

The total net investments on 1 January–30 June 2023 were EUR 24.8 (15.4) million.

Investments stemming from new customer contracts amounted to EUR 1.6 million (1.7) in the review period. Investments in software and digital services totalled EUR 7.3 million (6.1) during the review period. Our technology investments focused on developing customer interfaces and developing automation further. The biggest change was the update of the customer interfaces of Talenom Online, development of account and payment cards with a new partner and starting implementation of own systems in Sweden.

During the review period, Talenom acquired nine business entities as share transactions in Sweden and Spain and one as business acquisition in Italy. The purchase prices of the share transactions carried out during the review period totalled EUR 12.7 million, including recognition of contingent consideration, and the purchase prices of the business acquisitions EUR 0.4 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 13.8 million (7.2) of net investments. Read more about acquisitions under “Acquisitions in the review period”.

Investments	1 Jan–30 Jun 2023	1 Jan–30 Jun 2022	Change
New customer agreements, EUR 1,000	1,639	1,718	-79
Software and digital services, EUR 1,000	7,292	6,136	1,156
Acquisitions in Finland, EUR 1,000	0	402	-402
Acquisitions abroad, EUR 1,000	13,775	6,827	6,948
Other investments	2,142	355	1,786
<b>Total net investments, EUR 1,000</b>	<b>24,848</b>	<b>15,438</b>	<b>9,410</b>

Talenom’s liquid assets on 30 June 2023 were EUR 10.8 (25.6) million.

## Acquisitions during the review period

Share transactions in January-June:

- MTE Göteborg Ab, Sweden
- R2 Redovisning Ab, Sweden
- BKF Asesores S.L., Spain
- Easycount Ab, Sweden
- Bv Coruña Asesoría De Empresas S.L., Spain
- Consultoria Granadina S.L., Spain
- LR Redovisning i Strängnäs Ab, Sweden
- Aditio Gestion S.L., Spain
- Advisoria Advocats I Economistes S.l.p., Spain

Business acquisitions in January-June:

- Gavazzi, Italy

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	10,474	270
Maximum contingent consideration	2,758	170
Net sales, previous 12 months at time of purchase, total	8,836	553
Operating profit, previous 12 months at time of purchase, total	2,110	0

In acquisitions, part of the purchase price was paid with new Talenom Plc shares subscribed for in directed issues. A total of 344,673 shares were subscribed for in directed share issues related to acquisitions during the review period.

You can find more detailed information about the acquisitions in the section 'Tables'.

## Acquisitions after the review period

Share transactions after the review period:

- Acega Asesores S.l.u., Spain

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

EUR 1,000	Share transactions	Business acquisitions
Total purchase prices	265	0
Maximum contingent consideration	135	0
Net sales, previous 12 months at time of purchase, total	392	0
Operating profit, previous 12 months at time of purchase, total	73	0

## Personnel and management

Talenom had 1,474 (1,220) employees at the end of June 2023. The average number of personnel during the review period 1 January–30 June 2023 was 1,433 (1,147). During the review period, the members of the company's Executive Board were Otto-Pekka Huhtala (CEO), Antti Aho (Executive Vice President), Matti Eilonen (CFO), Juho Ahosola (CHRO), Olli Lätti (Commercial Director), Marika Aho (Director in charge of the service business) from 1 April 2023, and Tuomas Iivanainen (Marketing Director) until 8 May 2023.

## Annual General Meeting 2023 and authorisations of the Board of Directors

The Annual General Meeting of Talenom Plc was held on 15 March 2023. The meeting was held as a remote meeting in accordance with Chapter 5, Section 16, Subsection 3 of the Companies Act. Shareholders could also participate in the meeting through advance voting.

The Annual General Meeting adopted the financial statements of the parent company and the consolidated financial statements for the financial year ended 31 December 2022, 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 0.18 per share will be paid for the financial year 1 January–31 December 2022. Undistributed profits shall remain in equity.

The dividend was paid to shareholders who on the dividend record date, 20 March 2023, were registered as shareholders in the company's shareholders' register maintained by Euroclear Finland Ltd. The dividend was paid on 27 March 2023. Dividend was not be paid to treasury shares held by the company.

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

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 2,200 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 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. 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 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 will remain valid until the closing of the next Annual General Meeting, but no longer than until 30 June 2024. The authorisation replaced the previous authorisation to repurchase own shares granted by the Annual General Meeting on 3 March 2022.

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 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, cannot exceed 2,200,000 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 4.9 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 proposed to be 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 will remain valid until the closing of the next Annual General Meeting, but no longer than until 30 June 2024. 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.

The Board of Directors evaluated the independence of its members of the company and of significant shareholders. Harri Tahkola is not considered independent of the company based on an overall assessment. In addition, he is not considered independent of significant shareholders, as he owns more than 10% of the shares in the company. Mikko Siuruainen, Olli Hyyppä, Johannes Karjula, Sampsa Laine and Elina Tourunen are considered independent of the company and its significant shareholders. Erik Tahkola is not considered independent of the company as he has been employed by the company in the past three years. Erik Tahkola is considered independent of significant shareholders.

## 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 3 March 2021, on the 2021 stock option scheme, with the authorisation granted by the AGM on 3 March 2022, on the 2022 stock option scheme and with the authorisation granted by the AGM on 15 March 2023, on the 2023 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 2021 is 1 March 2026 to 28 February 2027, for stock options 2022 it is 1 March 2025 to 28 February 2026 and for stock options 2023 it is 1 March 2026 to 28 February 2027.

The options granted and the holdings or undistributed options of the company are divided into option categories on 30 June 2023 as follows:

Option categories (pcs)	2021	2022	2023
Options given	600,000	500,000	650,000
Options exercised	0	0	0
Talenom Plc's holding or undistributed	197,000	47,000	31,600
Options given but not exercised	403,000	453,000	618,400

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	2021	2022	2023
The current subscription price of options	13.44	9.46	7.42
Total number of unexercised options	403,000	453,000	618,400
Exercised or Talenom Plc's holding or undistributed	197,000	47,000	31,600
Number of shares on 30 June 2023	45,311,588	45,311,588	45,311,588
Number of shares if all options are converted into new shares	45,714,588	45,764,588	45,929,988
Proportion of holdings and votes if all options are converted into new shares	0.882%	0.990%	1.346%

The total number of shares will rise from 45,311,588 to 46,785,988, provided that all options under option types 2021, 2022 and 2023 are used in full to subscribe for new shares. The total voting and holding rights from both option types is 3.151%, provided that all options are used in full to subscribe for new shares.

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

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

### Performance Share Plan 2020–2024

On 25 February 2020, Talenom's Board established the Performance Share Plan 2020–2024 that consists of two performance periods, covering the calendar years 2020–2022 and 2021–2023. 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 were be paid in 2023 when the performance period 2020–2022 ended. 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"> <li>• consolidated operating profit</li> <li>• internationalization</li> <li>• growth as well as</li> <li>• share of net sales from value-added services</li> </ul>	<ul style="list-style-type: none"> <li>• consolidated net sales</li> <li>• operating profit and</li> <li>• implementation of strategic projects</li> </ul>
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 2023, Talenom Plc had a total of 45,311,588 shares entered in the Trade Register. The company held 150,600 treasury shares (0.33% of the total number of shares and votes) on 30 June 2023. On 30 June 2023, Talenom had a total of 9,755 (9,619) shareholders. The number of shareholders is based on information collected by Modular Finance from various sources, such as Euroclear Finland Oy.

A total of 4,006,980 shares were traded in January-June, and the value of the shares traded was EUR 32,825,182. The highest price of the share was EUR 9.59, and the lowest price was EUR 7.07. The volume weighted average price was EUR 8.19 and the closing price at the end of the review period was EUR 7.27. In accordance with the closing price, the combined market value of the shares was approximately EUR 329.4 million.

## **Share issues and registration of new shares under the terms of the option scheme**

The Board of Directors of Talenom Plc decided on 16 January 2023 on a free directed share issue as part of M&A transactions. Talenom issued 12,191 new shares in a share issue directed at the sellers of the acquisition target MTE Göteborg Ab.

The Board of Directors of Talenom Plc decided on 1 February 2023 on a free directed share issue as part of M&A transactions. Talenom issued 50,825 new shares in a share issue directed at the sellers of the acquisition targets BKF Asesores, S.l. and R2 Redovisning Ab.

The Board of Directors of Talenom Plc decided on 23 February 2023 on a free directed share issue as part of M&A transactions. Talenom issued 71,344 new shares in a share issue directed at the sellers of the acquisition target Bv Coruña Asesoría De Empresas, S.l.

The Board of Directors of Talenom Plc decided on 1 March 2023 on a free directed share issue as part of M&A transactions. Talenom issued 78,096 new shares in a share issue directed at the sellers of the acquisition target Consultoria Granadina S.l.

The 79,565 new shares subscribed for in line with Talenom Plc's 2019 terms and conditions for option rights were registered in the Trade Register on 2 March 2023. The total subscription price, EUR 233,125.45, was recognised in full in the company's reserve for invested unrestricted equity.

Talenom Plc's Board of Directors decided on 2 May 2023 on a directed share based on the stock option plan to employees entitled to share bonuses. The share issue distributed 61,750 new Talenom Plc shares free of charge.

The Board of Directors of Talenom Plc decided on 1 June 2023 on a free directed share issue as part of M&A transactions. Talenom issued 34,620 new shares in a share issue directed at the sellers of the acquisition target LR Redovisning i Strängnäs Ab.

The Board of Directors of Talenom Plc decided on 27 June 2023 on a free directed share issue as part of M&A transactions. Talenom issued 84,317 new shares in a share issue directed at the sellers of the acquisition target Aditio Gestion S.l.

The Board of Directors of Talenom Plc decided on 30 June 2023 on a free directed share issue as part of M&A transactions. Talenom issued 13,280 new shares in a share issue directed at the sellers of the acquisition target Advisoria Advocats I Economistes S.l.p.

## **Flagging notifications**

During the review period, Talenom received three notifications of changes in holdings in accordance with the Securities Markets Act.

According to a notification received on 9 January 2023, the number of Talenom Plc shares owned by Danske Bank A/S increased above 5% of all Talenom Plc shares due to share transactions.

According to a notification received on 6 March 2023, the number of Talenom Plc shares owned by Allianz Vie S.A. decreased below 5% of all Talenom Plc shares. The threshold was crossed due to a change in the total number of shares of the issuer.

According to a notification received on 7 March 2023, the number of Talenom Plc shares owned by Allianz Vie S.A. increased above 5% of all Talenom Plc shares due to share transactions.

## **Events after the review period**

Talenom Plc announced an acquisition in Spain on 3 July 2023. As part of the transaction, Talenom decided to issue 18,015 new shares in a directed share issue for the sellers of the acquisition target, i.e. Acega Asesores S.l.u.

## **Financial targets**

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

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

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

## **Financial reporting in 2023**

Talenom will publish the Business Review for January-September on Friday, 20 October 2023.

## Risks, uncertainties and risk management

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

The main identified risks are:

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

## Outlook and guidance for 2023 (specified)

Talenom estimates that 2023 net sales will be about EUR 125–130 million (previously EUR 120–130 million) and that euro-denominated EBITDA and operating profit will grow from 2022.

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

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

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

## 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 company's financial statement 2022. The financial statement is available on Talenom's investor website at [investors.talenom.com](https://investors.talenom.com)

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 one item. The figures in this financial statement release are unaudited. 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 %, working capital and net investments. The formulas are presented below in the section “Formulas”.

## Tables

### INCOME STATEMENT

EUR 1,000	1-6/2023	1-6/2022	1-12/2022
<b>Net sales</b>	<b>63,720</b>	<b>52,188</b>	<b>102,107</b>
Other operating income	295	522	1,625
Materials and services	-1,798	-1,767	-3,950
Employee benefit expenses	-36,992	-27,622	-55,682
Depreciation and amortisations	-10,105	-8,162	-17,128
Other operating expenses	-7,997	-5,167	-11,706
<b>Operating profit</b>	<b>7,123</b>	<b>9,993</b>	<b>15,266</b>
Financial income	211	235	466
Financial expenses	-1,698	-445	-1,178
<b>Net financial expenses</b>	<b>-1,488</b>	<b>-210</b>	<b>-712</b>
<b>Profit (loss) before taxes</b>	<b>5,635</b>	<b>9,783</b>	<b>14,554</b>
Income taxes	-1,416	-1,984	-2,753
<b>Profit (loss) for the financial period</b>	<b>4,219</b>	<b>7,799</b>	<b>11,801</b>
<b>Other items of comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss			
Translation differences	292	36	57
<b>Total comprehensive income for the financial period</b>	<b>4,512</b>	<b>7,835</b>	<b>11,858</b>
<b>Earnings per share calculated on the profit attributable to the shareholders of the parent company</b>			
Undiluted earnings per share (euro)	0.09	0.18	0.27
Diluted earnings per share (euro)	0.09	0.18	0.27

## CONSOLIDATED BALANCE SHEET

EUR 1,000	30 Jun. 2023	30 Jun. 2022	31 Dec. 2022
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	63,951	43,220	54,986
Other intangible assets	52,558	39,336	45,806
Right-of-use assets	9,947	8,756	9,922
Property, plant and equipment	3,967	2,619	2,752
Other non-current financial assets	260	850	254
Deferred tax assets	486	121	443
Capitalised contract costs	11,489	11,911	11,694
<b>Total non-current assets</b>	<b>142,657</b>	<b>106,813</b>	<b>125,857</b>
<b>Current assets</b>			
Trade and other receivables	17,213	11,686	14,178
Current tax assets	607	12	315
Cash and cash equivalents	10,789	25,562	15,970
<b>Total current assets</b>	<b>28,610</b>	<b>37,259</b>	<b>30,463</b>
<b>Total assets</b>	<b>171,267</b>	<b>144,072</b>	<b>156,320</b>
<b>EQUITY</b>			
Share capital	80	80	80
Reserve for invested unrestricted equity	29,909	25,630	26,861
Retained earnings	26,039	24,529	29,085
<b>Total equity</b>	<b>56,029</b>	<b>50,239</b>	<b>56,026</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Financial liabilities	60,806	60,143	50,122
Trade payables and other liabilities	2,081	4,121	2,845
Lease liabilities	6,069	5,675	6,256
Deferred tax liabilities	4,091	2,139	3,040
<b>Total non-current liabilities</b>	<b>73,047</b>	<b>72,077</b>	<b>62,263</b>
<b>Current liabilities</b>			
Financial liabilities	10,083	104	10,001
Trade payables and other liabilities	28,309	17,902	23,724
Lease liabilities	3,771	3,181	3,705
Current tax liabilities	27	568	601
<b>Total current liabilities</b>	<b>42,191</b>	<b>21,755</b>	<b>38,032</b>
<b>Total liabilities</b>	<b>115,238</b>	<b>93,833</b>	<b>100,295</b>
<b>Total equity and liabilities</b>	<b>171,267</b>	<b>144,072</b>	<b>156,320</b>

## CONSOLIDATED CASH FLOW STATEMENT

EUR 1,000	30 Jun. 2023	30 Jun. 2022	31 Dec. 2022
<b>Cash flow from operating activities</b>			
Profit (loss) before taxes	5,635	9,783	14,554
Adjustments:			
Depreciation, and, amortisations	10,105	8,162	17,128
Financial, income	-211	-235	-542
Financial, expenses,	1,698	445	1,254
Other, adjustments	563	749	266
Changes in working capital:			
Change in, trade and other receivables	-1,633	-759	-2,882
Change in trade payables and other liabilities	1,107	724	2,233
Interest income	156	51	182
Paid taxes	-2,488	-3,257	-4,744
<b>Net cash flow from operating activities</b>	<b>14,932</b>	<b>15,663</b>	<b>27,448</b>
<b>Cash flow from investing activities</b>			
Revenue from the sale of property, plant and equipment	79	97	161
Acquisition of property, plant and equipment	-1,638	-264	-779
Capitalisation of contract costs	-1,639	-1,718	-3,355
Acquisition of intangible assets	-7,517	-6,270	-12,267
Acquired businesses	-8,192	-4,875	-16,338
Investments	-6	1	598
<b>Net cash flow from investing activities</b>	<b>-18,913</b>	<b>-13,030</b>	<b>-31,980</b>
<b>Cash flow from financing</b>			
Proceeds from share issue	233	2,303	2,425
Paid interest	-1,307	-426	-979
Dividends paid	-8,112	-7,431	-7,431
Change in instalment payment liabilities	208	-47	-33
Repayment of lease liabilities	-1,959	-1,591	-3,266
Loan withdrawals	10,036	20,036	20,000
Loan repayments	0	0	-87
<b>Net cash flow from financing</b>	<b>-901</b>	<b>12,843</b>	<b>10,629</b>
<b>Change in cash and cash equivalents</b>	<b>-4,882</b>	<b>15,477</b>	<b>6,098</b>
Cash and cash equivalents, 1 Jan.	15,970	10,121	10,121
Net effect of exchange rate fluctuations on cash and cash equivalents	-299	-36	-248
<b>Cash and cash equivalents</b>	<b>10,789</b>	<b>25,562</b>	<b>15,970</b>

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR 1,000	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total
<b>Total equity 1 January 2023</b>	<b>80</b>	<b>26,861</b>	<b>29,085</b>	<b>56,026</b>
<b>Changes and other adjustments for previous accounting periods</b>	<b>0</b>	<b>0</b>	<b>-81</b>	<b>-81</b>
<b>Comprehensive income</b>				
Profit/loss for the financial period			4,219	4,219
Average exchange rate difference and translation differences			292	292
<b>Total comprehensive income for the financial period</b>	<b>0</b>	<b>0</b>	<b>4,512</b>	<b>4,512</b>
<b>Transactions with owners</b>				
Dividend distribution and repayment of capital			-8,112	-8,112
Share issue		3,049		3,049
Share-based payments			635	635
<b>Transactions with owners, total</b>	<b>0</b>	<b>3,049</b>	<b>-7,476</b>	<b>-4,428</b>
<b>Total equity 30 June 2023</b>	<b>80</b>	<b>29,909</b>	<b>26,039</b>	<b>56,029</b>
<b>EUR 1,000</b>	<b>Share capital</b>	<b>Reserve for invested unrestricted equity</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Total equity 1 January 2022</b>	<b>80</b>	<b>21,587</b>	<b>23,051</b>	<b>44,718</b>
<b>Changes and other adjustments for previous accounting periods</b>	<b>0</b>	<b>0</b>	<b>196</b>	<b>196</b>
<b>Comprehensive income</b>				
Profit/loss for the financial period			7,799	7,799
Average exchange rate difference and translation differences			36	36
<b>Total comprehensive income for the financial period</b>	<b>0</b>	<b>0</b>	<b>7,835</b>	<b>7,835</b>
<b>Transactions with owners</b>				
Dividend distribution and repayment of capital			-7,431	-7 431
Share issue		4,043		4,043
Share-based payments			878	878
<b>Transactions with owners, total</b>	<b>0</b>	<b>4,043</b>	<b>-6,553</b>	<b>-2,509</b>
<b>Total equity 30 June 2022</b>	<b>80</b>	<b>25,630</b>	<b>24,529</b>	<b>50,239</b>
<b>EUR 1,000</b>	<b>Share capital</b>	<b>Reserve for invested unrestricted equity</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Total equity 1 January 2022</b>	<b>80</b>	<b>21,587</b>	<b>23,051</b>	<b>44,718</b>
<b>Changes and other adjustments for previous accounting periods</b>	<b>0</b>	<b>0</b>	<b>116</b>	<b>116</b>
<b>Comprehensive income</b>				
Profit/loss for the financial period			11,801	11 801
Average exchange rate difference and translation differences			57	57
<b>Total comprehensive income for the financial period</b>	<b>0</b>	<b>0</b>	<b>11,858</b>	<b>11,858</b>
<b>Transactions with owners</b>				
Dividend distribution and repayment of capital			-7,431	-7 431
Share issue		5,274		5 274
Share-based payments			1,491	1 491
<b>Transactions with owners, total</b>	<b>0</b>	<b>5,274</b>	<b>-5,940</b>	<b>-666</b>
<b>Total equity 31 December 2022</b>	<b>80</b>	<b>26,861</b>	<b>29,085</b>	<b>56,026</b>

## OPERATING SEGMENTS

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 Jan. – 30 Jun. 2023

EUR 1,000	Finland	Sweden	Other countries	Unallocated items	Group total
<b>Net sales</b>	<b>46,709</b>	<b>14,026</b>	<b>2,985</b>	<b>0</b>	<b>63,720</b>
Other income	50	57	6	181	295
Operating expenses	-30,138	-12,743	-3,695	-211	-46,787
<b>EBITDA</b>	<b>16,622</b>	<b>1,340</b>	<b>-704</b>	<b>-30</b>	<b>17,228</b>
Depreciation	-7,579	-1,189	-388	0	-9,156
Impairment	-949	0	0	0	-949
<b>Operating profit</b>	<b>8,093</b>	<b>151</b>	<b>-1,092</b>	<b>-30</b>	<b>7,123</b>

### Operating segments 1 Jan. – 30 Jun. 2022

EUR 1,000	Finland	Sweden	Other countries	Unallocated items	Group total
<b>Net sales</b>	<b>42,369</b>	<b>9,297</b>	<b>522</b>	<b>0</b>	<b>52,188</b>
Other income	36	92	9	386	522
Operating expenses	-25,619	-8,095	-646	-196	-34,556
<b>EBITDA</b>	<b>16,786</b>	<b>1,294</b>	<b>-115</b>	<b>190</b>	<b>18,155</b>
Depreciation	-6,562	-805	-49	0	-7,416
Impairment	-746	0	0	0	-746
<b>Operating profit</b>	<b>9,478</b>	<b>489</b>	<b>-164</b>	<b>190</b>	<b>9,993</b>

### Operating segments 1 Jan. – 31 Dec. 2022

EUR 1,000	Finland	Sweden	Other countries	Unallocated items	Group total
<b>Net sales</b>	<b>81,037</b>	<b>19,406</b>	<b>1,664</b>	<b>0</b>	<b>102,107</b>
Other income	82	121	16	1,406	1,625
Operating expenses	-51,088	-17,897	-2,158	-196	-71,338
<b>EBITDA</b>	<b>30,032</b>	<b>1,630</b>	<b>-478</b>	<b>1,210</b>	<b>32,394</b>
Depreciation	-13,467	-1,774	-163	0	-15,403
Impairment	-1,681	-34	-9	0	-1,724
<b>Operating profit</b>	<b>14,885</b>	<b>-178</b>	<b>-650</b>	<b>1,210</b>	<b>15,266</b>

## COLLATERAL AND CONTINGENT LIABILITIES

	30 Jun. 2023	30 Jun. 2022	31 Dec. 2022
<b>Liabilities secured by an enterprise mortgage</b>			
Loans from financial institutions	70,000	60,000	60,000
Enterprise mortgages provided as security	70,100	60,360	60,100
<b>Other deposits and contingent liabilities</b>			
Deposits	0	0	0
Other *)	1,103	10,775	852

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

## Business acquisitions in 2023

During the review period, the Group acquired 9 business entities as share transactions in Sweden and Spain and one as asset purchase in Italy. The transactions are detailed in the table below.

EUR 1,000	Time of acquisition	Transaction type	Method of payment	Acquisition cost	Maximum contingent consideration
Gavazzi	1 Jan 2023	Business acquisition	Cash	440	170
MTE Göteborg AB	16 Jan 2023	Share transaction	Cash and shares	460	212
R2 Redovisning AB	1 Feb 2023	Share transaction	Cash and shares	967	305
BKF Asesores SL	1 Feb 2023	Share transaction	Cash and shares	1,686	300
Easycount AB	1 Mar 2023	Share transaction	Cash	575	254
BV Coruña Asesoría de Empresas SL	1 Mar 2023	Share transaction	Cash and shares	1,700	300
Consultoria Granadina SL + Grupo CG					
Consultores 2012 SL	1 Mar 2023	Share transaction	Cash and shares	1,600	540
LR Redovisning i Strängnäs AB	1 Jun 2023	Share transaction	Cash and shares	1,861	847
Adition Gestion SL	27 Jun 2023	Share transaction	Cash and shares	1,285	0
Advisoria Advocats i Economistes SLP	30 Jun 2023	Share transaction	Cash and shares	2,600	0

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
Intangible assets	192	0
Property, plant and equipment	166	20
Customer relationships	5,106	0
Right-of-use assets	1,277	0
Current assets	2,201	0
<b>Total assets</b>	<b>8,943</b>	<b>20</b>
Trade and other payables	2,502	0
Lease liabilities	1,277	0
Deferred tax liability	1,207	0
<b>Total liabilities</b>	<b>4,985</b>	<b>0</b>
<b>Net assets</b>	<b>3,957</b>	<b>20</b>
Consideration transferred	12,733	440
Net assets of acquisition target	-3,957	-20
<b>Goodwill</b>	<b>8,775</b>	<b>420</b>

The costs arising from acquisitions are recognised in other expenses in the income statement. If the acquisitions had taken place at the beginning of the financial year 2023, they would have increased the EBIT for the accounting period by an estimated EUR 487,000 and net sales by around EUR 2,750,000.

## Business acquisitions in 2022

During the review period the Group acquired 5 business entities as share transactions and 4 as asset purchases 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
Redovisningsbyrå 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

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
<b>Total assets</b>	<b>3,104</b>	<b>429</b>
Trade and other payables	1,287	0
Lease liabilities	470	27
Deferred tax liability	184	0
<b>Total liabilities</b>	<b>1,940</b>	<b>27</b>
<b>Net assets</b>	<b>1,164</b>	<b>402</b>
Consideration transferred	7,099	402
Net assets of acquisition target	-1,164	-402
<b>Goodwill</b>	<b>5,935</b>	<b>0</b>

The costs arising from acquisitions are recognised in other expenses in the income statement. 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.

## 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)	=	$\frac{\text{operating profit (EBIT) before taxes + interest and other financial expenses}}{\text{total equity and liabilities - non-interest-bearing liabilities (average of the accounting period)}} \times 100$
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	=	$\frac{\text{net profit of the review period}}{\text{Weighted average number of shares outstanding during the review} \times 100 \text{ period}} \times 100$
Compound annual growth rate (CAGR)	=	$\left( \frac{\text{net sales at the end of the period}}{\text{net sales in the beginning of the period}} \right)^{\frac{1}{\text{number of years}}} - 1$
EBITDA	=	operating profit + depreciation + amortisation
EBITDA, %	=	$\frac{\text{EBITDA}}{\text{Net sales}} \times 100$

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

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

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

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

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

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

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

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

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

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

## **TALENOM PLC**

Board of Directors

### **FURTHER INFORMATION:**

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