

**TALENOM PLC HALF-YEAR REPORT JANUARY–JUNE 2021
(UNAUDITED): NET SALES INCREASED BY 23% AND OPERATING
PROFIT IMPROVED BY 17% – GROWTH ACCELERATED,
EARNINGS IMPROVED AND STRATEGY IMPLEMENTATION
PROGRESSED**

1 January–30 June 2021

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

Talenom has a history of strong growth – the average annual increase in net sales was approximately 15.5% between 2005 and 2020. At the end of June 2021, Talenom had 1,057 (841) employees in Finland and Sweden, at a total of 63 locations. Talenom's share is quoted on the main list of the Helsinki Stock Exchange.



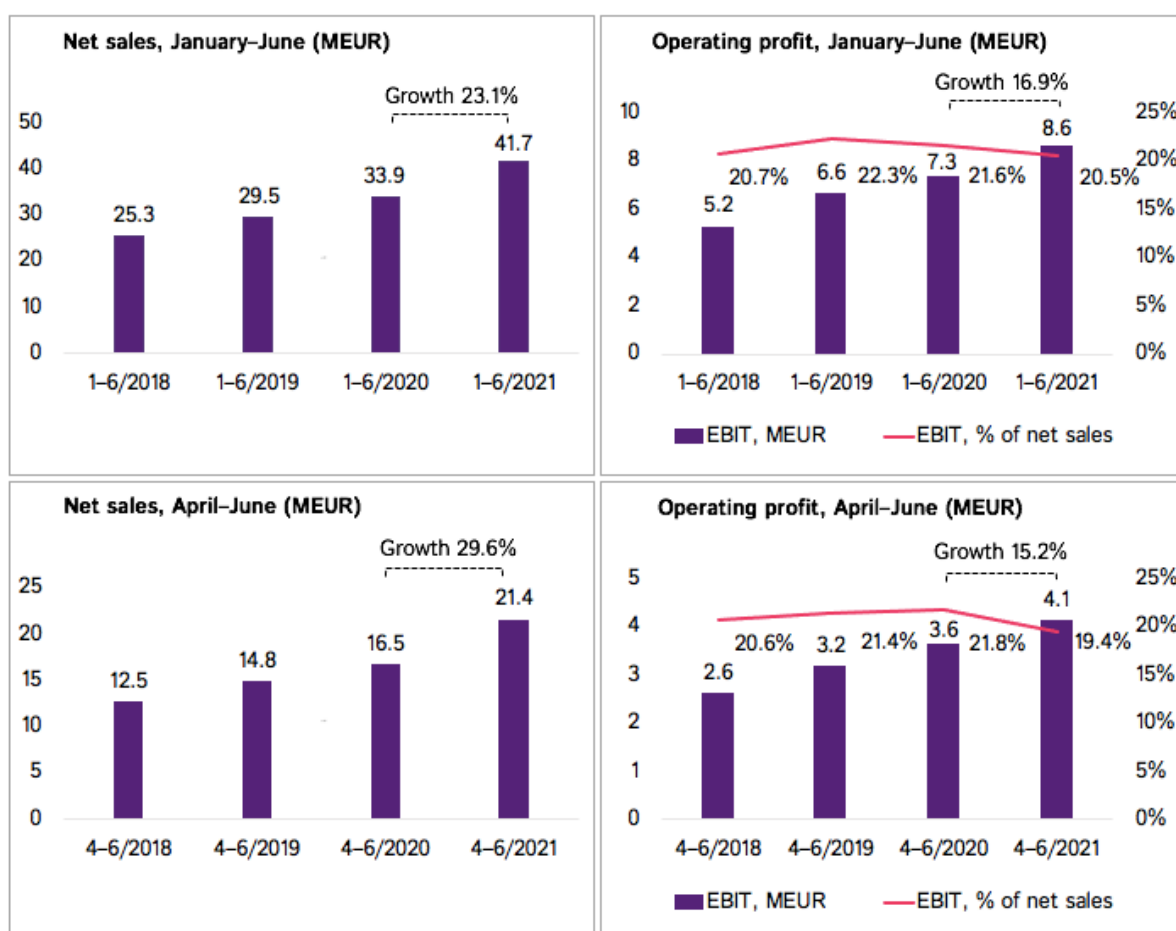
TALENOM

yritykselämän iloa

TALENOM PLC HALF-YEAR REPORT JANUARY–JUNE 2021 (UNAUDITED): NET SALES INCREASED BY 23% AND OPERATING PROFIT IMPROVED BY 17% – GROWTH ACCELERATED, EARNINGS IMPROVED AND STRATEGY IMPLEMENTATION PROGRESSED

JANUARY–JUNE 2021 IN BRIEF:

- Net sales 41.7 (33.9) million euros, increase 23.1% (14.6%)
- Operating profit (EBIT) 8.6 (7.3) million euros, 20.5% (21.6%) of net sales
- Net profit 6.4 (5.5) million euros
- Earnings per share 0.15 (0.13) euros



Group	1-6/2021	1-6/2020	Change
Net sales, thousands of euro	41,687	33,852	7,835
Net sales, increase %	23.1%	14.6%	8.6 percentage points
Operating profit (EBIT), thousands of euro	8,551	7,312	1,239
Operating profit (EBIT), as % of net sales	20.5%	21.6%	-1.1 percentage points
Return on investment (ROI), % (rolling 12 months)	18.4%	17.9%	0.5 percentage points
Liquid assets, thousands of euro	10,601	9,627	974
Earnings per share, euro	0.15	0.13	0.02
Net profit, thousands of euro	6,411	5,456	955

Group	4-6/2021	4-6/2020	Change
Net sales, thousands of euro	21,380	16,503	4,877
Net sales, increase %	29.6%	11.8%	17.8 percentage points
Operating profit (EBIT), thousands of euro	4,138	3,594	545
Operating profit (EBIT), as % of net sales	19.4%	21.8%	-2.4 percentage points
Return on investment (ROI), % (rolling 12 months)	18.4%	17.9%	0.5 percentage points
Liquid assets, thousands of euro	10,601	9,627	974
Earnings per share, euro	0.07	0.06	0.01
Net profit, thousands of euro	3,062	2,650	412

GUIDANCE FOR 2021 REMAINS UNCHANGED

Guidance for 2021 (revised on 15 April 2021):

Net sales for 2021 are expected to amount to 80–84 million euros and operating profit is expected to be 14–16 million euros.

CEO OTTO-PEKKA HUHTALA

In the first half of 2021, we continued our drive to expand in Sweden in line with our internationalisation strategy. Thanks to the experience gained in Sweden, we are now ready to harness our unique expertise that combines software production and accounting elsewhere in Europe, too. After the end of the review period, we took a decisive step in internationalisation by acquiring the share capital of the accounting firm Avail Services SL in Spain. This acquisition expands our presence into new markets – and adds a growth-oriented team with strong local expertise to our ranks. The acquisition opens up the opportunity for us to grow our business in one of Europe's largest markets. There are around three million companies in Spain and the country's accounting market is valued at about 10 billion euros – this provides us with an excellent opportunity to harness our software investments and the potential of digital transformation on an entirely new scale. Spain has an accounting market roughly ten times larger than that of Finland, and the digitalisation of financial management is still taking its first steps there. We believe that we can make use of our current strengths in the Spanish market: our highly automated services, easy routines and care services that make day-to-day life easier for our entrepreneur customers.

We made concerted progress in the implementation of our growth strategy in the first half of 2021. Our profitable growth was strong and our net sales increased by 23% year-on-year. Around two-thirds of the growth came from acquisitions that we carried out in Finland and Sweden in line with our strategy. A third of net sales growth was organic, generated by our own proactive sales efforts. Our new customer acquisition recovered to pre-pandemic levels in late spring. The coronavirus pandemic no longer had a significant impact on our business during the review period.

Our operating profit improved by 17%, especially due to net sales growth and the development of the degree of automation in our Finnish accounting business. Our operating margin fell slightly short of the comparison period. The acquisitions burden our relative profitability. However, in our experience, the profitability of acquirees in Finland can be raised to the level of our core business within around three years of the acquisition. In Sweden, we expect that profitability will improve when we deploy our own software. Excluding the impact of acquisitions, our relative profitability saw year-on-year improvement.

In addition to profitable growth, we also made progress in other areas of our strategy. We deployed our own bank accounts and cards for our small customers in TiliJaska service in cooperation with our partner. In addition, we have submitted an application to obtain our own payment institution authorisation in Finland, so that we can offer our banking services even more cost-effectively. In Sweden, we started piloting KontoKalle – a service similar to TiliJaska – in the summer. With KontoKalle, we are taking the first step in the introduction of Talenom's own bookkeeping system in Sweden.

In line with our strategy, we continued to invest in our own software and automation development. In Finland, we started the deployment of our renewed customer interface, Talenom Online, and achieved a degree of automation of over 75% in accounting (H1/2020: 68%) and over 50% (0%) in payroll services. The working time savings achieved thanks to automation accelerated our journey of evolving from accountants to consultants, and the net sales from consulting work by our accountants grew substantially during the review period. In our financing services, we are piloting a new working capital loan, utilising the exceptionally comprehensive real-time financial data at our

disposal to improve the financeability of our customers. During the pilot, we have found that we still need to develop digital distribution to achieve scalability.

Talenom's customer satisfaction continued to develop favourably. In Finland, our net promoter score (NPS), which measures customer loyalty and willingness to recommend, was 55 (48) during the review period, which was favourably reflected in customer retention. I would like to thank our excellent personnel for their commitment and motivation to working for our customers. In the spring, Talenom was once again recognised as one of the best workplaces in Finland in the survey carried out by the Great Place to Work Institute. In order to further deepen our understanding of our personnel, we have replaced the GPTW survey with the Siqni personnel survey.

Acquisitions, the favourable development of organic growth, the waning of the impacts of the coronavirus pandemic and the improved customer retention lay an excellent foundation for operations in the latter part of the year. Our financial outlook for 2021 has not changed, and we will keep our guidance issued on 15 April 2021 unchanged.

FINANCIAL DEVELOPMENT

KEY FIGURES

Group	1–6/2021	1–6/2020	Change
Net sales, thousands of euro	41,687	33,852	7,835
Net sales, increase %	23.1%	14.6%	8.6 percentage points
Operating profit (EBIT), thousands of euro	8,551	7,312	1,239
Operating profit (EBIT), as % of net sales	20.5%	21.6%	-1.1 percentage points
Return on investment (ROI), % (rolling 12 months)	18.4%	17.9%	0.5 percentage points
Interest-bearing net liabilities, thousands of euro	38,141	29,365	8,777
Net gearing ratio, %	100%	110%	-10 percentage points
Equity ratio, %	35.6%	34.3%	1.3 percentage points
Working capital, thousands of euro	-6,678	-5,240	-1,438
Net investments, thousands of euro	23,454	9,027	14,427
Liquid assets, thousands of euro	10,601	9,627	974
Earnings per share, euro	0.15	0.13	0.02
Weighted average number of shares during the period	43,306,302	42,303,612	1,002,690
Net profit, thousands of euro	6,411	5,456	955

NET SALES, PROFITABILITY AND FINANCIAL PERFORMANCE, JANUARY–JUNE 2021

During the period from January to June, Talenom's net sales increased by 23.1% year-on-year. Amounting to 41.7 (33.9) million euros, net sales grew by around 7.8 million euros.

Net sales grew due to organic growth and an increase in the number of accounting service customers as well as acquisitions in Finland and Sweden. About two-thirds of growth was generated by acquisitions and one-third organically by proactive new customer acquisition efforts. New customer acquisition recovered to pre-pandemic levels in late spring and the pandemic no longer had a significant impact on business in the review period.

In January–June, personnel expenses amounted to 22.4 (17.3) million euros, 53.7% (51.2%) of net sales. Personnel expenses grew due to acquisitions as well as higher occupational pension and social security contributions.

Other operating expenses, including materials and services, totalled 5.2 (4.2) million euros, accounting for 12.4% (12.3%) of net sales.

In January–June, operating profit (EBIT) was 8.6 (7.3) million euros, 20.5% (21.6%) of net sales. Net profit was 6.4 (5.5) million euros. Operating profit increased by 16.9%, especially due to net sales growth and the development of the degree of automation in the Finnish accounting business. Savings on fixed costs also had a favourable impact on the development of operating profit. As Talenom's growth is based on acquisitions to a greater extent than before, the weaker profitability

of the acquirees and integration costs burdened relative profitability. In Finland, the profitability of businesses acquired by Talenom has typically been lower than that of other operations for around three years after the acquisition date on average, after which it has risen to the level of core business.

During the period from April to June, Talenom's net sales increased by 29.6% year-on-year. Amounting to 21.4 (16.5) million euros, net sales grew by around 4.9 million euros. In April–June, operating profit (EBIT) was 4.1 (3.6) million euros, 19.4% (21.8%) of net sales, and net profit was 3.1 (2.7) million euros. Operating profit (EBIT) for April–June improved by 15.2% year-on-year.

BALANCE SHEET, FINANCING AND INVESTMENTS

On 30 June 2021, the consolidated balance sheet total was 107.6 (78.0) million euros. The Group's equity ratio was 35.6% (34.3%) and the net gearing ratio was 100% (110%).

The Group's interest-bearing financial loans at the end of the review period were 40.0 (30.0) million euros, excluding instalment debts. Other non-current interest-bearing liabilities (instalment debts) were 0.3 (0.2) million euros and other current interest-bearing liabilities (instalment debts) were 0.2 (0.2) million euros.

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

In accordance with IFRS 16 Leases, as of 1 January 2019, the Group recognises leases of business premises in the balance sheet mainly as assets and liabilities. In accordance with IFRS 16, non-current lease liabilities on 30 June 2021 stood at 5.7 (6.3) million euros and current lease liabilities at 2.6 (2.2) million euros.

The Group recognises the costs of new customer contracts, such as costs of obtaining and fulfilling a contract, as investments as specified in IFRS 15. These costs are presented in the balance sheet under "capitalised contract costs". Furthermore, the Group recognises a part of the development costs related to software and digital services as investments according to the requirements outlined in IAS 38. These costs are presented in the balance sheet under "other intangible assets". Investments stemming from new customer contracts amounted to 1.9 (2.2) million euros in the review period. Investments concerning software and digital services amounted to 5.7 (4.9) million euros.

During the review period, Talenom acquired five business entities in Finland and Sweden as share transactions as well as six business entities through asset deals. The purchase prices of the share transactions carried out during the review period totalled 12.6 million euros, including the recognition of contingent consideration, and the purchase prices of asset deals amounted to 1.7 million euros, including contingent consideration. In the acquisitions, part of the purchase price was paid with new Talenom shares subscribed for in directed issues. Acquisitions accounted for 14.2

(1.6) million euros of Talenom's net investments. More information on acquisitions is presented under "Significant events in the review period" and "Business acquisitions in 2021".

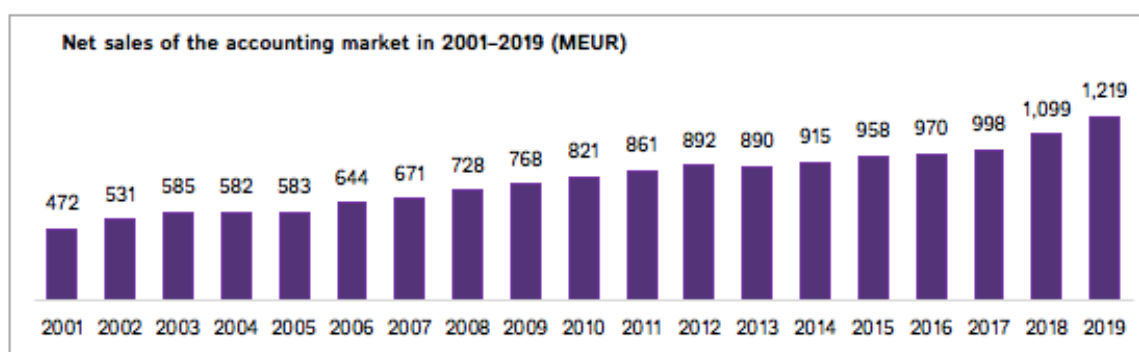
Net investments in the review period 1 January–30 June 2021 totalled 23.5 (9.0) million euros.

Liquid assets at 30 June 2021 were 10.6 (9.6) million euros.

MARKET AND SECTORAL REVIEW

The accounting market in Finland is fragmented. Statistics Finland's structural business and financial statement statistics indicate that in 2019 the number of companies in the sector was 4,104 (2018: 4,135) and the average size of company was 2.9 (3.0) employees. The accountancy market has a lot of one-person offices and part-time entrepreneurs. Market fragmentation offers the opportunity for growth and creates scalable benefits. Scale benefits are significant, for example, in information systems, sales and marketing, and in organising activities.

The market for accountancy services is defensive, due to the statutory need of companies to arrange accounting. The market has grown in Finland almost every year since 2001, despite the financial crisis and the intermittent shrinking of Finland's Gross Domestic Product. According to Statistics Finland's structural business and financial statement statistics and the preceding Business Register statistics, average growth in annual net sales in the accountancy market amounted to 5.4% in the period 2001–2019.



Source: Statistics Finland, Structural business and financial statement statistics

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

DEVELOPMENT OF THE BUSINESS ENVIRONMENT

The accountancy market is affected by the aspirations of both clients and accounting offices to engage in paperless financial management as well as the digitalisation projects of the authorities. Accounting is arranged so that the customer's receipts and printouts are not handled in paper form, but are moved electronically between the client company and the organiser of the accounting service. Accounting services, especially bookkeeping, are automated so that time spent by experts on routine work can be freed and used for the most demanding work phases. It is primarily the large companies that are able to respond to the changes in the operating environment since they have the most intellectual capital and the ability to invest in product development. Small accounting

firms are expected to face challenges due to customers' increasing demands, which will in turn accelerate consolidation in the accounting industry. In the view of Talenom, approximately 60% of the Finnish accounting market is still held by small accounting firms.

The intense digitalisation of financial management is changing familiar operating models. Talenom aims to be a technological pioneer and will continue substantial investments in software development. The company's own software production expertise is a major competitive factor in both the organisation of financial administration services and the development of electronic customer solutions.

In the view of Talenom, customers expect accounting companies to provide a more diverse and proactive service offering. The automation and digitalisation of routine work enables the expansion of service offering in the direction of consultancy. The service offering is increasingly focusing on supporting the management of client companies in developing and guiding their businesses, alongside the routine work.

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

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

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

MISSION, VISION AND STRATEGY

Talenom's mission: Joy of entrepreneurship

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

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

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

Talenom's strategy

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

- **Development of automation**

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

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

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

- **Growth organically and through acquisitions**

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

- **Internationalisation**

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

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

Talenom reached an important milestone in its growth strategy in autumn 2020 when it launched the TiliJaska service in the Finnish market in line with its small customer concept. This new service provides small entrepreneurs with a free accounting application, banking services (IBAN accounts and cards) and accounting services that are scaled to each customer's needs. A similar service will be introduced in Sweden. The small customer concept opens up an entirely new target market for Talenom in Finland – the small

customer sector of SMEs, consisting of companies with net sales of under 400,000 euros.

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

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

PERSONNEL AND MANAGEMENT

The average number of personnel during the review period 1 January–30 June 2021 was 983 (847). Talenom had 1,057 (841) employees at the end of the review period. During the review period, the members of the company's Executive Board were Otto-Pekka Huhtala (CEO), Antti Aho (CFO and CHRO), Tuomas Iivanainen (Director, International Business), Juho Aho (Director, Accounting Services) and Juha Jutila (Director, Business Development). There were no changes in the composition of the Executive Board during the review period.

ANNUAL GENERAL MEETING 2021 AND AUTHORISATIONS OF THE BOARD OF DIRECTORS

Talenom Plc's Annual General Meeting was held on 3 March 2021 in Helsinki. The Annual General Meeting was organised in accordance with an exceptional procedure based on the temporary legislative act to limit the spread of the Covid-19 pandemic approved by the Finnish Parliament. Shareholders and their proxy representatives could participate in the Annual General Meeting only by voting and submitting counterproposals in advance.

The AGM decided to issue a dividend of 0.15 euros per share for the financial period 1 January–31 December 2020. The dividend was paid to shareholders on 12 March 2021.

The Annual General Meeting authorised the Board of Directors to resolve on the repurchase of a maximum of 150,000 own shares in the company in one or several tranches using the company's unrestricted shareholders' equity. The shares will be repurchased 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 2022. The authorisation replaces the previous authorisation to repurchase own shares granted by the Annual General Meeting on 25 February 2020.

The AGM authorised the Board of Directors to resolve on the issuances 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 trenches, either against a payment or without payment. The aggregate amount of shares to be issued, including the shares to be received based on special rights, must not exceed 2,100,000 shares. The Board of the Directors may resolve to issue new shares or to transfer own shares possibly held by the company. The maximum amount of the authorisation corresponds to approximately 4.8 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 2022. The authorisation revokes all previous unused authorisations to resolve on the issuance of shares, option rights and other special rights entitling to shares.

In addition to the abovementioned authorisations, the Board of Directors has no other valid authorisations to acquire or dispose of the company's own shares.

BOARD OF DIRECTORS AND AUDITOR

On 3 March 2021, Talenom Plc's Annual General Meeting elected Harri Tahkola, Mikko Siuruainen, Olli Hyyppä, Johannes Karjula and Sampsa Laine as the members of the Board of Directors for a new term of office and elected Elina Tourunen as a new member of the Board of Directors. In its organisational meeting held after the Annual General Meeting, the Board of Directors elected Harri Tahkola as Chairman of the Board of Directors.

The Annual General Meeting re-elected the auditing firm KPMG Ltd, authorised public accountant organisation, as the auditor, with Juho Rautio, authorised public accountant, as the principal auditor.

SHARES AND SHAREHOLDERS

On 30 June 2021, Talenom Plc had a total of 43,700,625 shares entered in the Trade Register. The company held 150,600 treasury shares (0.34% of the total number of shares and total number of votes) on 30 June 2021. On 30 June 2021, Talenom had a total of 7,655 (5,561) shareholders, representing an increase of 2,094 shareholders, year on year.

There were 123 trading days in the review period 1 January–30 June 2021. A total of 7,798,545 shares were traded during this period, and the value of the shares traded was 98,197,559 euros. The highest price of the share was 15.25 euros and the lowest price was 10.60 euros. The volume weighted average price was 12.59 euros and the closing price at the end of the review period (30 June 2021) was 14.28 euros. In accordance with the closing price, the combined market value of the shares was approximately 624.04 million euros.

FLAGGING NOTIFICATIONS

During the review period, Talenom received three notifications of changes in holdings in accordance with Chapter 9, Section 10 of the Securities Markets Act.

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

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

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

SIGNIFICANT EVENTS IN THE REVIEW PERIOD

- Talenom carried out several acquisitions in Finland and Sweden during the review period. With its acquisitions in Sweden, Talenom expanded its operations to new locations: Växjö, Östersund and Åre.

Asset deals during the review period:

- Balance Systems Oy's accounting business, Kemi (February)
- Business entity formed by Laskentalinja Oy and Lapinlahden Yrityspalvelu Oy, Kuopio (February)
- Tilipalvelu Pirkko Kemppainen Oy's accounting business, Ivalo (March)
- Frivolous Oy's accounting firm operations under the auxiliary company name AC-Tilit, Espoo (April)
- Tilitoimisto Reijo Mäki Oy's accounting firm operations, Hämeenlinna (April)
- Lapin Tulostieto Oy's accounting firm operations in Tornio, Ylitornio and Kolari (June)

Share transactions during the review period:

- Ekonomianalys KL AB, Järfälla and Persson & Thorin AB, Växjö, Sweden (January)
- Crescendo Redovisning AB's accounting firm in Nacka and Progredo AB's accounting firms in Östersund and Åre, Sweden (April)
- Balance-Team Oy, Helsinki (April)

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

Thousand euro	Share transactions	Asset deals
Purchase prices, total	10,451	1,305
Maximum contingent consideration	3,334	510
12-month net sales at the time of acquisition, total	8,458	2,590
12-month operating profit at the time of acquisition, total	1,670	502

In the acquisitions, part of the purchase price was paid with new Talenom Plc shares subscribed for in directed issues. A total of 471,095 shares were subscribed for in directed share issues related to acquisitions during the review period. For more information about acquisitions, see “Business acquisitions in 2021” in the table section.

- Talenom Plc’s Annual General Meeting was held on 3 March 2021 in Helsinki. For more information, see “Annual General Meeting 2021 and authorisations of the Board of Directors”.
- 14,750 new Talenom Plc shares subscribed with stock options 2016C were entered in the Trade Register on 8 March 2021. The total subscription price, 11,652.50 euros, was fully recorded in the company’s invested unrestricted equity fund.
- Talenom published its financial guidance for 2021 in the Financial Statement Bulletin on 8 February 2021. Net sales for 2021 were expected to amount to 75–80 million euros and operating profit was expected to be 14–16 million euros. During the review period, Talenom updated its financial outlook for 2021 twice:

In March, Talenom agreed to acquire the accounting firms of Crescendo Redovisning AB and Progreto AB in Sweden. The combined net sales of the acquirees during the past 12-month period amounted to around 2.3 million euros. On 18 March 2021, as a result of the acquisitions, Talenom revised its financial outlook and raised its guidance for 2021 regarding net sales. The new guidance for 2021 was: “Net sales for 2021 are expected to amount to 78–82 million euros and operating profit is expected to be 14–16 million euros.”

In April, Talenom acquired the Helsinki-based Balance-Team Oy specialising in financial management for associations. The net sales of the transferred accounting business for the financial year ended 31 December 2020 were 2.7 million euros. On 15 April 2021, due to the acquisition, Talenom revised its financial outlook and raised its guidance for 2021 regarding net sales: “Net sales for 2021 are expected to amount to 80–84 million euros and operating profit is expected to be 14–16 million euros.”

- In March, Talenom welcomed new franchise entrepreneurs in Oulu and Kerava. In addition, Talenom signed agreements in June under which two new franchise entrepreneurs will start on 1 September 2021 in Kotka-Hamina and Vantaa Aviapolis. This brings Talenom’s total number of franchisees to 23.
- In its Business Review for January–September 2020, Talenom announced its intention to expand its offering to banking services, including both physical and virtual payment cards, an IBAN account, SEPA payments, and electronic bank account statements integrated into bookkeeping. On 1 April 2021, Talenom announced that after successful testing, its banking services had gone into production and were successfully deployed for the first customers. The company was starting the deployment of banking services for customers in the TiliJaska service for small customers. Talenom aims to make the banking services available to its current customers during 2021.
- On 29 April 2021, Talenom announced that it was listed as one of the best workplaces in Finland for the fourth time running in the Great Place to Work Institute’s Best Workplaces in Finland

2021 survey. Talenom was ranked sixth in the large companies' category. The companies ranked among the best workplaces in Finland receive a Great Place to Work certificate. The certificate is granted to companies whose employee experience reaches a sufficiently good level in the Trust Index employee survey.

- Talenom announced on 20 May 2021 that its Board of Directors had resolved on the performance criteria and targets for the 2021–2023 performance period of the Performance Share Plan it established in February 2020 and the maximum number of shares to be issued. The Board of Directors also resolved on the issuance of option rights to key employees in deviation from the pre-emptive subscription right. For more information, see “Stock option schemes” and “Performance Share Plan”.
- In June, Talenom agreed with Danske Bank A/S, Finland branch on a 40-million-euro collateralised loan and a 10-million-euro finance limit for potential acquisitions and projects in support of growth. Thanks to this arrangement, Talenom's annual financing costs will decline by a total of around 0.18 million euros. The loan period is three years and it can be extended twice by a period of one year each with the separate consent of the bank. With this new loan, Talenom repaid its collateralised loan and finance limit from Danske Bank, which totalled 37 million euros.

EVENTS AFTER THE REVIEW PERIOD

- On 8 July 2021, Talenom announced that it is acquiring the share capital of accounting firm Avail Services SL in Barcelona, Spain. With this acquisition, Talenom is executing its growth strategy and launching its operations in the Spanish market. The acquisition opens up the opportunity for Talenom to grow its business in one of Europe's largest markets. Talenom believes that it can grow to become one of the leading players in the Spanish market.

Avail Services SL operates under the name Avalanding. The net sales of the acquiree amounted to around 0.9 million euros and operating profit to about 0.0 million euros in 2020. Talenom expects that in 2021 Avalanding will have net sales of approximately 1.2 million euros and that its operating profit will be positive. The acquired business was transferred to Talenom on 1 August 2021. The financial impact of the acquisition on Talenom's 2021 figures will remain within the current guidance, as updated on 15 April 2021.

The transaction was carried out by acquiring the entire share capital of the company with cash and new Talenom Plc shares subscribed for in a directed share issue. The purchase price was 1.89 million euros, of which 1.0 million euros was paid in cash and 0.89 million euros in shares. Contingent consideration of up to 1.5 million euros may be paid if operational and financial targets are reached. The 62,591 new shares subscribed for in the directed share issue related to the transaction will be registered in the Trade Register on or about 5 August 2021.

- On 8 July 2021, Talenom announced that it is acquiring the accounting firm YOUUnited Professionals Nyköping AB in Sweden. With this acquisition, Talenom further bolsters its position in the Swedish market and expands its operations to a new municipality, Nyköping. YOUUnited Professionals Nyköping AB had net sales of around 1.2 million euros and operating profit of about 0.3 million euros in the July/2020–June/2021 period. The acquired business will

be transferred to Talenom on 1 September 2021. The financial impact of the acquisition on Talenom's 2021 figures will remain within the current guidance, as updated on 15 April 2021.

The transaction will be carried out by acquiring the entire share capital of the company with cash and new Talenom Plc shares subscribed for in a directed share issue. The purchase price is 1.3 million euros, of which 0.9 million euros will be paid in cash and 0.4 million euros in shares. Contingent consideration of up to 0.2 million euros may be paid if operational and financial targets are reached. The 27,036 new shares subscribed for in the directed share issue related to the transaction will be registered in the Trade Register on or about 6 September 2021.

Preliminary estimate of acquired assets and assumed liabilities at the time of acquisition:

Thousand euro, pro forma	Avail Services SL	YOUited Professionals Nyköping AB
Property, plant and equipment and intangible assets	62	16
Investments	0	98
Customer relationships	290	694
Current assets	190	248
Total assets	543	1,055
Trade and other payables	364	346
Deferred tax liabilities	73	143
Total liabilities	436	489
Net assets	107	566
Consideration transferred (incl. contingent consideration)	2,890	1,446
Net assets of acquired companies	-107	-566
Goodwill	2,783	880

No other significant events took place after the review period.

STOCK OPTION SCHEMES

At the end of the review period, Talenom had two stock option schemes that were established in 2019 and 2021. The final options of the 2016A, 2016B, 2016C and 2018 stock option schemes were exercised in the first quarter of 2021.

The subscription periods for the stock options are as follows:

- Option right 2019: 1 March 2022–28 February 2023
- Option right 2021: 1 March 2026–28 February 2027

Stock options are distributed free of charge to key personnel employed by the Group company as part of the Group's incentive and commitment system for key personnel. The company's CEO and Executive Board members are covered by the stock option schemes. Members of the Board of Directors do not participate in the stock option schemes. Holders of stock options must acquire company shares with 20% of their gross income from the options.

Option rights 2019:

The terms of the 2019 stock option scheme were approved by the AGM of 26 February 2019. In order to enhance the liquidity of the company's share, the 2020 AGM resolved to issue new shares to shareholders without payment in proportion to their holdings so that five new shares were issued for each share. The shares were issued to shareholders who were registered in the shareholder list maintained by Euroclear Finland Oy on the record date, 27 February 2020. Due to the share issue without payment, the Board of Directors decided on 25 February 2020 to change the number and subscription price of the shares subscribed for with the options. After this amendment, the total number of shares to be subscribed with 2019 option rights is 1,200,000.

Option rights 2021:

On 20 May 2021, the Board of Directors resolved on the distribution of up to 600,000 option rights free of charge to 22 key employees of Talenom Group in accordance with the terms of Talenom Plc's Option Rights 2021 plan. The resolution is based on an authorisation granted to the Board of Directors by the Annual General Meeting held on 3 March 2021.

The option rights will entitle their holders to subscribe to a total maximum of 600,000 new shares or shares held by the company. The shares subscribed on the basis of the Option Rights 2021 plan account for a maximum total of 1.4 per cent of all shares in the company and of the votes conferred by the shares following the potential subscription, if new shares are issued with the subscription.

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

The options granted and the holdings or undistributed options of the company are divided into option categories on 30 June 2021 as follows:

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

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

Option categories	2019	2021
The current subscription price of options	3.10	13.44
Total number of unexercised options	924,000	510,000
Exercised or Talenom Plc's holding or undistributed	276,000	90,000
Number of shares at 30 June 2021	43,700,625	43,700,625
Number of shares if all options are converted into new shares	44,624,625	44,210,625
Proportion of holdings and votes if all options are converted into new shares	2.071%	1.154%

The total number of shares will increase from 43,700,625 to 45,134,625 if both of the stock options are used in full to subscribe for new shares. The total number of votes and holdings of both options is 3.177% if all stock options are used to fully subscribe for new shares.

Under the terms of the option rights, the subscription price of options may change if the company distributes dividends or funds from the unrestricted equity fund, or if the company reduces its share capital by issuing share capital to shareholders. The terms and conditions are available (in Finnish) on Talenom's investor pages at: [Talenom.fi/sijoittajat/yhtiokokoukset](https://www.talenom.fi/sijoittajat/yhtiokokoukset).

SHARE-BASED INCENTIVE PLANS

Performance Share Plan 2020-2024

On 25 February 2020, Talenom's Board of Directors decided to establish Performance Share Plan 2020–2024. It consists of three performance periods covering the calendar years 2020–2022, 2021–2023 and 2022–2024. The Board of Directors resolves on the the plan's performance criteria and the targets to be set for each criterion at the beginning of each performance period. For the performance period 2020–2022, performance criteria and targets were resolved 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 after the end of each performance period. Rewards will be paid for the first time in 2023. The cash proportion is intended to cover taxes and tax-related expenses arising from the reward to a participant. As a rule, no reward is paid if a 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 internationalisation and 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 330,000 Talenom Plc shares, including also the proportion to be paid in cash.	The rewards correspond to the value of an approximate maximum total of 250,000 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 relationship and the continuity of the employment or service during the vesting period and other possible terms imposed by the Board of Directors.

The rewards to be granted based on the Restricted Share Plan in 2021–2025 currently correspond to the value of a maximum total of 280,000 Talenom Plc shares, including also the proportion 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.

RISKS, UNCERTAINTIES AND RISK MANAGEMENT

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

The key identified risks are as follows:

- The economic and political development of society may adversely affect the company's profitability.
- The competitive situation may intensify as competitors bring new services to the market or engage in price competition.
- The IT systems and communications connections of the company or those provided by its partners may be subject to security breaches, or to failures, faults or disturbances during maintenance and updates that affect the company's business, profitability and financial position.

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

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

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

BASIS OF PREPARATION OF THE HALF-YEAR REPORT

The half-year report has been prepared in accordance with IAS 34 Interim Financial Reporting, and its accounting policies are the same as those presented in Talenom's Financial Statement for 2020. The Financial Statement is available on the company's investor pages at www.talenom.fi/investors. In IFRS reporting, the Group has one reporting business segment, accounting services.

In April 2021, IFRS Interpretations Committee finalised its agenda decision on Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets). In this agenda decision the Interpretations Committee considered, whether, applying IAS 38, the customer recognises an intangible asset in relation to configuration or customisation of the application software, and if an intangible asset is not recognized, how the customer accounts for the configuration or customisation costs. IFRIC agenda decisions have no effective date, so they are expected to be applied as soon as possible. As the Group has cloud computing arrangements in place, it has started analysing whether this agenda decision has an impact to the accounting policies applied to implementation costs in cloud computing arrangements. The Group will undertake this analysis in autumn 2021, and the possible impacts will be implemented retrospectively in the Financial Statements 2021 at the latest.

The figures of the Half-Year Report 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 i.e. performance measures not based on IFRS standards provide notable supplemental information to management, investors and other interested parties. Alternative performance measures may not be considered as a substitute for measures of performance in accordance with IFRS.

Alternative performance measures used by the company include operating profit (EBIT), operating profit (EBIT) as % of net sales, return on investment (ROI) %, interest-bearing net liabilities, net gearing ratio %, equity ratio %, working capital and net investments. The formulas and explanations of alternative performance measures are presented below under section Formulas.

FINANCIAL REPORTING IN 2021

Talenom will publish its Business Review for January–September 2021 on Monday, 1 November 2021 at around 13:30 EET.

The report will be available on the company's website at www.talenom.fi/investors immediately after publication.

TABLES

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

Thousand euro	1-6/2021	1-6/2020	1-12/2020
Net sales	41,687	33,852	65,161
Other operating income	281	78	121
Materials and services	-1,354	-1,316	-2,466
Employee benefit expenses	-22,388	-17,332	-33,947
Depreciation and amortisations	-5,847	-5,120	-10,398
Other operating expenses	-3,828	-2,851	-5,589
Operating profit	8,551	7,312	12,881
Financial income	70	46	82
Financial expenses	-528	-484	-939
Net financial expenses	-458	-438	-857
Profit (loss) before taxes	8,093	6,874	12,024
Income taxes	-1,683	-1,418	-2,445
Profit (loss) for the financial period	6,411	5,456	9,579
Other items of comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Cash flow hedging	0	40	0
Taxes on items that may be subsequently transferred to profit or loss	0	-8	0
Other comprehensive income for the financial period after tax	0	32	0
Total comprehensive income for the financial period	6,411	5,488	9,579
Earnings per share calculated on the profit attributable to equity holders of the parent company			
Undiluted earnings per share (euro)	0.15	0.13	0.22
Diluted earnings per share (euro)	0.15	0.13	0.22

OPERATING SEGMENTS

The Group has one reporting business segment, the accounting services, which is evaluated monthly by the Board of Directors and the CEO as the highest operational decision-makers.

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

Financial income and expenses and income taxes are not allocated to the segment. Income and expenses related to segments other than accounting services are presented in unallocated items because they do not form a separately reported business segment.

Operating segments 1–6/2021

Thousand euro	Accounting services	Unallocated items and eliminations	Group total
External net sales	40,120	1,567	41,687
Total net sales	40,120	1,567	41,687
Operating expenses	-26,116	-1,454	-27,570
Other income	281	0	281
EBITDA	14,285	113	14,398
Depreciation	-5,133	0	-5,133
Amortisations	-714	0	-714
Operating result	8,438	113	8,551

Operating segments 1–6/2020

Thousand euro	Accounting services	Unallocated items and eliminations	Group total
External net sales	32,356	1,496	33,852
Total net sales	32,356	1,496	33,852
Operating expenses	-20,232	-1,268	-21,499
Other income	78	0	78
EBITDA	12,203	228	12,431
Depreciation	-4,212	0	-4,212
Amortisations	-908	0	-908
Operating result	7,084	228	7,312

Operating segments 1–12/2020

Thousand euro	Accounting services	Unallocated items and eliminations	Group total
External net sales	62,480	2,681	65,161
Total net sales	62,480	2,681	65,161
Operating expenses	-39,533	-2,470	-42,003
Other income	121	0	121
EBITDA	23,068	211	23,279
Depreciation	-8,542	0	-8,542
Amortisations	-1,856	0	-1,856
Operating result	12,670	211	12,881

CONSOLIDATED BALANCE SHEET

Thousand euro	30 June 2021	30 June 2020	31 Dec. 2020
ASSETS			
Non-current assets			
Goodwill	32,612	21,166	23,956
Other intangible assets	32,420	18,819	22,921
Right-of-use assets	8,041	8,311	7,965
Property, plant and equipment	2,792	2,615	2,479
Other non-current financial assets	337	237	337
Deferred tax assets	89	76	64
Capitalised contract costs	11,492	10,656	11,033
Total non-current assets	87,783	61,880	68,754
Current assets			
Trade and other receivables	9,162	6,467	7,055
Current tax assets	10	0	10
Cash and cash equivalents	10,601	9,627	9,104
Total current assets	19,773	16,094	16,168
Total assets	107,557	77,974	84,923
CAPITAL AND RESERVES			
Share capital	80	80	80
Reserve for invested unrestricted equity	20,314	13,741	14,818
Fair value reserve	0	-13	0
Retained earnings	17,807	12,876	17,271
Total equity	38,201	26,684	32,169
LIABILITIES			
Non-current liabilities			
Financial liabilities	40,000	30,000	30,000
Trade and other payables	3,143	157	556
Lease liabilities	5,654	6,335	5,859
Deferred tax liabilities	1,879	471	732
Total non-current liabilities	50,676	36,962	37,147
Current liabilities			
Trade and other payables	14,833	10,915	12,134
Lease liabilities	2,580	2,249	2,280
Other current financial liabilities	0	16	0
Current tax liabilities	1,267	1,148	1,193
Total current liabilities	18,680	14,328	15,607
Total liabilities	69,356	51,290	52,754
Total equity and liabilities	107,557	77,974	84,923

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Thousand euro	Share capital	Reserve for invested unrestricted equity	Fair value reserve	Retained earnings	Total
Total equity 1 January 2021	80	14,818	0	17,271	32,169
Comprehensive income					
Profit for the financial period				6,411	6,411
Total comprehensive income for the financial period	0	0	0	6,411	6,411
Transactions with owners					
Dividend distribution and repayment of capital				-6,480	-6,480
Average exchange rate difference and translation differences				8	8
Share issue		5,496			5,496
Share-based payments				569	569
Other adjustments					0
Transactions with owners, total	0	5,496	0	-5,902	-407
Other adjustments	0	0		28	28
Total equity 30 June 2021	80	20,314	0	17,807	38,201
Thousand euro	Share capital	Reserve for invested unrestricted equity	Fair value reserve	Retained earnings	Total
Total equity 1 January 2020	80	11,234	-45	12,304	23,573
Comprehensive income					
Profit for the financial period				5,456	5,456
Cash flow hedging			32		32
Total comprehensive income for the financial period	0	0	32	5,456	5,488
Transactions with owners					
Dividend distribution and repayment of capital				-5,211	-5,211
Average exchange rate difference and translation differences				6	6
Share issue		2,507			2,507
Share-based payments				365	365
Transactions with owners, total	0	2,507	0	-4,840	-2,333
Other adjustments	0	0		-44	-44
Total equity 30 June 2020	80	13,741	-13	12,876	26,684
Thousand euro	Share capital	Reserve for invested unrestricted equity	Fair value reserve	Retained earnings	Total
Total equity 1 January 2020	80	11,234	-45	12,304	23,573
Comprehensive income					
Profit for the financial period				9,579	9,579
Cash flow hedging					0
Total comprehensive income for the financial period	0	0	0	9,579	9,579
Transactions with owners					
Dividend distribution and repayment of capital				-5,211	-5,211
Average exchange rate difference and translation differences				-2	-2
Share issue		3,585			3,585
Redeemed options					0
Share-based payments				643	643
Transactions with owners, total	0	3,585	0	-4,570	-986
Other adjustments	0	0	45	-42	3
Total equity 31 December 2020	80	14,818	0	17,271	32,169

CONSOLIDATED CASH FLOW STATEMENT

Thousand euro	30 June 2021	30 June 2020	31 Dec. 2020
Cash flow from operating activities			
Profit (loss) before taxes	8,093	6,874	12,024
Adjustments:			
Depreciation and amortisations	5,847	5,120	10,398
Financial income	-70	-46	-82
Financial expenses	528	484	939
Other adjustments	427	394	636
Changes in working capital:			
Change in trade and other receivables	-779	271	182
Change in trade payables and other liabilities	817	441	1,169
Interest income	70	46	82
Paid taxes	-1,941	-762	-1,912
Net cash flow from operating activities	12,992	12,821	23,436
Cash flow from investing activities			
Revenue from the sale of property, plant and equipment	138	154	252
Acquisition of property, plant and equipment	-558	-514	-792
Capitalisation of contract costs	-1,944	-2,186	-4,239
Acquisition of intangible assets	-5,708	-4,926	-10,332
Acquired businesses	-5,254	-572	-2,352
Investments	0	0	-100
Net cash flow from investing activities	-13,327	-8,044	-17,563
Cash flow from financing			
Proceeds from share issue	12	1,831	1,878
Paid interest	-607	-499	-943
Dividends paid	-6,480	-5,211	-5,211
Change in instalment payment liabilities	216	-49	-148
Repayment of lease liabilities	-1,298	-1,014	-2,129
Loan withdrawals	47,000	30,000	30,000
Loan repayments	-37,000	-28,000	-28,000
Net cash flow from financing	1,842	-2,942	-4,554
Change in cash and cash equivalents	1,507	1,834	1,320
Cash and cash equivalents, 1 Jan.	9,104	7,786	7,786
Net effect of exchange rate fluctuations on cash and cash equivalents	-10	6	-2
Cash and cash equivalents	10,601	9,627	9,104

BUSINESS ACQUISITIONS IN 2021

During the review period, the Group acquired five business entities in Finland and Sweden through share transactions as well as six business entities through asset deals. The transactions are itemised in the table below.

Thousand euro	Acquisition date	Transaction type	Means 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	Asset deal	Cash	466	150
Laskentalinja Oy and Lapinlahden yrityspalvelut Oy	1 Feb. 2021	Asset deal	Cash	256	95
Crescendo Redovisning 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	Asset deal	Cash	353	165
Tilitoimisto Reijo Mäki Oy	1 Apr. 2021	Asset deal	Cash	145	0
Frivolous Oy	1 Apr. 2021	Asset deal	Cash	89	0
Balance-Team Oy	15 Apr. 2021	Share transaction	Cash and shares	5,650	700
Lapin Tulostieto Oy	1 Jun. 2021	Asset deal	Cash	280	100

The contingent consideration recognised as liabilities for these transactions totals 2,617 euros. The amount of contingent consideration recognised is based on the management's estimate of the probable realisation of the financial and operational targets separately agreed upon in connection with the transactions.

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

Thousand euro	Share transactions	Asset deals
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 liabilities	993	199
Total liabilities	3,459	336
Net assets	4,292	1,268
Consideration transferred (incl. contingent consideration)	12,638	1,589
Net assets of acquired company	-4,292	-1,268
Goodwill	8,346	321

Expenses from the acquisitions, 106 thousand euros, have been recognised under other operating expenses in the income statement. If the acquisitions had been carried out at the beginning of the 2021 financial year, it is estimated that they would have increased operating profit for the period by about 350 thousand euros and net sales by around 1,800 thousand euros.

Business acquisitions in 2020

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

On 4 May 2020, the Group acquired the shares in the Swedish accounting firm Niva Ekonomi Ab through share transaction. The acquisition cost of these shares was 1,082 thousand euros, which was paid in cash and shares. In connection with the transaction, it was agreed with the owners that they may be paid contingent consideration tied to the achievement of financial objectives set for business operations. The amount of the consideration is 0– 2 million Swedish krona. Based on the management's estimate, 1.5 million Swedish krona (140 thousand euros) of the contingent consideration has been recognised in the purchase price and as a liability.

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

On 1 September 2020, the Group acquired the shares in the Swedish accounting firm Frivision Ab. The acquisition cost of these shares was 1,457 thousand euros, which was paid in cash and shares. In connection with the transaction, it was agreed with the owners that they may be paid contingent consideration tied to the achievement of financial objectives set for business operations. The amount of the consideration is 0–6.4 million Swedish krona. Based on the management's estimate, 4.35 million Swedish krona (420 thousand euros) of the contingent consideration has been recognised in the purchase price and as a liability.

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

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

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

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

Expenses from the acquisitions have been recognised under other operating expenses in the income statement.

If the acquisitions had been carried out at the beginning of 2020, it is estimated that they would have increased operating profit for the period by 260 thousand euros and net sales by 3,340 thousand euros.

COLLATERAL AND CONTINGENT LIABILITIES

Thousand euro

Liabilities secured by an enterprise mortgage	30 June 2021	30 June 2020	31 Dec. 2020
Loans from financial institutions	40,000	30,000	30,000
Enterprise mortgages provided as security	50,360	45,360	45,360
Other deposits and contingent liabilities			
Deposits	3,072	3,072	3,072
Other *)	679	4,895	3,895

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

Interest rate swaps

Fair value	0	-32	0
Value of the underlying instrument	0	9,890	0

FORMULAS

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

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

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

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

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

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

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

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

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