

Half-Year Financial Report 2024

EBITDA increased by 14.6% and strategy implementation progressed as planned

1 Jan to 30 Jun 2024 (unaudited)



Half-Year Financial Report 2024:

EBITDA increased by 14.6% and strategy implementation progressed as planned

January–June 2024 in brief

- Net sales EUR 68.0 million (63.7), growth 6.7% (22.1)
- EBITDA EUR 19.7 million (17.2), 29.0% (27.0) of net sales
- Operating profit (EBIT) EUR 8.4 million (7.1), 12.3 % (11.2) of net sales
- Net profit EUR 4.7 million (4.2)
- Earnings per share EUR 0.10 (0.09)

April–June 2024 in brief

- Net sales EUR 33.9 million (32.4), growth 4.5% (20.1)
- EBITDA EUR 10.3 million (8.9), 30.3 % (27.3) of net sales
- Operating profit (EBIT) EUR 4.5 million (3.7), 13.3% (11.3) of net sales
- Net profit EUR 2.7 million (2.2)
- Earnings per share EUR 0.06 (0.05)

Key figures

Group	1–6/2024	1–6/2023	Change, %	4–6/2024	4–6/2023	Change, %
Net sales, EUR 1,000	67,971	63,720	6.7%	33,876	32,409	4.5%
Net sales, growth %	6.7%	22.1%		4.5 %	20.1%	
EBITDA, EUR 1,000	19,741	17,228	14.6%	10,253	8,862	15.7%
EBITDA of net sales, %	29.0%	27.0%		30.3%	27.3%	
Operating profit (EBIT), EUR 1,000	8,356	7,123	17.3%	4,501	3,665	22.8%
Operating profit (EBIT), as % of net sales	12.3%	11.2 %		13.3%	11.3%	
Return on investment (ROI), % (rolling 12 months)	6.5%	9.7%		6.5%	9.7%	
Cash flow from operations, EUR 1,000	18,157	14,932	21.6%			
Interest-bearing net liabilities, EUR 1,000	83,899	70,438	19.1%	83,899	70,438	
Net gearing ratio, %	160.1%	125.7 %		160.1%	125.7%	
Equity ratio, %	28.7%	32.8 %		28.7%	32.8%	
Net investments, EUR 1,000	13,125	24,848	-47.2%	4,767	12,207	-61.0%
Liquid assets, EUR 1,000	12,314	10,789	14.1%	12,314	10,789	14.1%
Earnings per share, EUR	0.10	0.09	10.1%	0.06	0.05	21.9%
Weighted average number of shares during the period	45,467,837	45,004,577	1.0%	45,477,972	45,115,100	0.8%
Net profit, EUR 1,000	4,692	4,219	11.2%	2,657	2,162	22.9%

Guidance for 2024 unchanged

Talenom estimates that 2024 net sales will be about EUR 130–140 million, EBITDA EUR 34–40 million and operating profit EUR 14–17 million.

CEO Otto-Pekka Huhtala

The first half of the year progressed well. We continued to implement this year's strategic priorities. This year these include improving operational efficiency, launching our platform in Sweden and accelerating organic growth. Our main objective was to improve profitability, which has materialized as planned. In Sweden, we were also able to migrate customers to our own platform in line with our targets. Our goal is to migrate at least 50% of our regular reporting customers to our own systems during 2024. Based on the experience in Finland, the introduction of Talenom's processes and platform enables reducing routine work time by up to 75%. To strengthen organic growth, we continued to develop the digital purchase path and made key hires to support growth.

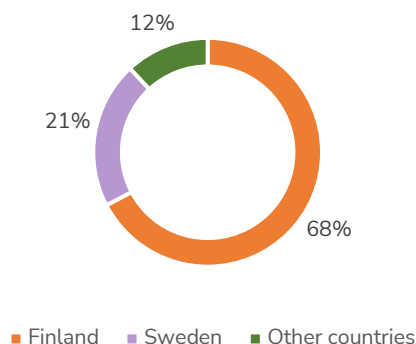
Net sales grew by 6.7% (22.1) to EUR 68.0 million (63.7) in the first half of 2024. Compared to the comparison period, the acquisition pace has been significantly slowed down in line with plans. The economic downturn had a negative impact on the business volumes of our customers in Finland and Sweden. This resulted in a reduction in transaction volumes for Talenom, which resulted in a decrease in customer invoicing. Business closures and bankruptcies were higher than in the comparison period. Successful new customer acquisition compensated for the effects of the weak economic cycle.

Profitability improved. EBITDA for January-June rose by 14.6% to EUR 19.7 million (17.2), while operating profit increased by 17.3% to EUR 8.4 million (7.1). Profitability was significantly improved in Finland with the efficiency measures initiated in 2023. Simultaneously, we have prioritized customer retention to be better positioned when the economic upswing starts. In Sweden, the introduction of our own software weighed on profitability. We completed several integration projects that engaged the organization. Spanish business operations have grown to more than 10% of the Group's net sales and profitability was significantly improved as EBITDA increased by approximately EUR 1 million from the comparison period. We expect strong profitability development and growth to continue in Spain in the future.

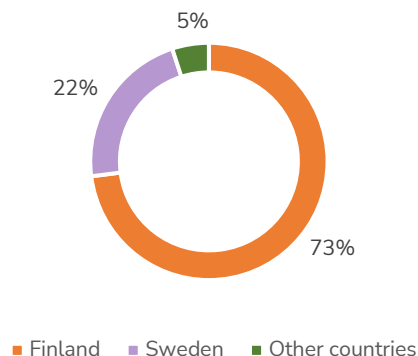
We are positive about the future and believe in our strengths, which include providing easy routines to the customer, high automation and customer orientation. Talenom's approach combines accounting, payment and card services with a proprietary software platform in a unique way. Over 90% of net sales are recurring, providing a solid foundation for the company's long-term development.

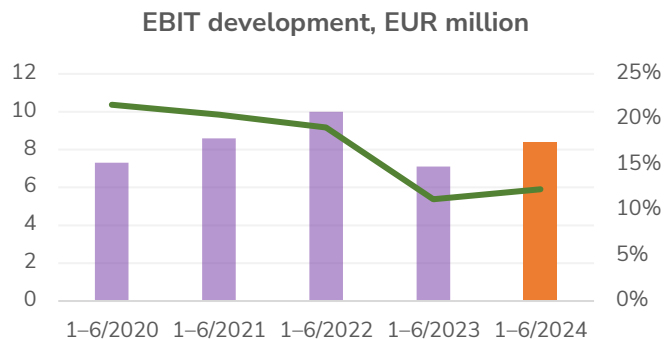
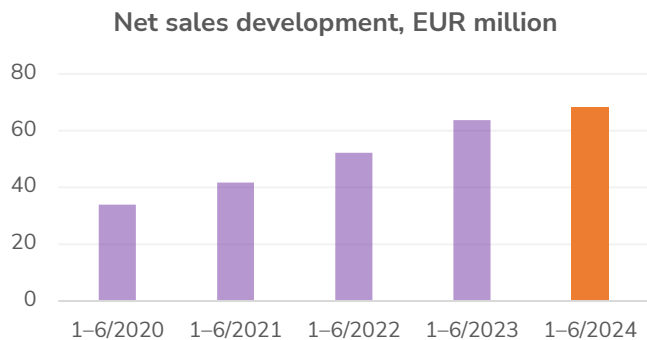
Group's financial performance January-June 2024

Net sales by country 1-6/2024



Net sales by country 1-6/2023





Net sales increased by 6.7% to EUR 68.0 million (63.7). The net sales growth was mainly due to acquisitions in Spain. The economic downturn in Finland and Sweden has significantly slowed organic growth.

Personnel costs amounted to EUR 39.8 million (37.0) representing 58.5% (58.1) of net sales. Other operating expenses, including materials and services, totalled EUR 9.7 million (9.8) or 14.2% (15.4) of net sales.

Operating profit increased by 17.3% and amounted to EUR 8.4 million (7.1) or 12.3% (11.2) of net sales. Profitability in Finland was significantly improved by efficiency measures launched in 2023, while in Sweden the introduction of proprietary software and integration projects burdened profitability. In Spain, the growth in business volume has enabled profitability to develop well. Net profit grew by 11.2% to EUR 4.7 million (4.2).

Group's financial performance April-June 2024

Net sales increased by 4.5% to EUR 33.9 million (32.4). The net sales growth was mainly due to acquisitions in Spain. The economic downturn in Finland and Sweden has significantly slowed organic growth.

Operating profit increased by 22.8% and amounted to EUR 4.5 million (3.7) or 13.3% (11.3) of net sales. Net profit grew by 22.9% to EUR 2.7 million (2.2). Profitability in Finland was significantly improved by efficiency measures launched in 2023, while in Sweden the introduction of proprietary software and integration projects burdened profitability. In Spain, the growth in business volume has enabled profitability to develop well.

Country-specific financial development

Finland

	1-6/2024	1-6/2023	Change	4-6/2024	4-6/2023	Change
Net sales, EUR 1,000	45,899	46,709	-1.7%	22,490	23,332	-3.6%
Net sales growth, %	-1.7%	10.2%		-3.6%	9.0%	
EBITDA, EUR 1000	18,145	16,384	10.8 %	8,847	8,210	7.8%
EBITDA of net sales, %	39.5%	35.1%		39.3%	35.2%	
Depreciation and amortisations, EUR 1,000	-8,974	-8,529	5.2%	-4,549	-4,374	4.0%
Operating profit, EUR 1,000	9,171	7,855	16.8%	4,298	3,836	12.0%
Operating profit of net sales, %	20.0%	16.8%		19.1%	16.4%	

January-June 2024

Net sales decreased by 1.7% to EUR 45.9 million (46.7). Overall economic development affected growth negatively.

Relative profitability improved significantly thanks to the efficiency measures introduced in 2023.

April-June 2024

Net sales fell from the comparison period. General economic development has been negatively reflected in growth, although new customer acquisition has worked well and compensated for the effects of the economic downturn. The downturn has had a negative impact on the business volumes of Talenom's customers. This has resulted in a reduction in transaction volumes, which has led to a decrease in revenue per customer through both volumes and price adjustments. In many customer industries, business operations have contracted significantly, and Talenom has prioritized customer retention to be better positioned when the economic upswing starts. Business closures and bankruptcies have also increased from the comparison period.

Relative profitability improved significantly thanks to the efficiency measures introduced in 2023. In Finland, Talenom can achieve very high profitability through our own platform automation and efficient business processes. Without the downturn, even higher profitability growth would have been possible.

Talenom expects the economic downturn to ease as interest rates fall. This is expected to positively impact Talenom's growth opportunities with a lag of around six months.

Sweden

	1-6/2024	1-6/2023	Change	4-6/2024	4-6/2023	Change
Net sales, EUR 1,000	14,223	14,026	1.4%	7,226	7,299	-1.0%
Net sales growth, %	1.4%	50.9%		-1.0%	37.5%	
EBITDA, EUR 1000	415	1,443	-71.2%	435	596	-27.0%
EBITDA of net sales, %	2.9%	10.3%		6.0%	8.2%	
Depreciation and amortisations, EUR 1,000	-1,423	-1,189	19.7%	-706	-603	17.1%
Operating profit, EUR 1,000	-1,008	254	-496.4%	-271	-7	-3,671.1%
Operating profit of net sales, %	-7.1%	1.8%		-3.8%	-0.1%	

January-June 2024

Net sales increased by 1.4% to EUR 14.2 million (14.0).

Relative EBITDA was 2.9% (10.3) and the operating profit was -7.1% (1.8) of net sales. Profitability was weighed by integration projects and, in particular, the introduction of Talenom's own platform, which requires resources to ensure the progress of the project.

April-June 2024

Net sales decreased by 1.0% to EUR 7.2 million (7.3). The acquisition pace has been significantly slowed down from the comparison period according to plan and the company has shifted the focus to organic growth. However, the efficiency and level of organic growth are still low relative to the size of the business. The decrease in net sales was due to the reflective effects of the general economic downturn, which have affected the business volumes of Talenom's customers negatively. This has resulted in a

reduction in transaction volumes, which has led to a decrease in revenue per customer through both volumes and price adjustments. In many customer industries, business operations have contracted significantly, and Talenom has prioritized customer retention to be better positioned when the economic upswing starts. Business closures and bankruptcies have also increased from the comparison period.

Relative EBITDA was 6.0% (8.2) and the operating profit was -3.8% (-0.1) of net sales. The decrease in profitability was due to the reflective effects of the general economic downturn together with the resources required for the introduction of Talenom's own software. Significant integration projects that engaged personnel have been completed. After the completion of other projects in Sweden, the focus in the second half of the year will be on implementing Talenom's own software and related processes, which in the longer term will improve efficiency, profitability and organic growth opportunities.

Other countries

	1-6/2024	1-6/2023	Change	4-6/2024	4-6/2023	Change
Net sales, EUR 1,000	7,849	2,985	162.9%	4,161	1,778	134.0%
Net sales growth, %	162.9%	471.6%		134.0%	566.8%	
EBITDA, EUR 1000	314	-569	155.2%	372	-191	295.0%
EBITDA of net sales, %	4.0%	-19.1%		8.9%	-10.7%	
Depreciation and amortisations, EUR 1,000	-988	-388	154.7%	-497	-221	125.4%
Operating profit, EUR 1,000	-674	-957	29.6%	-125	-411	69.7%
Operating profit of net sales, %	-8.6%	-32.1%		-3.0%	-23.1%	

January-June 2024

Net sales increased by 162.9% to EUR 7.8 million (3.0). Net sales growth came mainly from acquisitions in Spain, while organic growth capabilities have also been developed.

With the growth in business volume in Spain, profitability has developed very well. Profitability was significantly improved as the EBITDA increased by some EUR 1 million from the comparison period. Talenom expects strong profitability development to continue in Spain.

Talenom acquired a bridgehead from Italy in early 2023. In line with the strategy of expanding into new countries, the Italian market for accounting firms has been studied and the business model continued to be designed. As a result of this research work, Talenom hired a Country Director for Italy. Our priority is to grow organically in Italy. Measured by EBITDA, the Italian business is currently slightly loss-making.

April-June 2024

Net sales increased by 134.0% to EUR 4.2 million (1.8). Net sales growth came mainly from acquisitions in Spain. There was also good evidence of Talenom's ability to grow organically, although low volumes meant that organic growth accounted for only a small proportion of total growth. Organic growth is expected to strengthen, for example, with the entry into force of the e-invoicing Directive. The e-invoicing Directive requires every business to acquire software to send and receive e-invoices. In light of current information, the Directive will enter into force in stages in 2025-2027 depending on the size of the company. This is expected to increase demand for Talenom's turnkey solution, which provides the customer with software and service in the same package.

With the growth in business volume in Spain, profitability has developed very well.

Unallocated items

	1-6/2024	1-6/2023	Change	4-6/2023	4-6/2023	Change
Net sales, EUR 1,000						
Net sales growth, %						
EBITDA, EUR 1000	867	-30	3,018.6%	599	248	141.7%
EBITDA of net sales, %						
Depreciation and amortisations, EUR 1,000						
Operating profit, EUR 1,000	867	-30	3,018.6%	599	248	141.7%
Operating profit of net sales, %						

Country-specific comparison figures for 2023

Comparison figures have been adjusted for inter-segment items. Inter-segment items were eliminated in the Business Reviews and Half-Year Financial Report for 2023.

Balance sheet, financing and investments

On 30 June 2024, the consolidated balance sheet total was EUR 182.7 (171.3) million. The Group's equity ratio was 28.7% (32.8) and net gearing was 160.1% (125.7). The Group's interest-bearing non-current financial loans at the end of the review period were EUR 85.7 (70.9) million, excluding instalment debts. Other non-current interest-bearing liabilities (instalment debts) were EUR 0.4 (0.3) million and other current interest-bearing liabilities (instalment debts) were EUR 0.3 (0.2) million.

In accordance with IFRS 16, non-current lease liabilities stood at EUR 5.7 (6.1) million and current lease liabilities at EUR 4.0 (3.8) million on 30 June 2024.

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 2024 were EUR 13.1 (24.8) million.

Investments stemming from new customer contracts amounted to EUR 1.8 million (1.6) in the review period. Investments in software and digital services totalled EUR 7.9 million (7.3) 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 two business entities as share acquisitions. The purchase prices of the share transactions carried out during the review period totalled EUR 3.2 million. In acquisitions, part of the purchase price was paid with new Talenom Plc shares subscribed for in directed issues. Acquisitions accounted for EUR 2.7 million (13.8) of net investments. Read more about acquisitions under "Acquisitions in the review period".

Investments	1 Jan–30 Jun 2024	1 Jan–30 Jun 2023	Change
New customer agreements, EUR 1,000	1,837	1,639	198
Software and digital services, EUR 1,000	7,876	7,292	584
Acquisitions in Finland, EUR 1,000	0	0	0
Acquisitions abroad, EUR 1,000	2,713	13,775	-11,062
Other investments	699	2,142	-1,442
Total net investments, EUR 1,000	13,125	24,848	-11,723

Talenom's liquid assets on 30 June 2024 were EUR 12.3 (10.8) million.

Acquisitions during the review period

Share transactions in January-June:

- Bujan Y Asociados S.l., Spain
- Assessoria del Bages, Spain

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	3,196	0
Maximum contingent consideration	0	0
Net sales, previous 12 months at time of purchase, total	2,318	0
Operating profit, previous 12 months at time of purchase, total	519	0

In acquisitions, part of the purchase price was paid with new Talenom Plc shares subscribed for in directed issues. A total of 10,577 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'.

Personnel and management

Talenom had 1,607 (1,474) employees at the end of June 2024. The average number of personnel during the review period 1 January–30 June 2024 was 1,604 (1,433). 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 Lähti (Commercial Director) and Marika Aho (Director in charge of the service business).

Annual General Meeting 2024 and authorisations of the Board of Directors

The Annual General Meeting of Talenom Plc was held on 14 March 2024. 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 2023, 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 0.19 per share will be paid for the financial year 1 January–31 December 2023. Undistributed profits shall remain in equity.

The dividend was paid to shareholders who on the dividend record date, 19 March 2024, were registered as shareholders in the company's shareholders' register maintained by Euroclear Finland Ltd. The dividend was paid on 26 March 2024. Dividend was not paid to treasury shares held by the company.

The Annual General Meeting confirmed that Harri Tahkola, Mikko Siuruainen, Olli Hyyppä, Johannes Karjula, Sampsa Laine, Erik Tahkola and Elina Tourunen, all current members of the Board of Directors, are re-elected as the members of the Board of Directors for a new term. The Annual General Meeting resolved that the number of the members of the Board of Directors shall be 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 2025. The authorisation replaced the previous authorisation to repurchase own shares granted by the Annual General Meeting on 15 March 2023.

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 4.8% of all shares in the company.

The Board of Directors is authorised to decide on all other matters related to the issuance of shares and special rights entitling to shares, including the right to deviate from the pre-emptive right of shareholders to subscribe for shares to be issued. The authorisation is 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 2025. 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 has 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. Erik Tahkola is considered independent of the company, but he is not considered independent of its significant shareholders. Mikko Siuruainen, Olli Hyyppä, Johannes Karjula, Sampsa Laine and Elina Tourunen are considered independent of the company and its 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 2024 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	61,000	50,800
Options given but not exercised	403,000	439,000	599,200

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	9.09	7.23
Total number of unexercised options	403,000	439,000	599,200
Exercised or Talenom Plc's holding or undistributed	197,000	61,000	50,800
Number of shares on 30 June 2024	45,628,572	45,628,572	45,628,572
Number of shares if all options are converted into new shares	46,031,572	46,067,572	46,227,772
Proportion of holdings and votes if all options are converted into new shares	0.875%	0.953%	1.296%

The total number of shares will rise from 45,577,476 to 47,069,772 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 3.062%, 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.com/en/investors/corporate_governance/remuneration.

Performance Share Plan 2024-2027

The Board of Directors of Talenom Plc has resolved on a new performance share plan for the Group's key employees. The plan is part of share-based incentive plans for the Group's key employees. The aim is to align the objectives of the shareholders and key employees for increasing the value of the company in the long-term, to commit the key employees to the company and to offer them competitive incentive schemes that are based on earning and accumulating shares.

The performance share plan 2024–2027 consists of three performance periods. The Board of Directors resolves on the plan's performance criteria and targets to be set for each criterion at the beginning of the performance period.

The potential reward based on the plan will be paid partly in the company's shares and partly in cash after the end of a performance period. 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 terminates before the reward payment.

The company's Executive Board Member is obliged to hold at least half of the net number of shares paid to the member based on the plan, until the value of his or her shareholding in the company equals the value of his or her annual base salary. Such number of shares must be held as long as the membership in the Executive Board continues.

During the performance period 2024–2025, the reward is based on the Group's net sales growth, development of operating profit and strategy execution.

The rewards to be paid based on the performance period correspond to the value of an approximate maximum total of 380,000 Talenom Plc shares, including also the proportion to be paid in cash. Approximately 120 persons are included in the target group of the plan, including the company's Executive Board members.

Shares and shareholders

On 30 June 2024, Talenom Plc had a total of 45,628,572 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 2024. On 30 June 2024, Talenom had a total of 9,986 (9,755) shareholders. The number of shareholders is based on information collected by Modular Finance from various sources, such as Euroclear Finland Oy.

A total of 4,809,236 shares were traded in January-June, and the value of the shares traded was EUR 26,138,372. The highest price of the share was EUR 6.41 and the lowest price was EUR 4.70. The volume weighted average price was EUR 5.44 and the closing price at the end of the review period was EUR 4.82. In accordance with the closing price, the combined market value of the shares was approximately EUR 219.7 million.

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

The Board of Directors of Talenom Plc decided on 13 February 2024 on a directed share issue based on the stock option plan to employees entitled to share bonuses. The share issue will distribute a maximum of 40,519 new Talenom Plc shares free of charge. The shares were registered in the Trade Register on 15 February 2024.

Flagging notifications

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

Talenom Plc received an announcement from Sp-Rahastoyhtiö Oy on 3 June 2024. According to the announcement, the total number of Talenom shares owned by the investment funds of Sp-Rahastoyhtiö increased above 5% of Talenom Plc's total number of shares as a result of share transactions concluded on 31 May 2024.

Talenom Plc received an announcement from Allianz SE on 10 April 2024. According to the announcement, the total number of Talenom shares owned by Allianz Vie S.A. decreased below 5% of Talenom Plc's total number of shares as a result of share transactions concluded on 9 April 2024.

Financial reporting in 2024

Talenom will publish the Business Review for January-September on 31 October 2024.

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 as the general economic situation deteriorates, prevailing high 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, integrate the acquired companies into its business, causing a negative impact on the business of the acquired operations.
- 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.

Guidance for 2024 unchanged

Talenom estimates that 2024 net sales will be about EUR 130–140 million, EBITDA EUR 34–40 million and operating profit EUR 14–17million.

Talenom expects the growth of the accounting services market to slow down in the Nordic countries and continue growing in the company's other operating countries in 2024. However, demand is expected to remain stable also in the Nordic countries. In addition, consolidation in the industry is expected to continue accelerated by, for instance, digital disruption and tightening legislation concerning digital financial management. Talenom's goal is to continue strong 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 2024. The number of acquisitions is expected to decrease from the previous year's level and to focus more on strategically significant acquisitions. Expanding into new market areas enables the company's long-term growth. The software roll-out phase in Sweden will weigh on profitability in 2024, but the introduction of our own software will have a clear positive impact on profitability in the coming years.

Acquisitions will have a negative impact on relative profitability in the short term due to integration costs. The profitability of the acquisition targets increases when Talenom's own systems have been fully implemented in the target. 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 increase the depreciation level but the relative share to net sales is expected to decrease. Operational relative profitability improves measured by EBITDA and operating profit.

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 2023. The financial statement is available on Talenom's investor website at 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, comparable operating profit, comparable operating profit 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

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

EUR 1,000	1-6/2024	1-6/2023	1-12/2023
Net sales	67,971	63,720	121,728
Other operating income	1,227	295	1,225
Materials and services	-2,005	-1,798	-3,884
Employee benefit expenses	-39,777	-36,992	-71,897
Depreciation and amortisations	-11,385	-10,105	-23,935
Other operating expenses	-7,674	-7,997	-15,287
Operating profit	8,356	7,123	7,948
Financial income	222	211	433
Financial expenses	-2,455	-1,698	-4,122
Net financial expenses	-2,233	-1,488	-3,689
Profit (loss) before taxes	6,122	5,635	4,260
Income taxes	-1,431	-1,416	-899
Profit (loss) for the financial period	4,692	4,219	3,361
Other items of comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Translation differences	-46	292	-16
Total comprehensive income for the financial period	4,646	4,512	3,345
Earnings per share calculated on the profit attributable to the shareholders of the parent company			
Undiluted earnings per share (euro)	0.10	0.09	0.07
Diluted earnings per share (euro)	0.10	0.09	0.07

CONSOLIDATED BALANCE SHEET

EUR 1,000	30 Jun. 2024	30 Jun. 2023	31 Dec. 2023
ASSETS			
Non-current assets			
Goodwill	68,643	63,951	66,648
Other intangible assets	54,549	52,558	52,681
Right-of-use assets	9,660	9,947	9,401
Property, plant and equipment	4,751	3,967	4,685
Other non-current financial assets	203	260	184
Deferred tax assets	1,571	486	1,487
Capitalised contract costs	11,579	11,489	11,347
Total non-current assets	150,956	142,657	146,434
Current assets			
Trade and other receivables	18,867	17,213	16,742
Current tax assets	209	607	2,247
Cash and cash equivalents	12,718	10,789	10,255
Total current assets	31,793	28,610	29,243
Total assets	182,749	171,267	175,677
EQUITY			
Share capital	80	80	80
Reserve for invested unrestricted equity	30,935	29,909	30,875
Retained earnings	21,376	26,039	24,859
Total equity	52,391	56,029	55,814
LIABILITIES			
Non-current liabilities			
Financial liabilities	85,679	60,806	70,818
Trade payables and other liabilities	1,978	2,081	636
Lease liabilities	5,742	6,069	5,592
Deferred tax liabilities	4,501	4,091	4,326
Total non-current liabilities	97,900	73,047	81,372
Current liabilities			
Financial liabilities	36	10,083	5,101
Trade payables and other liabilities	27,392	28,309	28,463
Lease liabilities	4,029	3,771	3,944
Current tax liabilities	1,001	27	983
Total current liabilities	32,459	42,191	38,491
Total liabilities	130,358	115,238	119,863
Total equity and liabilities	182,749	171,267	175,677

CONSOLIDATED CASH FLOW STATEMENT

EUR 1,000	30 Jun. 2024	30 Jun. 2023	31 Dec. 2023
Cash flow from operating activities			
Profit (loss) before taxes	6,122	5,635	4,260
Adjustments:			
Depreciation and amortisations	11,385	10,105	23,935
Financial income	-222	-211	-433
Financial expenses	2,455	1,698	4,122
Other adjustments	-279	563	95
Changes in working capital:			
Change in trade and other receivables	-2,190	-1,633	-702
Change in trade payables and other liabilities	437	1,107	1,022
Interest income	115	156	141
Paid taxes	333	-2,488	-3,812
Net cash flow from operating activities	18,157	14,932	28,628
Cash flow from investing activities			
Revenue from the sale of property, plant and equipment	120	79	213
Acquisition of property, plant and equipment	-762	-1,638	-2,820
Capitalisation of contract costs	-1,837	-1,639	-3,279
Acquisition of intangible assets	-7,869	-7,517	-14,649
Acquired businesses	-2,276	-8,192	-13,593
Investments	-18	-6	-31
Net cash flow from investing activities	-12,643	-18,913	-34,160
Cash flow from financing			
Proceeds from share issue	0	233	233
Paid interest	-2,441	-1,307	-3,380
Dividends paid	-8,641	-8,112	-8,112
Change in instalment payment liabilities	84	208	353
Repayment of lease liabilities	-2,137	-1,959	-4,030
Loan withdrawals	15,000	10,036	15,000
Loan repayments	-5,203	0	-212
Net cash flow from financing	-3,339	-901	-147
Change in cash and cash equivalents	2,175	-4,882	-5,679
Cash and cash equivalents, 1 Jan.	10,255	15,970	15,970
Net effect of exchange rate fluctuations on cash and cash equivalents	-115	-299	-36
Cash and cash equivalents	12,314	10,789	10,255

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

EUR 1,000	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total
Total equity 1 January 2024	80	30,875	24,859	55,814
Comprehensive income				
Profit/loss for the financial period	0	0	4,692	4 692
Average exchange rate difference and translation differences	0	0	-46	-46
Total comprehensive income for the financial period	0	0	4,646	4,646
Transactions with owners				
Dividend distribution and repayment of capital	0	0	-8,641	-8 641
Share issue	0	60	0	60
Share-based payments	0	0	632	632
Transactions with owners, total	0	60	-8,009	-7,949
Changes and other adjustments for previous accounting periods	0	0	-120	-120
Total equity 30 June 2024	80	30,935	21,376	52,391

EUR 1,000	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total
Total equity 1 January 2023	80	26,861	29,085	56,026
Comprehensive income				
Profit/loss for the financial period	0	0	4,219	4,219
Average exchange rate difference and translation differences	0	0	292	292
Total comprehensive income for the financial period	0	0	4,512	4,512
Transactions with owners				
Dividend distribution and repayment of capital	0	0	-8,112	-8,112
Share issue	0	3,049	0	3,049
Share-based payments	0	0	635	635
Transactions with owners, total	0	3,049	-7,476	-4,428
Changes and other adjustments for previous accounting periods	0	0	-81	-81
Total equity 30 June 2023	80	29,909	26,039	56,029

EUR 1,000	Share capital	Reserve for invested unrestricted equity	Retained earnings	Total
Total equity 1 January 2023	80	26,861	29,085	56,026
Comprehensive income				
Profit/loss for the financial period	0	0	3,361	3,361
Average exchange rate difference and translation differences	0	0	-16	-16
Total comprehensive income for the financial period	0	0	3,345	3,345
Transactions with owners				
Dividend distribution and repayment of capital	0	0	-8,112	-8,112
Share issue	0	4,014	0	4,014
Share-based payments	0	0	755	755
Transactions with owners, total	0	4,014	-7,357	-3,343
Changes and other adjustments for previous accounting periods	0	0	-214	-214
Total equity 31 December 2023	80	30,875	24,859	55,814

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 June 2024

EUR 1,000	Finland	Sweden	Other countries	Unallocated items	Group total
Net sales, external	45,899	14,223	7,849	0	67,971
Net sales between segments	489	221	120	0	830
Net sales total	46,388	14,444	7,969	0	68,801
Other income	222	25	42	938	1,227
Operating expenses	-28 128	-13,768	-7,489	-71	-49,456
Expenses between segments	-337	-285	-208	0	-830
EBITDA	18,145	415	314	867	19,741
Depreciation	-8,324	-1,406	-988	0	-10,718
Impairment	-649	-17	0	0	-667
Operating profit	9,171	-1,008	-674	867	8,356

Operating segments 1 Jan - 30 June 2023

EUR 1,000	Finland	Sweden	Other countries	Unallocated items	Group total
Net sales, external	46,709	14,026	2,985	0	63,720
Net sales between segments	254	299	192	0	745
Net sales total	46,963	14,325	3,177	0	64,465
Other income	50	57	6	181	295
Operating expenses	-30 138	-12,743	-3,695	-211	-46,787
Expenses between segments	-491	-196	-57	0	-745
EBITDA	16,384	1,443	-569	-30	17,228
Depreciation	-7,579	-1,189	-388	0	-9,156
Impairment	-949	0	0	0	-949
Operating profit	7,855	254	-957	-30	7,123

Operating segments 1 Jan - 31 Dec 2023

EUR 1,000	Finland	Sweden	Other countries	Unallocated items	Group total
Net sales, external	87,759	25,469	8,500	0	121,728
Net sales between segments	645	579	329	0	1,553
Net sales total	88,404	26,048	8,829	0	123,281
Other income	80	218	29	897	1,225
Operating expenses	-55 876	-25,436	-9,546	-211	-91,069
Expenses between segments	-908	-443	-202	0	-1,553
EBITDA	31,700	388	-890	686	31,884
Depreciation	-15,361	-2,598	-1,031	0	-18,991
Impairment	-4 945	0	0	0	-4,945
Operating profit	11,394	-2,211	-1,921	686	7,948

COLLATERAL AND CONTINGENT LIABILITIES

	30 Jun. 2024	30 Jun. 2023	31 Dec. 2023
Liabilities secured by an enterprise mortgage			
Loans from financial institutions	85,000	70,000	75,000
Enterprise mortgages provided as security	110,100	70,100	95,100
Other deposits and contingent liabilities			
Other *)	21,561	1,103	16,479

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

BUSINESS ACQUISITIONS IN THE REVIEW PERIOD

During the review period, the Group acquired two business entities as share transactions in Spain. The transactions are detailed in the table below.

EUR 1,000	Time of acquisition	Transaction type	Method of payment	Acquisition cost	Maximum contingent consideration
Bujan Y Asociados S.L.	1 Jan 2024	Business acquisition	Cash and shares	596	0
Assessoria del Bages S.L.	1 Jan 2024	Business acquisition	Cash	2,600	0

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

EUR 1,000	Share transactions
Intangible assets	66
Property, plant and equipment	22
Customer relationships	1,455
Right-of-use assets	0
Current assets	1,614
Total assets	3,158
Trade and other payables	1,608
Lease liabilities	0
Deferred tax liability	374
Total liabilities	1,982
Net assets	1,176
Consideration transferred	3,196
Net assets of acquisition target	-1,176
Goodwill	2,020

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

BUSINESS ACQUISITIONS IN JANUARY–JUNE 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
Consultoría 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
Total assets	8,943	20
Trade and other payables	2,502	0
Lease liabilities	1,277	0
Deferred tax liability	1,207	0
Total liabilities	4,985	0
Net assets	3,957	20
Consideration transferred	12,733	440
Net assets of acquisition target	-3,957	-20
Goodwill	8,775	420

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.

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-interest-bearing current liabilities
Net investments	=	investments in tangible and intangible assets - sales of assets
Earnings per share	=	$\frac{\text{net profit of the review period}}{\text{Weighted average number of shares outstanding during the review} \times 100 \text{ period}} \times 100$
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, %	=	$\frac{\text{EBITDA}}{\text{Net sales}} \times 100$
Comparable operating profit	=	operating profit - software-related write-downs

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.

Comparable operating profit is operating profit excluding software-related write-downs.

TALENOM PLC

Board of Directors

FURTHER INFORMATION:

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