

# Loihde Plc Financial statements release

1 January – 31 December 2021

4 March 2022

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# LOIHDE PLC'S FINANCIAL STATEMENTS RELEASE

## 1 JANUARY–31 DECEMBER 2021

(published 4 March 2022, audited)

### Continuing operations grew 7% in October–December

#### October–December 2021 in brief

- In Q4, Lohde Group's revenue was EUR 31.3 million (EUR 30.6 million), an increase of 2%.
- Revenue from the Group's continuing operations was EUR 31.3 million (EUR 29.3 million), a total increase of 7% and organic growth<sup>1</sup> -1%.
- Revenue from continuing operations in the security business amounted to EUR 20.2 million (EUR 20.6 million), growth -2%.
- Revenue from continuing operations in the digital development business amounted to EUR 11.5 million (EUR 8.9 million), growth 29% and organic growth 5%.
- Adjusted EBITDA was EUR 1.9 million (EUR 2.2 million), or 6.0% (7.3%) of revenue.
- Adjusted EBITA was EUR 1.4 million (EUR 1.7 million), or 4.4% (5.6%) of revenue.
- Trading in Lohde's shares commenced on Nasdaq First North Growth Market Finland on 7 October 2021.
- As decided by the Annual General Meeting, the company carried out an additional distribution of assets of EUR 0.90 per share.

#### January–December 2021 in brief

- Lohde Group's revenue for the entire year was EUR 108.1 million (EUR 106.8 million), an increase of 1%.
- Revenue from the Group's continuing operations was EUR 107.2 million (EUR 101.0 million), growth 6% and organic growth 2%.
- Revenue from continuing operations in the security business amounted to EUR 71.4 million (EUR 69.1 million), growth 3%.
- Revenue from continuing operations in the digital development business amounted to EUR 36.2 million (EUR 32.0 million), a total growth of 13% and organic growth -1%.
- Adjusted EBITDA was EUR 4.3 million (EUR 6.2 million), or 3.9% (5.8%) of revenue.
- Adjusted EBITA was EUR 2.3 million (EUR 4.1 million), or 2.1% (3.8%) of revenue.
- The Board of Directors proposes to the General Meeting that a dividend of EUR 0.14 per share be paid from distributable funds based on the company's operating profit and in addition to this an additional dividend of EUR 0.41 per share based on capital gains.

<sup>1</sup> The organic growth of continuing operations excludes the revenue of Hibox Systems Oy Ab (part of the Group until 28 February 2021), Lohde Advisory Ltd (part of the Group as of 1 June 2021) and Lohde Advisory AB (part of the Group as of 1 June 2021).

#### Outlook for 2022

In 2022, Lohde expects revenue from continuing operations in the security business to grow and revenue from continuing operations in digital development to grow more rapidly than in the previous year, or more than 13%. The Group's adjusted EBITDA is estimated to improve compared to 2021, when it was EUR 4.3 million.

## Financial targets for the strategy period 2021–2024

Loihde Group aims to achieve average annual revenue growth of more than 10 per cent, including potential acquisitions. The profitability target is an adjusted EBITDA margin in excess of 10 per cent, calculated in accordance with the IFRS standards.

The Group plans a transition to IFRS-compliant reporting during the strategy period. The management estimates that the transition to IFRS reporting will increase the adjusted EBITDA margin by approximately 3–4 percentage points compared to the corresponding figure calculated in accordance with the FAS standards. The difference of 3–4 percentage points is mainly due to handling of leases in accordance with IFRS 16.

## Key Figures

EUR 1,000	10–12 2021	10–12 2020	Change %	1–12 2021	1–12 2020	Change %
Revenue, EUR 1,000	31,255	30,561	2%	108,079	106,823	1%
- Security business	20,215	20,558	-2%	71,421	69,122	3%
- Digital development business	11,491	10,156	13%	37,054	37,859	-2%
- Others (incl. eliminations)	-451	-152	-	-396	-158	-
Revenue, continuing operations, EUR 1,000 <sup>1</sup>	31,255	29,345	7%	107,196	101,026	6%
- Security business	20,215	20,558	-2%	71,421	69,122	3%
- Digital development business	11,491	8,932	29%	36,164	32,028	13%
- Others (incl. eliminations)	-451	-144	-	-389	-124	-
EBITDA, EUR 1,000	1,775	1,868	-5%	9,389	5,434	73%
Adjusted EBITDA, EUR 1,000 <sup>2</sup>	1,885	2,232	-16%	4,250	6,160	-31%
Adjusted EBITDA, %	6.0	7.3	-	3.9	5.8	-
EBITA, EUR 1,000	1,265	1,355	-7%	7,427	3,386	119%
EBITA, %	4.0	4.4	-	6.9	3.2	-
Adjusted EBITA, EUR 1,000 <sup>2</sup>	1,376	1,719	-20%	2,288	4,113	-44%
Adjusted EBITA, % <sup>2</sup>	4.4	5.6	-	2.1	3.8	-
Operating profit (EBIT), EUR 1,000	-685	-420	-	-82	-3,838	-
Adjusted operating profit, EUR 1,000 <sup>2</sup>	-575	-56	-	-5,222	-3,111	-
Profit for the period, EUR 1,000	-563	-177	-	603	-4,172	-
Adjusted profit for the period, EUR 1,000 <sup>2</sup>	-620	114	-	-4,812	--3,590	-
Equity-to-assets ratio, %	80,4	81,3	-	80,4	81,3	-
Earnings per share (EPS), EUR <sup>3</sup>	-0,09	-0,03	-	0,10	-0,75	-
Average number of employees (FTE)	738	716	3%	720	714	1%

<sup>1</sup> Revenue from continuing operations does not include Hibox Systems Oy Ab's revenue for January–February 2021 EUR 0.9 million and for 2020 EUR 5.8 million.

<sup>2</sup> The adjusted EBITDA, the adjusted EBITA, the adjusted operating profit (EBIT) and the adjusted profit for the period are calculated by excluding capital gains/losses arising from the disposal of properties, fixed asset shares and businesses, insurance and other compensations and other adjustments from the respective reported figure.

<sup>3</sup> The own shares owned by the Group are excluded from the total number of shares.

**CEO Samu Konttinen:**

In October–December 2021, revenue from Loihde’s continuing operations increased by 7 per cent to EUR 31.3 (29.3) million. Adjusted EBITDA totalled EUR 1.9 (2.2) million, or 6.0 (7.3) per cent of revenue.

The growth at the end of the year was boosted by the digital development business, as its continuing operations increased 29 per cent taking into account acquisitions and organically 5 per cent. Companies and organisations invest heavily in digitalisation and business intelligence, and this shows as a strong demand for our digital and data services. Our extensive offerings cover customer needs in many different ways, including software development on different technology platforms, cloud technologies and data analytics, as well as digital strategy and business intelligence consulting. The development of a network model for our three digital development companies has made good progress and our customers always have access to our entire offerings. Successful recruitment towards the end of the year lays the foundations for growth. However, we need to take into account that the shortage of skilled professionals and the keen competition over these will probably not abate in the next few years and this will also have the potential to slow down future growth.

In the security business, revenue for the comparative period was at an all-time high due to an explosive increase in demand that had previously been held up by the COVID-19 pandemic, and achieving a revenue of almost the same size also this past period is a good result. The global shortage of components has created uncertainty and caused delays relating to several projects. The volume of orders in the security business is at a good level, and we consider the opportunities for growth to be good.

Among the highlights in the latter part of the year were two framework agreements with the Finnish Defence Forces, where the locking systems and services agreement is worth EUR 6.9 million and the access control system extension agreement is worth EUR 6 million. The framework agreements are for the years 2021–2025 and the delivery relating to these starts in 2022.

Our Cyber Security Operations Centre CSOC that monitors the state of our customers’ cyber security 24/7 demonstrated the importance of continuous surveillance and quick responses when it protected our customers’ systems from the serious Log4J vulnerability. These types of incidents increase the awareness of how critical information security is and create demand for Loihde’s continuous cyber security services.

Building Loihde as a whole has proceeded according to plan, and the successes in selling our joint offerings have proved that we are on the right track. Loihde has a wide and satisfied customer base, where many customers have needs in several of our service areas. Customers concentrate their purchases with operators that are perceived as good and reliable, and through cross-selling we have been able to deepen several of our customer relationships.

By combining the capabilities of our businesses, we can offer customers integrated solutions that make us stand out on the market. In December, we signed an agreement with Finnish Customs, worth EUR 2.9 million, where we agreed on a solution that combines exactly this kind of expertise from two businesses. We provide Customs with a progressive video analytics solution, where computer vision linked to surveillance cameras is utilised for automatic identification, classification and analysis of number plates and containers, among other things.

As a whole, 2021 was of importance for Loihde in many ways. We took important steps in making the Group’s business operations clearer through acquisitions and divestments, we created a common Loihde brand and were listed on First North. In terms of results, the year was

in line with our expectations. For achieving all of this, I would like to express my sincerest thanks to all our employees, customers and owners.

### **Revenue and financial performance in October–December 2021**

The Group's revenue increased by 2% in October–December and amounted to EUR 31.3 (30.6) million. Revenue from continuing operations increased 7% from the comparative period and amounted to EUR 31.3 (29.3) million. Revenue from the security business decreased 2% and amounted to EUR 20.2 (20.6) million. Revenue from the digital development business increased with 13% to EUR 11.5 (10.2) million, and when taking into account only continuous operations, its revenue increased 29% in total and 5% organically.

The Group's EBITDA was EUR 1.8 (1.9) million, or 5.7% (6.1%) of revenue, and the adjusted EBITDA was EUR 1.9 (2.2) million, or 6.0% (7.3%) of revenue.

EBITA totalled EUR 1.3 (1.4) million, or 4.0% (4.4%) of revenue, and EBIT was EUR -0.7 (-0.4) million.

The profit for the period was EUR -0.6 (-0.2) million and earnings per share were EUR -0.09 (-0.03).

### **Revenue and financial performance in January–December 2021**

The Group's revenue for the entire year 2021 amounted to EUR 108.1 (106.8) million. Revenue saw a year-on-year increase of 1 per cent. Acquisitions and divestments are included in such a way that Hibox Systems Oy Ab is a part of the Group's revenue for January–February and Loihde Advisory Ltd (formerly Talent Base Oy) and its subsidiaries are a part of the Group's revenue as of June. Revenue from continuing operations, excluding Hibox Systems, grew 6% and amounted to EUR 107.2 (101.0) million. Revenue from continuing operations increased organically 2%. Revenue from the security business increased 3% and amounted to EUR 71.4 (69.1) million. The growth was entirely organic. Revenue from continuing operations in the digital development business grew 13% and amounted to EUR 36.2 (32.0) million. Organic growth was -1%.

EBITDA was EUR 9.4 (5.4) million, or 8.7% (5.1%) of revenue, and adjusted EBITDA was EUR 4.3 (6.2) million, or 3.9% (5.8%) of revenue. EBITDA was increased by capital gains of approximately EUR 5.9 million arising from the divestment of Hibox Systems Oy Ab and an additional purchase price agreed upon in the transaction agreement, of which EUR 0.7 million has been recorded in the 2021 financial statements in accordance with the principle of prudence. Loihde's share of the additional purchase price is at most EUR 1.0 million and is confirmed in spring 2022.

In addition to the Hibox capital gains, the most significant adjustment items consisted of expenses for listing (EUR 0.7 million) and rebranding (EUR 0.6 million) as well as restructuring (EUR 0.7 million).

EBITA totalled EUR 7.4 (3.4) million, or 6.9% (3.2%) of revenue. EBIT was EUR -0.1 (-3.8) million.

Personnel expenses totalled EUR 57.7 (52.8) million, or 53% (49%) of revenue. The increase in personnel expenses was mainly due to a change in Group structure and investments in business development.

Other operating expenses amounted to EUR 15.5 (13.7) million, or 14% (13%) of revenue.

The Group's planned depreciation totalled EUR 9.5 (9.3) million, of which the amortisation of goodwill accounted for EUR 7.5 (7.2) million.

The Group's profit for the period came to EUR 0.6 (-4.2) million and earnings per share were EUR 0.10 (-0.75).

### **Financial position, financing and investments**

The Group's balance sheet total at the end of the financial year was EUR 127.6 (136.7) million. Consolidated goodwill on the balance sheet amounted to EUR 46.9 (43.9) million. The most significant changes affecting the balance sheet total year-on-year were dividend payments and the additional distribution of assets.

The equity-to-assets ratio at the end of the financial year was 80.4% (81.3%) and the Group's return on equity was 0.6% (-3.5%). Return on equity was improved by capital gains from the divestment of Hibox Systems Oy Ab, but on the other hand reduced by the amortisation of goodwill.

Cash flow from operating activities before financial items and taxes was EUR 3.0 (5.7) million.

The Group's investments totalled EUR 11.7 (6.6) million. Both in the review period and the comparative period, the most significant investments were associated with acquisitions.

Loihde Plc paid a dividend of EUR 1.80 per share for 2020 in accordance with the resolution of the Annual General Meeting. The dividend record date was 10 May 2021 and the payment date 18 May 2021. The dividend totalled approximately EUR 10.3 million.

In addition, the company carried out an additional distribution of assets in accordance with the resolution of the Annual General Meeting, in which the company distributed EUR 0.90 per share from its reserve for invested unrestricted equity. The record date for the additional distribution of assets was 1 November 2021 and the payment date 9 November 2021. The additional distribution of assets totalled approximately EUR 5.1 million.

### **Shares, shareholders and share-based incentive schemes**

The number of Loihde Plc's shares was 6,010,041 at the end of the financial year and 5,905,644 on average from January to December (2020: 5,764,428 at the end of the financial year and 5,648,474 on average from January to December). The average number of shares from July to December was 6,008,041 (July to December 2020: 5,692,092).

At the end of the financial year, the parent company held 80,130 of its own shares and the subsidiaries held 400 shares, representing 1.3% of the total number of shares.

At the end of the financial year, the company had 26,183 shareholders. This figure does not include shares that have not been registered in the book-entry system; there were 306,800 such shares at the end of the year. On 6 May 2021, the Annual General Meeting resolved that the rights carried by such shares in the so-called joint account would be forfeited unless a request to register the shares were made by 30 June 2021 at the latest. For shares that had been lost and for which cancellation has been sought through a district court, the deadline for registration in the book-entry system was 31 December at the latest. During the financial year, 88,500 shares that had been in the joint account were registered in shareholders' book-entry accounts. Due to delays in title deeds, the registration of 2,700 shares has continued in 2022. When the registration of these is completed, the shares that remain in the joint account will become the property of the company, after which regulations concerning treasury shares are applied.

None of the company's shareholders have nominee-registered their shares. The list of major shareholders can be found on the company's website at loihde.com.

During the financial year, the company issued a total of 245,613 new shares. This figure does not include the 82,003 shares registered on 7 January 2021, which were subscribed for in the personnel's share-based incentive scheme in November–December 2020 and had their corresponding subscription price recorded in the financial statements of 2020.

In connection with the acquisition of Talent Base Oy (currently Loihde Advisory Ltd), Loihde Plc issued a total of 131,735 new shares in a targeted share issue for certain former owners of the acquired company. The subscription price was EUR 23.17 per share.

The company has also carried out share issues in relation to share-based incentive schemes for the personnel and the Board of Directors.

#### *Bonus shares under the 2018–2023 share-based incentive scheme for personnel*

In March, Loihde carried out a directed share issue in relation to the payment of additional shares and bonus shares under the personnel incentive scheme that began in autumn 2018. A total of 25,296 new shares were transferred to incentive scheme participants in the share issue. The incentive scheme and its terms and conditions are described in more detail in the Report of the Board of Directors 2020.

Three vesting periods have begun under the share-based incentive scheme for personnel: 2018–2020, 2019–2021 and 2020–2022.

Vesting period	Number of participants	Number of subscriptions	Additional shares and bonus shares	
			Time of payment	Realised or maximum amount
2018–2020	266	63,170	Spring 2021	25,296 <sup>1</sup>
2019–2021	330	83,789	Spring 2022	29,428 <sup>2</sup>
2020–2022	298	82,003	Spring 2023	20,286 <sup>3</sup>

<sup>1</sup> Realised amount

<sup>2</sup> This figure takes into account the actual achievement of the criteria of the performance-based bonus scheme at the end of the 2019–2021 vesting period.

<sup>3</sup> The 2020-2022 vesting period does not include a performance-based bonus scheme.

It is estimated that two thirds of the amount of additional shares and bonus shares will be paid in shares and one third in cash to cover withholding taxes. The total value of the additional shares and bonus shares payable in 2021 (share and cash components combined) would be EUR 476,733.60 based on the price of the company's share on 31 December 2021.

#### *Share-based incentive scheme for personnel 2021–2023*

On 27 May 2021, the Board of Directors of Loihde decided on a long-term incentive scheme for the company's personnel (Share-based incentive scheme for personnel 2021). The target group for the incentive scheme includes all of the personnel of Loihde Group, including the management. The purpose of the scheme is to align the goals of the shareholders and personnel in order to increase the value of the company and implement the business strategy in the long term as well as to engage the personnel's commitment to the company and offer them a competitive reward system based on the earnings and value development of the company's shares.

The incentive scheme consists of one vesting period, 1 June 2021 to 31 December 2023. During the subscription period, 18 June 2021–24 June 2021, the participants in the scheme had

the opportunity to subscribe for company shares at a reduced subscription price of EUR 19.18 per share. The share subscription price corresponded to the average price of the share on Privanet during the period 1 November 2020–30 April 2021 with a 10% discount. A total of 327 people participated in the scheme and they subscribed for a total of 82,842 shares. The subscription price was paid and entered in the company's reserve for invested unrestricted equity in July 2021 and the new shares were entered into the Trade Register on 19 July 2021.

After the vesting period, which will last approximately two and a half years, participants who have subscribed for shares will receive one additional share free of charge for each three shares they have subscribed for and still hold at the time of the payment of the bonus. In order to be eligible to receive the additional shares, the participant must still be employed by the Group at the time of the payment of the bonus. Bonuses based on the earning of additional shares will be paid to the eligible participants after the vesting period, tentatively in early 2024. The bonuses under the incentive scheme will primarily be paid in a combination of company shares and cash. The cash component is intended to cover the taxes and tax-like charges arising from the bonus. The Board of Directors also has the right to decide that the bonus be paid fully in shares or fully in cash.

#### *Long-term incentive scheme for the management and key personnel 2021 and 2022 (LTI)*

On 3 March 2021, the company's Board of Directors decided on a performance-based long-term incentive scheme aimed at the Group's Leadership Team and selected key employees. The scheme consists of three-year vesting periods starting annually, each of which requires separate approval by the Board of Directors. The criteria for the payment of the bonus are revenue and EBITDA targets set by the Board of Directors for the vesting period in question. A prerequisite of the bonus under the incentive scheme is that the key employee's employment or service relationship has not been terminated or ended by the employee in question or by the company before the end of the vesting period. The potential share bonuses to be paid based on the first vesting period, 2021–2023, will be paid in spring 2024 and the total amount will be at most 48,000 shares.

On 25 November 2021, the company's Board of Directors resolved on the second vesting period of the incentive scheme, which takes place in 2022–2024 and the potential bonuses of which will be paid in spring 2025. The maximum number of shares to possibly be paid is 58,800 shares in Loihde Plc.

In addition, the Board of Directors has on 25 November 2021 resolved on a directed share issue without payment in order to implement a bonus payment that is part of the CEO's share-based incentive scheme. In the share issue, a total of 3,000 new shares in the company were issued to CEO Samu Konttinen as part of the share-based incentive scheme agreed in his CEO contract.

#### *Share-based incentive scheme for the Board of Directors*

On 6 May 2021, the Annual General Meeting decided on a directed share issue related to the company's long-term share-based incentive scheme for the members of the Board of Directors, in which a maximum of 3,168 shares were issued for subscription by the members of the Board of Directors at a subscription price of EUR 17.50 per share. The share subscription price corresponded to the average price of the share on Privanet during the period 1 October 2020–31 March 2021 with a 10% discount. Five members of the Board of Directors subscribed for shares, with the total number being 2,740 subscribed shares. The subscription price was entered in the company's reserve for invested unrestricted equity in July 2021 and the new shares were entered into the Trade Register on 20 July 2021.



## **The Group's business areas and structure**

Loihde is an expert organisation specialising in digital development and security solutions. The Group has two business areas: The digital development business provides customers with digital strategy consultations, business intelligence, data analytics and digitalisation solutions that range from service and user interface design to software development. Loihde's security business covers a wide range of corporate security services, from cyber security to locking and electronic security technology.

The Group's parent company is Loihde Plc.

At the end of the financial year, the digital development business consisted of:

- Loihde Analytics Ltd
- Loihde Factor Ltd and
- Loihde Advisory Ltd and its subsidiaries Loihde Advisory AB and Altotech Oy.

Altotech Oy has merged with its parent company on 7 January 2022.

The security business consists of:

- Loihde Trust Ltd
- Loihde Trust Tansec Ltd
- Loihde Trust Spellpoint Ltd

The Group also includes Loihde Properties Ltd.

## **Changes in Group structure**

Loihde Plc divested Hibox Systems Oy Ab to the Swedish company Accedo AB in February 2021. The transaction entered into effect on 1 March 2021.

The company acquired the entire share capital of the IT consulting firm Talent Base Oy in May. Talent Base (currently Loihde Advisory Ltd) and its subsidiaries joined the Group as of 1 June 2021.

Viria Security Ltd (currently Loihde Trust Ltd) sold its alarm centre business to K2 Turvapalvelut Oy in June.

## **Personnel, management and corporate governance**

The Group's number of personnel, converted into full-time equivalents (FTE), averaged 720 (714) for the review period and stood at 737 (715) at the end of the review period. Potential part-time employment has also been taken into account in calculating the average number of employees.

As skilled and committed personnel is one of the key factors enabling Loihde's success, the company focuses on fostering positive corporate culture and personnel satisfaction and developing competence continuously. Job satisfaction is assessed both by conducting an extensive annual survey and by continuously collecting feedback with pulse surveys and discussions.

During the period under review, the members of the Group's Leadership Team were Group CEO Samu Konttinen, Loihde Trust Ltd's Managing Director Marko Järvinen, Loihde Analytics Ltd's Managing Director Katja Ahola, Loihde Factor Ltd's Managing Director Juha Meronen, Loihde Advisory Ltd's Managing Director Tomi Bergman (as of 1 June 2021), CFO Pirjo Suhonen, Director of Communications Tiina Nieminen (until 18 October 2021), EVP Strategy and Business Development Mikko Mäkelä (as of 8 February 2021) and CMO Jere Teutari (as of 19 October 2021).

Loihde Plc's Board of Directors consisted of Timo Kotilainen (Chairperson), Kaj Hagros, Jussi Hattula, Elina Piispanen, Matti Piri and Stefan Wikman.

The company had a Supervisory Board until 6 October 2021 when the change in the company's Articles of Association came into effect. The Supervisory Board consisted of Christian Wetterstrand (Chairperson), Martti Alakoski, Carita Ehnström, Lars Gästgivars, Pekka Haapanen, Pasi Haarala, Juha Koivisto, Matti Kulmakorpi, Jorma Kuoppamäki, Kuisma Laukkola, Riina Nevamäki, Heikki Mäki-Valkama (as of 6 May 2021), Ari Närvä, Björn Pundars, Raimo Ristilä, Janne Tuomikoski, Matti Uusi-Kakkuri and Piia Uusi-Kakkuri.

### **Annual General Meeting**

Loihde Plc's Annual General Meeting was held in Seinäjoki on Thursday, 6 May 2021. The Annual General Meeting confirmed the company's financial statements for the financial year 2020 and discharged the persons responsible for the accounts and operations from liability.

The Annual General Meeting resolved to distribute a dividend of EUR 1.80 per share based on the profit for 2020. The dividend record date was 10 May 2021 and the payment date was 18 May 2021.

The Annual General Meeting also decided on a conditional additional distribution of assets, in which EUR 0.90 per share would be distributed from the company's reserve for invested unrestricted equity. The additional distribution of assets was conditional on the company's shares being listed for trading on Nasdaq First North Growth Market Finland, maintained by Nasdaq Helsinki Ltd, by 31 December 2021. The Board of Directors was to decide on the record date and payment date of the distribution of assets and the payment date had to be 31 December 2021 at the latest.

The following members of the Supervisory Board due to retire by rotation were re-elected: Martti Alakoski, Pasi Haarala, Juha Koivisto, Raimo Ristilä, Matti Uusi-Kakkuri and Christian Wetterstrand, with Heikki Mäki-Valkama elected as a new member. The Supervisory Board's meeting fees were kept unchanged: the members of the Supervisory Board are paid EUR 400 per meeting and the Chairperson EUR 700 per meeting.

KPMG Oy Ab was elected as the company's auditor, with Esa Kailiala, auditor approved by the Finnish Central Chamber of Commerce (KHT), as the principal auditor.

The Annual General Meeting resolved to amend the company's Articles of Association. The amendments were related to preparations for the company's potential listing on the First North market.

It was resolved that the company's trade name is Loihde Oyj in Finnish, Loihde Abp in Swedish and Loihde Plc in English. The item describing the company's line of business was updated to reflect the company's current business operations: *The company's line of business is to engage in, manage, and develop business activities, and to engage in business consulting in connection with digitalisation, information management, security, and different technologies; to own, rent, and sell property and shares; and to engage in financing and investment activities. The company may engage in activities directly or through its subsidiaries, affiliates, or ownership companies.*

The Annual General Meeting also resolved on conditional amendments to the Articles of Association that would be submitted for registration if the company's Board of Directors decided to apply to have the company's shares listed for trading on First North. The amendments were intended to align the company's Articles of Association with the practices generally used by listed companies.

Significant changes:

- The company will no longer have a Supervisory Board, and the members of the Board of Directors will be appointed by the General Meeting.
- The term of office of the members of the Board of Directors will end with the conclusion of the Annual General Meeting following the appointment.
- The company has one auditor, which must be an audit firm in accordance with the Finnish Auditing Act, and the principal auditor must be approved by the Finnish Central Chamber of Commerce (“KHT auditor”).
- The General Meeting may be held in either Seinäjoki or Vaasa. The notice of the General Meeting will be delivered by publishing it on the company’s website. In addition, the notice of the General Meeting may be published in one or more newspapers if the Board of Directors so decides.
- In General Meetings, vote capping will be eliminated along with the requirement of a three-quarter majority for certain decisions made by the General Meeting.

The Annual General Meeting resolved to establish a permanent Shareholders’ Nomination Board to prepare the election and remuneration of the Board of Directors and confirmed the Nomination Board’s rules of procedure. The Annual General Meeting further decided that each member of the Nomination Board and the Chairperson of the Board of Directors, who will participate in the work of the Nomination Board as an expert member, will be paid a meeting fee of EUR 400 per meeting and the Chairperson of the Nomination Board EUR 700 per meeting. The decisions are conditional on the Board of Directors deciding to apply to have the company’s shares listed for trading on First North.

The Annual General Meeting authorised the Board of Directors to decide on the acquisition of at most 230,000 of the company’s shares, in one or more instalments, using the company’s unrestricted equity. The authorisation gives the Board of Directors the right to decide on the acquisition of shares otherwise than in proportion to the shareholdings of the shareholders (directed acquisition). The authorisation covers the acquisition of shares either on the First North market in accordance with its rules and guidelines, in which case the purchase price will be determined by the share price at the time of acquisition, or by means of a purchase offer to the shareholders, in which case the purchase price must be the same for all shareholders. The company’s own shares will be purchased to be used for carrying out acquisitions or other arrangements related to the company’s business, to improve the company’s financing structure, as part of the implementation of the company’s incentive schemes or to be transferred or nullified. The authorisation includes the right for the Board of Directors to decide on all other terms and conditions pertaining to the acquisition of the company’s own shares. The authorisation is valid until the end of the next Annual General Meeting, but until 30 June 2022 at the latest.

The Annual General Meeting authorised the Board of Directors to decide on issuing a maximum of 660,000 shares. This authorisation applies to issuing new shares as well as the company’s own shares held by it. The maximum amount corresponds to 11.4% of all of the shares of the company. The shares can be issued as consideration in business arrangements (at most 580,000 shares) or as part of the personnel’s incentive schemes (at most 80,000 shares). The share issue authorisation with regard to shares used for acquisitions and restructuring is valid until the end of the next Annual General Meeting, but until 30 June 2022 at the latest, while the share issue authorisation with regard to shares related to incentive schemes for the company’s personnel is valid for four years from the decision of the Annual General Meeting. The authorisation does not revoke the previous authorisations granted by the Annual General Meeting to the Board of Directors on 9 May 2019 and 25 June 2020 to the extent that

the previous authorisations concern shares issued as part of the personnel incentive schemes.

The shares of Anvia Plc, the predecessor of Loihde Plc, were added to the book-entry system in 2011. The shares that were not registered in a book-entry account indicated by the shareholder by 15 April 2011 were registered in a joint account, in which they have been held on behalf of the shareholders. Shareholders have had the opportunity to register shares held in the joint account in their own book-entry account by submitting a registration request. The ten-year transition period ended on 15 April 2021, which gives the Annual General Meeting the right to decide that the rights to shares in the joint account and the rights carried by those shares are forfeited.

The Annual General Meeting made the following decision regarding shares held in the joint account, also known as paper shares:

- The right to Loihde Plc shares and the rights carried by shares shall be forfeited for all Loihde Plc shares whose registration in a shareholder's book-entry account has not been requested in a valid manner by 16:00 on 30 June 2021.
- If a share certificate or corresponding document has been lost, the request must be submitted by the aforementioned deadline, a decision on the cancellation of the share certificate or corresponding document must be presented and the other measures required for registering shares in a shareholder's book-entry account must be completed by 16:00 on 31 December 2021.
- Shares subject to confiscation become the company's property and such shares are subject to the regulations concerning treasury shares.

The Annual General Meeting approved a directed share issue against payment related to the long-term share-based incentive scheme for the members of the Board of Directors, in which a maximum of 3,168 shares will be issued for subscription by members of the Board of Directors.

The Annual General Meeting authorised the Board of Directors to decide on a donation of at most EUR 50,000 to training and research activities that support the company's business or non-profit or comparable causes.

## **Market review**

The demand for digital development has continued to be high, as services are moved online in an increasing degree and new business and revenue models based on the digital world are created. In service design, user experience and data-drivenness are emphasised and in development projects not only technological expertise but also the significance of customer and business insights are highlighted.

Digital growth also means new threats, and for this reason, the secure development of systems and applications and comprehensive cyber security solutions are increasingly critical aspects of total security for companies. There is also an increased need for cyber security services since cybercrime is becoming increasingly professional and corporate IT environments are becoming increasingly complex, which has increased the significance of, for example, identity and access management. Cyber security is also more closely linked with the protection of the physical environment, including video surveillance, access control and locking solutions.

In physical security services, there has been an increased demand especially for electronic security systems, and another positive factor is that new construction has picked up again.

The blurring of the boundary between the physical world and the digital world creates demand for companies like Loihde – companies that have the ability to help their customers not only to develop new digital services and leverage data but also anticipate and solve the security threats related to them.

The increasing demand for IT and information security services has created a fierce competition for skilled employees. The sufficiency of competent labour is also a challenge for the growth of the physical security business.

The COVID-19 pandemic has slowed down the growth of the global and Finnish economy for almost two years now. At the same time, however, the restrictions related to the pandemic have increased digitalisation and accelerated the implementation of digital services and new operating models, which also increases the need for cyber security services. Investments being postponed due to the uncertainty associated with the economic development may also affect Loihde's businesses.

## **Strategy**

Loihde is a service company specialising in digital services and security technology. Loihde builds digital solutions for customers and protects them from cyber security risks and other security risks. The company helps its customers utilise data and digitalisation and ensure continuity of business.

Loihde's business consists of two separate business areas: digital development and security solutions. Capabilities that bridge the two businesses – such as systems integration competencies and making use of the data generated by security systems – provide the opportunity to create more comprehensive service solutions for customers and thereby promote the company's competitiveness. The businesses have many customers in common as well as the potential for cross-selling.

The cornerstones of our strategy are:

- Organic growth and improving profitability
- We focus on growth segments in digital development and the security market
- Synergies through cooperation within the Group
- Accelerating growth through selected acquisitions
- People make Loihde and its services

## **Risks and uncertainties**

There were no significant changes in the company's near-term risks during the financial year.

The COVID-19 pandemic and Russia's invasion of Ukraine and their effect on economic growth globally and in Finland causes uncertainty that may reduce companies' ability and willingness to make investments, or lead to such investments being postponed. They may also have negative effects on customers' financial standing. The war in Ukraine may also lead to an increase in the global shortage of components. At the same time, the COVID-19 pandemic has accelerated the implementation of new digital services and changes in how society operates. This and the uncertain global political situation also increase the need for cyber security services. The company's Board of Directors and management follow the development of the pandemic and the situation in Ukraine and update their forecasts if necessary.

A significant portion of Loihde's business consists of projects executed for customers. Mismatch problems in project resource allocation, failures in project pricing or execution or project delays may impair the company's profitability. Unfavourable terms and conditions of customer or supplier agreements or disputes arising with regard to their content may have negative impacts on the company's profit or may generate unexpected additional costs. Other customer-related risks include the loss of one or more key customers, a considerable decrease of purchases or customers' financial problems.

Loihde is a service and expert company with business relying heavily on skilled personnel. The company's profit and the implementation of the company's strategy may be significantly impaired if the company cannot recruit and retain skilled experts and continuously develop their competence according to the customer needs at each particular moment. There is very intense competition for highly competent professionals in Loihde's business segments, which may lead to wage inflation and create upward pressure on personnel expenses.

As a security sector company, Loihde is subject to high expectations regarding the security and continuity of its services. A data breach, a data protection violation or the realisation of another security risk in the company's or a customer's environment may have significant direct or indirect negative effects.

Loihde consists of several companies and corporate acquisitions are also possible in the future. Failure in integrating companies and building synergy may complicate the attainment of Loihde's strategic targets and decrease the commitment of the management and personnel of Group companies. Potential corporate acquisitions may also lead to unforeseen risks and hidden responsibilities, for which it has been impossible to make preparations.

### **Proposal on the use of the profit for the period**

The parent company's distributable funds amount to EUR 112,929,594.56 and the parent company's profit for the accounting period is EUR 5,791,493.15. The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.14 per share be paid from distributable funds based on the company's operating profit. In addition to this, the Board of Directors proposes that an additional dividend of EUR 0.41 per share be paid based on capital gains from the divestment of Hibox. Based on the situation at the time of signing the financial statements, the dividend and additional dividend would correspond to EUR 3,252,560.85 in total.

No material changes have taken place in the company's financial position after the end of the financial year.

### **Events after the financial year**

On 3 January 2022, Loihde Trust Ltd has divested its fibre networks in Kuusamo, Kemijärvi and Salla to Koillisnet Oy. The transaction price was EUR 4.7 million and Loihde records capital gains of EUR 3.9 million arising from the divestment.

On 4 January 2022, Loihde Plc's Board of Directors decided to begin the acquisition of the company's own shares. The maximum number of shares to be acquired is 230,000, which corresponds to approximately 3.8 per cent of the company's shares. However, the amount used for acquiring shares will be at most EUR 5,000,000. The decision is based on the authorisation by the Annual General Meeting held on 6 May 2021.

Loihde Advisory Ltd's subsidiary Altotech Oy has merged with its parent company on 7 January 2022.

The company has updated its risk assessment with the possible effects of the war in Ukraine on the company's business environment and business activities.

### **Financial calendar**

In addition to the half-year report and the financial statements release, Loihde publishes a more concise business report for the first and third quarters of the year.

- The business report for January–March will be published on Wednesday, 4 May 2022.
- The half-year report for January–June will be published on Wednesday, 31 August 2022.
- The business report for July–September will be published on Tuesday, 1 November 2021.

The annual report, including the financial statements and the report of the Board of Directors, the remuneration report and the corporate governance statement for 2021 will be published in week 13/2022. The Annual General Meeting is planned to be held on 5 May 2022. The Board of Directors publish a separate invitation to the Annual General Meeting later.

Financial reports are published on the company's website at <https://www.loihde.com/en/for-shareholders-2/reports-and-presentations/>.

4 March 2022  
Loihde Plc  
Board of Directors

### **Further information**

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*Loihde is an expert organisation specialising in digital development and security solutions. We help our customers create growth and competitiveness through digitalisation, while ensuring the security of people and information and the continuity of business. Loihde consists of two business areas: security solutions with the brand Loihde Trust, and digital development with the brands Loihde Advisory, Loihde Analytics and Loihde Factor. The Group has approximately 750 employees and its revenue in 2021 amounted to EUR 108.1 million.*

## TABLES

**Accounting principles for the financial statements**

The financial statements have been prepared in accordance with good accounting practice and the Finnish legislation. Loihde Plc prepares its financial statements according to the Finnish accounting legislation (FAS). The information is presented to the extent required by the Nasdaq First North Growth Market Rulebook section 4.4 (e). The figures presented have been rounded from the exact figures. The figures in the financial statements release are audited.

**Consolidated income statement (FAS)**

EUR 1,000	1 July–31 Dec. 2021	1 July–31 Dec. 2020	1 Jan.–31 Dec. 2021	1 Jan.–31 Dec. 2020
<b>REVENUE</b>	56,030	54,587	108,079	106,823
Production for own use	239	228	495	503
Other operating income	1,222	112	7,402	532
Materials and services	17,210	19,261	33,464	35,974
Personnel expenses	28,862	25,692	57,662	52,782
Depreciation, amortisation and impairment	4,883	4,628	9,471	9,272
Other operating expenses	8,685	6,739	15,462	13,669
<b>OPERATING PROFIT (EBIT)</b>	<b>-2,148</b>	<b>-1,393</b>	<b>-82</b>	<b>-3,838</b>
Finance income and costs	60	665	437	763
<b>PROFIT BEFORE APPROPRIATIONS AND TAXES</b>	<b>-2,089</b>	<b>-728</b>	<b>355</b>	<b>-3,075</b>
Income taxes	-248	-401	239	-966
Minority interest	0	-63	10	-130
<b>PROFIT FOR THE PERIOD</b>	<b>-2,337</b>	<b>-1,191</b>	<b>603</b>	<b>- 4,172</b>

**Consolidated balance sheet (FAS)**

EUR 1,000	31 Dec. 2021	31 Dec. 2020
<b>ASSETS</b>		
Intangible assets	48,998	46,499
Tangible assets	7,740	8,451
Investments	237	237
<b>NON-CURRENT ASSETS, TOTAL</b>	<b>56,975</b>	<b>55,187</b>
<b>CURRENT ASSETS</b>		
Inventories	7,287	6,724
Non-current receivables	716	884
Current receivables	22,399	27,526
Financial securities	15,866	15,418
Cash in hand and at bank	24,354	30,913
<b>CURRENT ASSETS, TOTAL</b>	<b>70,622</b>	<b>81,465</b>
<b>ASSETS, TOTAL</b>	<b>127,597</b>	<b>136,652</b>



EUR 1,000	31 Dec. 2021	31 Dec. 2020
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	1,504	1,504
Reserve fund	8,132	8,132
Share issue		1,310
Reserve for invested unrestricted equity	49,320	48,396
Retained earnings	42,657	54,979
Profit for the period	603	-4,172
<b>EQUITY, TOTAL</b>	<b>102,217</b>	<b>110,149</b>
<b>MINORITY INTEREST</b>	<b>0</b>	<b>357</b>
<b>LIABILITIES</b>		
Non-current liabilities	90	42
Current liabilities	25,289	26,104
<b>LIABILITIES, TOTAL</b>	<b>25,380</b>	<b>26,146</b>
<b>EQUITY AND LIABILITIES, TOTAL</b>	<b>127,597</b>	<b>136,652</b>

## Consolidated cash flow statement (FAS)

CONSOLIDATED CASH FLOW STATEMENT	1 July–31 Dec. 2021	1 July–31 Dec. 2020	1 Jan.–31 Dec. 2021	1 Jan.–31 Dec. 2020
<b>Cash flow from operating activities</b>				
Profit/loss for the period	-2,337	-1,191	603	-4,172
Adjustments to the profit for the period	3,963	4,612	1,752	9,436
Cash flow from operating activities before the change in working capital	1,626	3,420	2,355	5,265
Change in working capital:				
Inventories increase (-)/decrease (+)	-111	779	-614	-1,120
Current receivables increase (-)/decrease (+)	81	-6,268	423	-2,107
Current liabilities decrease (-)/increase (+)	1,723	4,584	858	3,676
Cash flow from operating activities before financial items and taxes	3,318	<b>2,516</b>	<b>3,022</b>	<b>5,713</b>
Dividends received	27	25	56	50
Interests and other finance income	93	355	637	424
Finance costs	-55	42	-104	-125
Taxes	-844	-401	-319	-4,432
<b>Cash flow from operating activities</b>	<b>2,540</b>	<b>2,537</b>	<b>3,292</b>	<b>1,632</b>
<b>Cash flow from investing activities</b>				
Purchase of shares	-656	-3	-10,174	-747
Investments in tangible and intangible assets	-1,021	-905	-1,915	-2,432
Disposal of shares and repayment of capital	-3	0	5,757	0
Proceeds from sale of tangible and intangible assets	628	-69	1,029	535
<b>Cash flow from investing activities</b>	<b>-1,052</b>	<b>-977</b>	<b>-5,304</b>	<b>-2,644</b>

	1 July–31 Dec. 2021	1 July–31 Dec. 2020	1 Jan.–31 Dec. 2021	1 Jan.–31 Dec. 2020
<b>Cash flow from financing activities</b>				
Share issue	1,331	631	4,750	1,010
Change in short-term loans	0	-3,509	-10	-5,712
Disposal of own shares	39	116	116	262
Dividends paid and other profit distribution	-5,299	-9,892	-15,104	-10,652
Repayment of loan receivables			6,151	0
<b>Cash flow from financing activities</b>	<b>-3,928</b>	<b>-12,654</b>	<b>-4,097</b>	<b>-15,092</b>
<b>Change in cash and cash equivalents according to the statement</b>	<b>-2,440</b>	<b>-11,095</b>	<b>-6,108</b>	<b>-16,104</b>
Cash and cash equivalents 1 Jan./1 July	42,664	57,426	46,331	62,436
Impact of currency exchange rate changes	4	0	4	0
Cash and cash equivalents 31 Dec.*	40,219	46,331	40,219	46,331
<b>Change in cash and cash equivalents</b>	<b>-2,440</b>	<b>-11,095</b>	<b>-6,108</b>	<b>-16,104</b>

\*In the cash flow statement, financial securities are treated as cash and cash equivalents.

## Changes in the Group's equity (FAS)

<b>EUR 1,000</b>	<b>31 Dec. 2021</b>	<b>31 Dec. 2020</b>
<b>EQUITY</b>		
Share capital 1 Jan.	1,504	1,504
Share capital 31 Dec.	1,504	1,504
Reserve fund 1 Jan.	8,132	8,132
Reserve fund 31 Dec.	8,132	8,132
Connection fee fund 1 Jan.	0	41,786
Reclassifications	0	-41,786
Connection fee fund 31 Dec.	0	0
Share issue 1 Jan.	1,310	0
Change for the period	-1,310	1,310
Share issue 31 Dec.	0	1,310
Reserve for invested unrestricted equity 1 Jan.	48,396	2,240
Transfer from share issue	1,310	0
Disposal of own shares	4,689	4,370
Reclassifications	0	41,786
Distribution of assets	-5,074	0
Reserve for invested unrestricted equity 31 Dec.	49,320	48,396
Retained earnings 1 Jan.	50,807	64,756
Profit distribution	-10,276	-10,631
Translation differences	-1	0
Other changes in equity	2,127	854
Retained earnings 31 Dec.	42,657	54,979
Profit for the period	603	-4,172
<b>Equity, total</b>	<b>102,217</b>	<b>110,149</b>

**The Group's commitments and collateral**

<b>EUR 1,000</b>	<b>2021</b>	<b>2020</b>
<b>Debts with a business or property mortgage put up as collateral</b>		
Business and property mortgages		
Business and property mortgages put up as collateral	<b>84</b>	<b>84</b>
<b>Debts with shares or book-entry accounts given as collateral</b>		
Shares given as collateral/negative pledge	0	9,702
		<b>9,702</b>
<b>Debts with a guarantee as collateral</b>		
Loans from financial institutions		0
Overdraft facilities	783	468
Drawn loans and overdraft facilities	783	468
Available loans and overdraft facilities	900	900
Amount of the guarantee given as collateral	<b>783</b>	<b>468</b>
<b>Contingent liabilities</b>		
<b>Rental and leasing commitments</b>		
Payable in the next 12 months	4,344	4,109
Payable later	5,331	5,021
<b>Total</b>	<b>9,675</b>	<b>9,130</b>
<b>Other commitments and collateral</b>		
Total collateral amount granted	420	384
Drawn	<b>420</b>	<b>384</b>
<b>VAT return obligation for real estate investments</b>	<b>74</b>	<b>93</b>
<b>Collateral and contingent liabilities, total</b>	<b>11,036</b>	<b>19,860</b>

## **Calculation formulas**

### ***EBITDA:***

Operating profit + depreciation, amortisation and impairment

### ***Adjustments:***

The adjusted EBITDA, the adjusted EBITA, the adjusted operating profit (EBIT) and the adjusted profit for the period are calculated by excluding capital gains/losses arising from the disposal of properties, fixed asset shares and businesses, insurance and other compensations and other adjustments from the respective reported figure.

### ***Return on equity, % (ROE):***

$$\frac{\text{Profit/loss before appropriations – income taxes from actual operations}}{\text{Equity (average) + minority interest (average)}} \times 100$$

The divisor used is the average of the value at the beginning and the end of period, weighted by the duration of the financial period.

### ***Equity-to-assets ratio:***

$$\frac{\text{Equity + minority interest}}{\text{Balance sheet total - advances received}} \times 100$$

Balance sheet total - advances received

The values of the balance sheet date are used in the divisor and the dividend.

### ***Investments:***

Capital expenditure for the period; divestments of assets not excluded.

## Reconciliation calculations for alternative performance measures

Loihde Plc discloses alternative performance measures to provide a better picture of the operational development of business operations and to improve comparability between operating periods. The alternative performance measures used by Loihde Plc are EBITDA, adjusted EBITDA, adjusted EBITA, adjusted operating profit (EBIT) and adjusted profit for the period.

<b>EBITDA AND ADJUSTED EBITDA</b>				
EUR 1,000	10-12/2021	10-12/2020	1-12/2021	1-12/2020
Operating profit (EBIT)	-685	-420	-82	-3,838
Depreciation, amortisation and impairment	2,460	2,288	9,471	9,272
<b>EBITDA</b>	<b>1,775</b>	<b>1,868</b>	<b>9,389</b>	<b>5,434</b>
Gains from the disposal of fixed assets	-724	-10	-7,107	-338
Restructuring expenses	127	331	666	582
Other non-recurring operating expenses	707	41	1,302	483
<b>ADJUSTED EBITDA</b>	<b>1,885</b>	<b>2,232</b>	<b>4,250</b>	<b>6,160</b>
<b>EBITA</b>				
EUR 1,000	10-12/2021	10-12/2020	1-12/2021	1-12/2020
Operating profit (EBIT)	-685	-420	-82	-3,838
Amortisation of goodwill	1,950	1,775	7,509	7,224
<b>EBITA</b>	<b>1,265</b>	<b>1,355</b>	<b>7,427</b>	<b>3,386</b>
<b>ADJUSTED OPERATING PROFIT (EBIT) AND ADJUSTED EBITA</b>				
EUR 1,000	10-12/2021	10-12/2020	1-12/2021	1-12/2020
Operating profit (EBIT)	-685	-420	-82	-3,838
Gains from the disposal of fixed assets	-724	-10	-7,107	-338
Restructuring expenses	127	331	666	582
Other non-recurring operating expenses	707	41	1,302	483
Write-downs on properties	0	0	0	0
<b>ADJUSTED OPERATING PROFIT (EBIT)</b>	<b>-575</b>	<b>-56</b>	<b>-5,222</b>	<b>-3,111</b>
Amortisation of goodwill	1,950	1,775	7,509	7,224
<b>ADJUSTED EBITA</b>	<b>1,376</b>	<b>1,719</b>	<b>2,288</b>	<b>4,113</b>
<b>ADJUSTED PROFIT FOR THE PERIOD</b>				
EUR 1,000	10-12/2021	10-12/2020	1-12/2021	1-12/2020
Profit for the period	-563	-177	603	-4,172
Gains from the disposal of fixed assets	-724	-10	-7,107	-338
Restructuring expenses	127	331	666	582
Other non-recurring operating expenses	707	41	1,302	483
Write-downs on properties	0	0	0	0
Tax effects of adjustment items	-167	-73	-276	-145
<b>ADJUSTED PROFIT FOR THE PERIOD</b>	<b>-620</b>	<b>114</b>	<b>-4,812</b>	<b>-3,590</b>

