



LOIHDE

Annual Report
2021

**People first
since 1882.**

**THE ANNUAL REPORT OF
LOIHDE CONSISTS OF THE
FOLLOWING SECTIONS:**

- **Annual Review including the sustainability report**
- **Financial Review including Financial Statements and the Board of Directors' Report**
- **Corporate Governance Statement**
- **Remuneration Report**



ANNUAL REVIEW

FINANCIAL REVIEW

**CORPORATE GOVERNANCE AND
REMUNERATION**

Annual Review

- 4** Loihde in brief
- 5** Key figures
- 6** CEO's review
- 8** Highlights of 2021
- 9** Strategy, financial targets
- 10** Personnel
- 11** Operating environment
- 12** Sustainability

Loihde in brief

We develop digital solutions for our customers and protect them from information security risks and other security risks.

Loihde is one of Finland's largest suppliers of comprehensive corporate security solutions

We offer our customers integrated solutions against both physical and cyber threats. Our service portfolio covers all areas of corporate security from cyber security to corporate networks, locking solutions and surveillance systems. Our One Security concept combines digital and physical security into one integrated solution that gives the customer a clear picture of the company's total security.

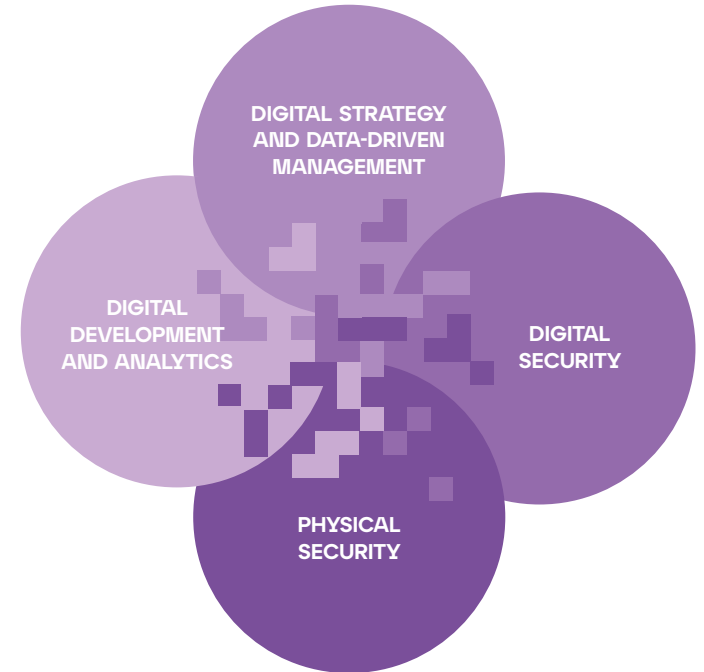
We offer the entire value chain of digital development

In digital development, we produce the entire value chain, from strategy, service design, data utilisation and solution design to project management and change management, as well as application development and maintenance. We invest heavily in the development of artificial intelligence solutions and data management services.

We combine our expertise into integrated solutions

By combining the expertise of our business areas, we are able to provide customers with more comprehensive service packages and innovative solutions that differentiate us from other operators on the market. For example, we have implemented customer projects in which data from security systems is utilised in the customer's business. We also have a growing number of customers to whom we deliver both digital development and security services.

Our service areas



People first since 1882

Our work community of 750 experts always puts people at the centre. This includes our customers, who are the purpose of what we do, and our employees, who are the creators of our success. We want to operate near our customers, and our network of 22 locations in Finland ensures a strong nationwide service capacity. In addition, we have two offices in Sweden. Our largest offices are in the Greater Helsinki Area and Oulu.

Key figures for 2021

Revenue
(continuing operations)

EUR **107,2** million
(101,0)

Revenue from continuing operations increased by

6 %

Personnel

720 (714)

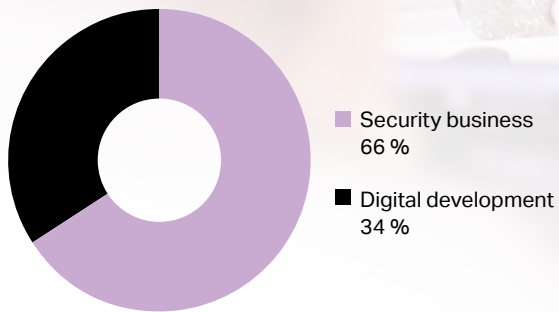
Adjusted EBITDA

EUR **4,3** million
(6,2)

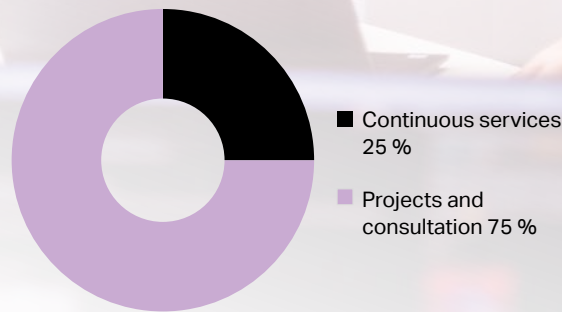
Balance sheet

EUR **127,6** million
(136,7)

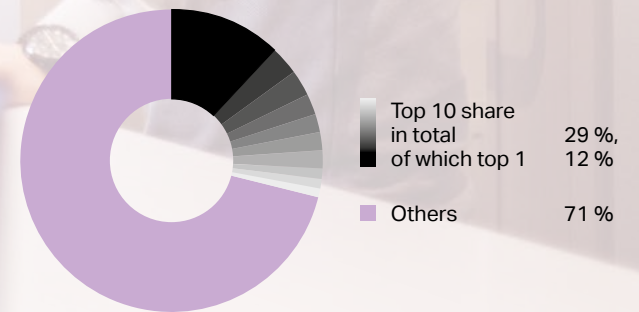
Revenue distribution by business*



Revenue distribution



Revenue distribution by customer



* Real estate business and eliminations between businesses have not been taken into account in the revenue distribution

CEO's review

The year 2021 was historic for Loihde in various ways. We implemented a major brand renewal, made acquisitions that were important for the implementation of our strategy, and listed on First North. In addition to all this, our business developed as planned. We grew across all our business operations and the results were in line with our expectations.

The revenue of Loihde's continuing operations increased by 6 per cent to EUR 107.2 million. As expected, the adjusted EBITDA did not reach the level of the previous year due to investments in business development and amounted to EUR 4.3 million, or 3.9% of revenue.

Our strategy is to provide companies and organisations with comprehensive services related to digital development and security. We seek improving profitability and growth in these areas both organically and through acquisitions. We are building Loihde into a better service company as a whole, developing our business areas and integration capabilities, combining their service areas.

Loihde Advisory (formerly Talent Base Oy), which joined the Group in the early summer, strengthens our digital development business, especially with its expertise in data-driven management consulting and solution design.

Focusing on our core businesses has also meant giving up any aspects that are not included in them. These included Hibox Systems, which provides TV services, and the alarm centre business, the sale of which during the financial year allowed our business model to focus on digital development, cyber security and security technology services.

There is still strong demand for digitalisation and business intelligence solutions, to which our diverse solution portfolio responds perfectly. Our extensive expertise, covering the entire digital development value chain, meets our customers' needs from digital strategy and solution design to data analytics, application development and change management. The banking and insurance sector, which has long been a forerunner in the use of data and digital solutions and actively develops them, is our largest customer sector of our digital development business.

Loihde is a trusted security partner for many critical operators in society, such as the social welfare and healthcare sector, other public administration and energy companies. We have concluded frame agreements worth almost EUR 13 million with the Finnish Defence Forces. Our cooperation has lasted for years and will continue and intensify in the future.

Our One Security concept, i.e. our solutions combining physical and cyber security, has been well received on the market, and the growing number of total security customers is proof of the benefits of centralisation in terms of both security and cost management.

We are now Loihde. Our transformation to Loihde began in the spring with the change of the name of the Group and the parent company. The subsidiaries adopted the Loihde brand in early September. Under a common brand, our business is easier to grasp by our stakeholders, and the versatility of our expertise is better highlighted.



Successes in selling our joint offering and deepening customer relationships have shown that we are on the right track.

We have taken several steps in the development of cross-selling, joint customer solutions and operating models, and we will continue to work on these development projects this year. Successes in selling our joint offering and deepening customer relationships have shown that we are on the right track. We offer a unique combination of security and digital development expertise, enabling integrated solutions that stand out on the market. In December, we signed an EUR 2.9 million agreement with the Finnish Customs for a video analytics solution that combines the expertise of our two businesses.

Since 7 October 2021, Loihde's shares have been traded on the First North marketplace. Due to the company's extensive ownership, listing has been the company's goal for several years now. Since the company had already developed its processes with a view to listing, the actual listing project proceeded smoothly.

For our part, we want to promote sustainable development and well-being, and we have updated and expanded Loihde's sustainability programme. Our business in itself, security and digital solutions, benefit stability in society and help to save resources. Our sustainability goals place particular emphasis on building a better and more equal working life.

Our skilled personnel is the key to Loihde's success, and I am proud of our team of top professionals, who respect each other and show strong commitment to the objectives of the company. During the past year, increased personnel turnover has posed a challenge for all companies in the industry, including Loihde, but we have been quite successful in recruiting new employees and increasing our number of employees. We believe that our network model works well on the employee market, as we can offer digital solution professionals different working environments and pay schemes. I would like to thank our personnel for their excellent work this year.

Our best thanks also to our customers, shareholders and partners. We promise to be worthy of your trust.

Samu Konttinen



Highlights of 2021

WE ARE NOW LOIHDE

With the introduction of the Loihde brand, our stakeholders will be able to see more clearly the versatility of our expertise, which was previously spread across several brands. The Loihde name was first adopted as the group name in May. In September, our subsidiaries switched to Loihde names as well.



TALENT BASE REINFORCED OUR DIGITAL DEVELOPMENT EXPERTISE

Talent Base (current Loihde Advisory Ltd) has brought strong expertise to Loihde, especially in the areas of data-driven management consulting, solution planning and data and digital development project management. The company joined the Group on 1 June 2021.



WE LISTED ON FIRST NORTH

The listing of Loihde on the Nasdaq First North Growth Market Finland gave the company shares a functional marketplace and transparent price formation. Trading in Loihde Plc shares began on 7 October 2021.



LOIHDE NETWORK IS BECOMING TIGHTER THAN EVER

The Loihde Group is built as a network that is able to offer its customers extensive and diverse expertise and a combination of capabilities, while still giving room to nurture each company's own strengths and cultures. The network's cooperation intensified significantly during the year, and important steps were taken towards the end of the year to develop common approaches.

LOIHDE ATELJEE

In September, we launched Loihde Ateljee to learn what happens when the different dimensions of added reality and data are made visible. At six different locations around Helsinki, anyone could try out the new dimensions made possible by technology, for example, in a hairdressing salon, clothing store and restaurant.

VIDEO ANALYTICS FOR THE FINNISH CUSTOMS

The number of joint customer projects and cross-selling has increased during the year. In December, an agreement was signed with the Finnish Customs on an advanced number plate identification and video analytics solution provided by Loihde Trust and Loihde Analytics.

MEETINGS IN PERSON

For personnel who had gotten used to teleworking and coronavirus restrictions, every opportunity to meet colleagues face-to-face was an anticipated moment, whether it be at the office, in training or during a company outing. Most personnel events were still held remotely, but smaller groups also met face-to-face, the pandemic situation permitting.

Our strategy supporting growth



ORGANIC GROWTH AND IMPROVING PROFITABILITY

We aim to increase revenue and improve profitability in both of its business areas. The achievement of these goals is supported by the strong digitalisation trend in society, the robust growth of the cyber security market and the company's strong market position in physical security.



WE FOCUS ON GROWTH SEGMENTS IN DIGITAL DEVELOPMENT AND THE SECURITY MARKET

In digital development, our strategic focus is on growing service areas such as data utilisation and analytics, service design, software development and artificial intelligence and cloud technology development projects.

In the security business, our focus is on cyber security and cloud transformation services, strengthening digital features and analytics in physical security solutions, and our unique One Security total security concept.



SYNERGIES THROUGH COOPERATION WITHIN THE GROUP

We develop and harmonise the Group's operations, increase cross-selling and develop synergistic comprehensive solutions.



ACCELERATING GROWTH THROUGH SELECTED ACQUISITIONS

We aim to continue to make focused acquisitions to support the selected direction of growth. The company's strong balance sheet enables acquisitions that support its strategy.



PEOPLE MAKE LOIHDE AND ITS SERVICES

Highly competent and committed personnel enable a high level of customer satisfaction. We want to be a highly sought-after workplace that offers well-being, professional development and the experience of doing meaningful work each and every day.

FINANCIAL TARGETS FOR THE STRATEGY PERIOD 2021-2024

Average annual growth in revenue

more than
10 %

taking into account acquisitions

Adjusted EBITDA margin

at the end of the strategy period

more than
10 %

Calculated in accordance with IFRS*

* The company plans to 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 is mainly due to lease and leasing accounting in accordance with IFRS 16.

Personnel

In early 2021, when we launched the brand renewal project and began to play with building blocks of our new, common brand, we very quickly found the most important foundation and core of our brand – people.

As a service company, the cornerstone of our success is people and their skills. We want Loihde to be a work community where people are happy and feel that their work is meaningful. Our company culture is founded on trust and respect for others.

Loihde is a community of 750 top professionals, most of whom already have long experience as experts in their field. Through continuous competence development, we take care not only of our competitiveness, but also of the motivation of our employees, which is fuelled by opportunities to develop themselves and their professional skills on a daily basis. We develop our expertise by, for example, taking on challenging customer projects, sharing professional competence and knowledge, and organising our own and external training programmes.

Each year, we assess personnel satisfaction both with an extensive survey and with compact pulse surveys. In 2021, our average Employee Net Promoter Score (eNPS) was 30 (on a scale of -100 to +100), which is a fairly good result. Our personnel's work-life balance and coping at work are also important indicators for us.

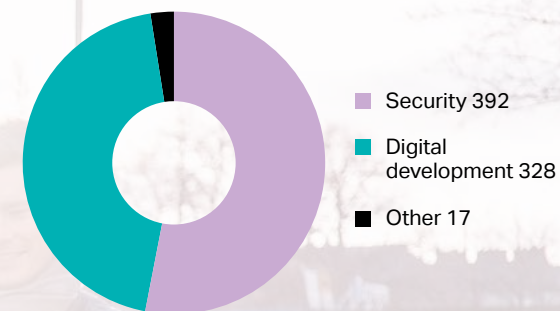
In the second year of the COVID-19 pandemic, teleworking continued to be the main form of work, and many have expressed their desire to continue working remotely at least part-time in the future. On the other hand, when the restrictions were temporarily lifted, the opportunity to return to the office and meet colleagues face to face was also welcomed. Most personnel events were still held remotely, but smaller groups also met face-to-face, the pandemic situation permitting.

The Loihde Group consists of several companies, and its network-like approach creates opportunities for diverse working environments and career paths, as well as different pay arrangements. Such diversity is an advantage in the IT sector, which is very competitive.

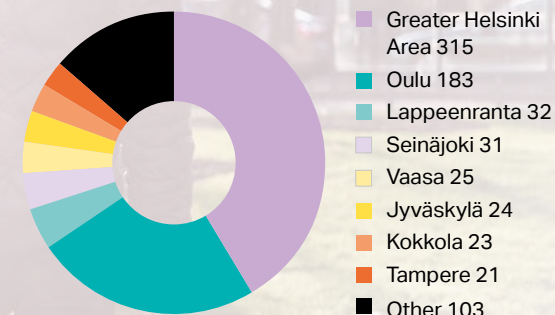
More than half of the personnel are also owners of Loihde. Since 2018, employees have been able to participate in share-based incentive schemes and they have gained great popularity in all vesting periods. In 2021, 327 persons took part in the scheme and they subscribed for a total of 82,842 shares.

For more information on personnel, see the sustainability section on pages 15-16 of the annual review.

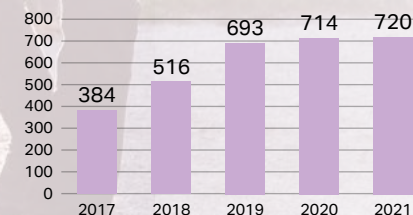
PERSONNEL DISTRIBUTION BY BUSINESS



PERSONNEL DISTRIBUTION BY LOCATION



DEVELOPMENT OF THE NUMBER OF EMPLOYEES IN 2017-21



Operating environment

Loihde operates on the IIT and security markets, which are essential for the development of society. Loihde’s main market area is Finland, and it also has digital development business activities in Sweden. The company aims to focus specifically on the growth segments of the markets, i.e. the market segment for new digital services, cyber security and electronic security technology.

DIGITAL TECHNOLOGY INTERTWINES WITH THE PHYSICAL WORLD

Strong digitalisation and phygitality, i.e. the intersection of the physical and digital worlds, are increasingly linking together Loihde’s operating markets, i.e. the IT service market and the security market. This change creates significant opportunities for the development of our customers’ business operations, of which one solution provided by Loihde is the analysis and utilisation of data from video surveillance.

The expansion of digitalisation also introduces new threats in terms of business processes as well as the security of services and systems. For this reason, the secure development of systems and applications and comprehensive cyber security solutions are increasingly critical aspects of total security for companies. Cyber security has expanded from the protection of companies’ local area networks and

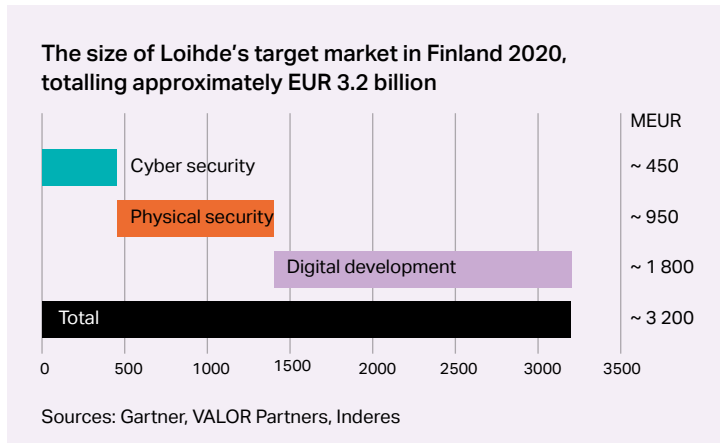
the significance of identity and access management, for example, has grown. Cyber security is also more closely linked with the protection of the physical environment, including video surveillance, access control and locking solutions.

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 develop new digital services and leverage data but also anticipate and solve the security threats related to them.

INCREASING COMPETENCE NEEDS

Digitalisation has extensively reshaped traditional business and revenue models while also creating entirely new operating models. The amount of data is growing exponentially and organisations have a strong motivation to seize the opportunities offered by artificial intelligence and automation. Focus on business, user experience and data-drivenness are emphasised in service design, and the aspects highlighted in development projects include not only technological expertise but also the significance of customer and business insight and service design.

One of the pioneers in service digitalisation is the banking and finance sector, which is also among Loihde’s main customer sectors. Strong development is also currently under way in sectors including social welfare and health care services, retail and industry.



The diversification and complexity of the corporate IT environment, such as cloud services, the increase in the number of systems, system integrations and inter-company ecosystems, increase the need for competence and pose new kinds of challenges for cyber security. The need for cyber security services will also be increased by cyber crime becoming increasingly professional.

The increasing demand for IT and information security services has created a fierce competition for skilled employees, which has slowed down the growth of the entire IT sector to some extent. The sufficiency of competent labour is a challenge for the growth of physical security business, too.

The COVID-19 pandemic, which has lasted almost two years, has slowed down the growth of the global economy and the Finnish economy, and the Russian invasion of Ukraine has increased not only political but also economic uncertainty. On the other hand, the pandemic has accelerated digitalisation and the adoption of new operating models. This, together with the uncertainty of the global political situation, also reinforces the need for cyber security services.

Sustainability

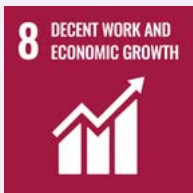
Building better, safer and more secure everyday life is the cornerstone and purpose of Loihde’s operations. We always put people first. We contribute to creating society in which digital solutions and data make people’s everyday life easier, promote well-being and conserve natural resources. Our solutions protect people, information and assets. We strive to build a comfortable working life for everyone.

We updated Loihde’s sustainability programme at the end of 2021, expanding the objectives, measures and monitoring related to the promotion of responsibility and sustainability. We conduct materiality assessments to prioritise the areas of responsibility that are most important to our stakeholders and on which Loihde has the greatest impact. On the basis of these principles, we defined the priorities and objectives of our responsibility work, which covers both our internal operations and our handprint, i.e. development activities related to the services offered to customers. The majority of the monitored indicators will be reported from 2021 onwards.

OUR CORPORATE RESPONSIBILITY FOCUS IS STRUCTURED UNDER FIVE THEMES

- ✓ Safety and peace of mind
- ✓ A better world through digitalisation
- ✓ People first
- ✓ Ethical strength
- ✓ Our impact on the environment and society

OUT OF THE UN SUSTAINABLE DEVELOPMENT GOALS, WE PROMOTE IN PARTICULAR:



We promote sustainable economic growth and productivity through technology and innovation. We are a good employer and ensure our procurement chain is sustainable.



We develop solutions to promote sustainable, reliable and resource-saving infrastructure and industrial processes and ensure their uninterrupted operation.



We treat everyone equally and guarantee equal opportunities for development regardless of background. We improve the accessibility of digitalisation and its utilisation in promoting equality.



We create solutions for saving energy and materials and promoting the circular economy by utilising data and digital solutions. We support reliable reporting on sustainable development.



We reduce our own carbon footprint and produce digital solutions for our customers to reduce energy consumption and promote the circular economy.



We strengthen the physical and digital security of society. We ensure good governance, promote economic growth and combat corruption in all its forms.

SAFETY AND PEACE OF MIND

Building a safe information society is at the core of Loihde's operations. Every day, we protect people, information and other assets in hundreds of customer companies and public administration bodies from physical and digital threats. Our indirect impact is even more extensive: we contribute to ensuring that society's key infrastructure, for example, power plants and healthcare services, is prepared for cyber threats and other security threats.

The importance of cyber security as part of responsible conduct has grown in recent years as cyber crime has increased and the potential impact of cyber attacks has become more widely recognised. In international research on responsible investment, cyber security came second in the list of the most significant ESG risks immediately after corruption, before climate change (RBC Global Asset Management 2021).

In addition to being prepared and security, it is important to be able to react quickly and in a controlled manner in the event of a potential security attack, to ensure that corrective measures do not cause unintended additional harm, and to recover from an exceptional situation as quickly as possible. This is the expertise of Loihde Cyber Security Operations Centre (CSOC), which oversees customers' IT environments around the clock. Numerous examples have shown how the early detection of anomalies and the correct response have ensured the undisturbed continuity of the customer's operations.

Security, resilience and data protection also play a key role in the development of digital services. We were sadly reminded of this in December 2021, when the Log4J component, which is very widely used in internet services, showed a serious vulnerability that had been abused globally. Our

PARIS CALL FOR TRUST & SECURITY IN CYBERSPACE

Loihde has signed the Paris Call for Trust & Security in Cyberspace, a petition that includes nine cyber security principles and a commitment to cooperation for promoting a safe and secure cyber environment. Loihde is committed to, inter alia, preventing cyber threats to

people or critical infrastructure, improving the security of digital products and services throughout their lifecycle, preventing crimes against companies' information or intellectual property rights, and promoting the spread of responsible norms of behaviour and building trust in the cyber world.

information security experts worked closely to identify and protect our customers' systems under Loihde's supervision against vulnerabilities.

Ensuring security is not just technology. More than half of the data leaks encountered by companies and one fifth of information security breaches occur as a result of personnel's own actions. That is why raising awareness of information security is paramount. The user experience of digital services must also be designed to make it easier to act correctly and avoid mistakes.

Loihde continuously trains its own personnel in matters related to information security and data protection according to the requirements for each role.

Information security certifications demonstrate our commitment to the development of information security. Loihde Trust Ltd's information security management system is certified in accordance with the international ISO/IEC 27001 information security standard, and the principles of the standard are also applied in other Group companies, where applicable.





A BETTER WORLD THROUGH DIGITALISATION

Digital services and the efficient use of data can save natural resources, reduce the environmental load and promote people's well-being. Through the solutions we build for our customers, we have a positive impact on the environment and society, and we are building a more sustainable future. Examples of this include energy consumption optimisation solutions that reduce emissions and save energy, or information management models that enhance internal and mutual information management in the new wellbeing services counties.

The amount of data available to businesses is growing at an accelerating pace. The increasing and easier collection of data also exposes it to accidental or even intentional misuse, which may be due to the poor quality of the data, distortions in its processing or inadequate protection of sensitive data. Responsible use of data takes also environmental matters into account, by optimising data transfer, storage and handling as energy efficiently as possible. We consult and support our customers in the responsible use and quality management of data and its proper protection.

There is a particular interest and future value in but also concerns about artificial intelligence, its utilisation and manageability. We are among the first companies in Europe to develop an artificial intelligence management and audit model. We are part of the AIGA project, where a group of companies and communities that develop and use artificial intelligence solutions together create principles and practices for the responsible use of artificial intelligence. The project is coordinated by the University of Turku.

We help our customers not only to act responsibly, but also to prove it. The regulation of responsibility reporting is increasing and stakeholder expectations are growing. Data on responsible and sustainable activities must be reported with the same accuracy and reliability as financial data. As an information management expert, we support our customers in collecting ESG data from various sources, managing it, ensuring its quality, and organising it in a reportable format. In connection to this, we create insights about impact and priorities of sustainability actions.

PEOPLE FIRST

Our guiding principle is “People first”. People are at the heart of everything we do; both our customers, who are the purpose of what we do, and our employees, who are the creators of our success.

We build our services for people and bring the technical expertise of our experts to them. Although we are sometimes charmed by new technology, we will always remember that it is only a tool that must not complicate the lives of its users, quite the contrary.

We want to create a working environment where everyone can feel comfortable. Our work community is based on trust and respect for others. All our activities are guided by our common principles: fairness, friendliness, reliability, courage and willingness to learn.

It is important for our employees to be able to do meaningful work every day. In our annual personnel surveys, the most important factors for job satisfaction are rewarding work tasks, a strong team spirit, fair pay and a healthy work-life balance. In an expert organisation like Loihde, other prominent aspects include the opportunities for personal and competence development and the chance to influence one’s own work. According to our personnel, we have been successful in this area. We continuously develop factors enabling successful work performances as well as the personnel’s opportunities to influence the content of their work. In 2021, we launched a new Loihde Leader coaching programme for managers and supervisors.

In 2021, the Group’s average Employee Net Promoter Score (eNPS) was 30 (on a scale of -100 to +100), which can be considered a fairly good result. Job satisfaction is a very important indicator for Loihde. In addition to the annual survey, we follow the development of job satisfaction with simple pulse surveys. Their importance has increased

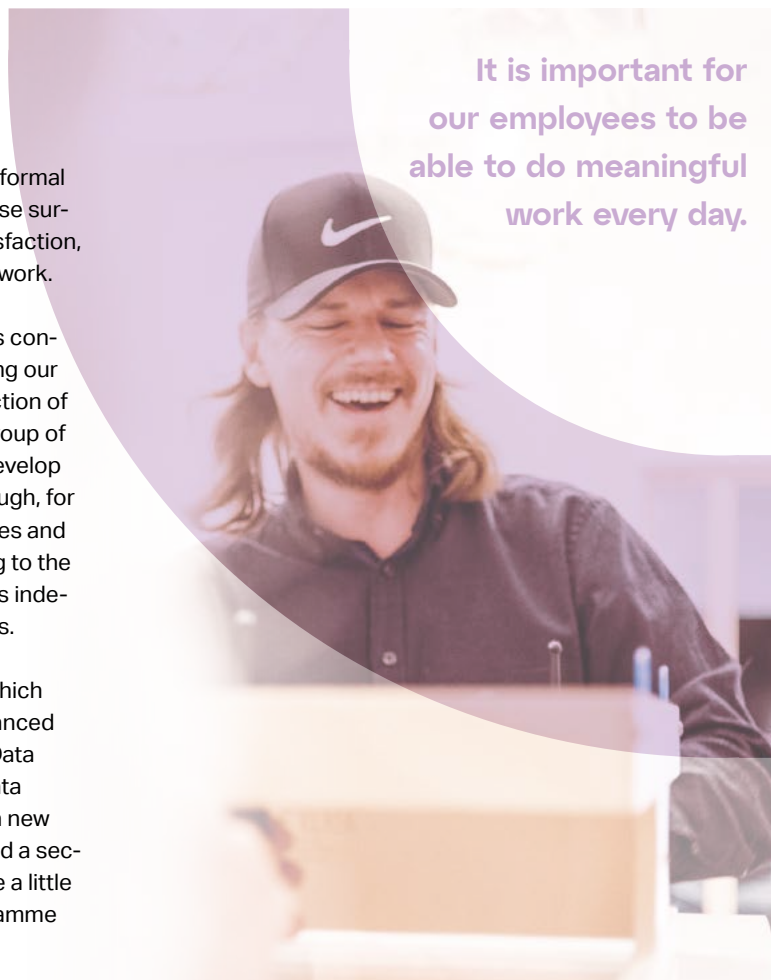
during the COVID-19 pandemic, as the number of informal interactions have decreased due to teleworking. Pulse surveys provide not only an overview of personnel satisfaction, but also early indications of challenges in coping at work.

Competence is our most important resource, and its continuous development is essential both for maintaining our competitiveness and for the motivation and satisfaction of our personnel. Our work community consists of a group of experts who have a strong desire to continuously develop their own expertise. Our competence develops through, for example, on-the-job training, our own training courses and external training programmes, such as those leading to the certification of our partners. Loihde also encourages independent learning and pays some of the related costs.

Loihde Academy is our versatile training package, which includes both trainee programmes and shorter advanced training for customers and personnel. In 2021, our Data Trainee programme provided training and work in data analytics for 18 recent graduates or those starting a new career. Towards the end of the year, we also launched a second trainee programme for people who already have a little more experience in the field of analytics. This programme will start in 2022.

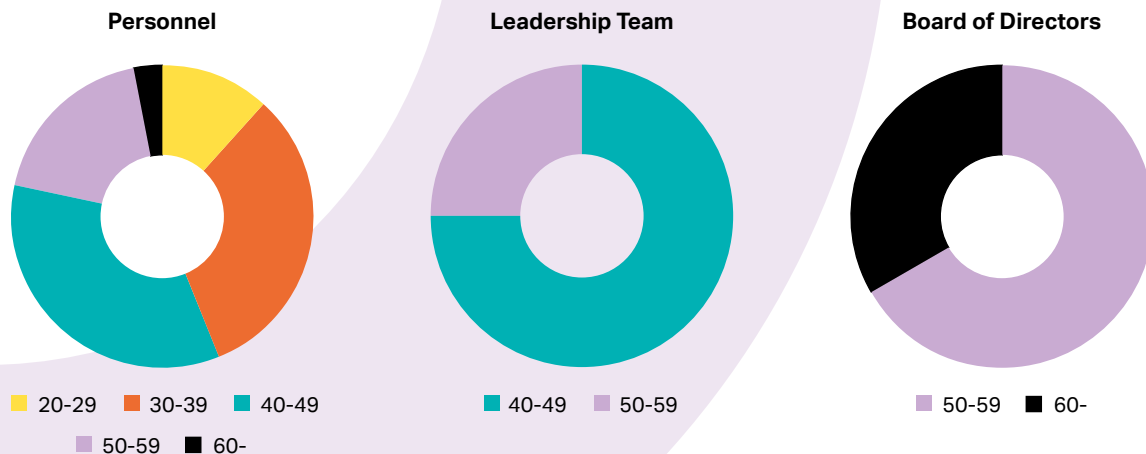
Loihde wants to be an equal workplace for everyone. In order to prevent discrimination and ensure equal treatment, the company has an equality and non-discrimination plan, which was last updated in the summer of 2021. Our goal is to ensure that Loihde implements genuinely non-discriminatory procedures in recruitment, career advancement, distribution of duties, deciding on pay and benefits, training opportunities, and work community development. This objective is primarily supported by the training of supervisors. In addition, in internal communication, we highlight topics related to equality, diversity and unconscious discrimination.

It is important for our employees to be able to do meaningful work every day.



The share of women in the labour force is generally low in the IT and security sector, and Loihde is no exception to this. On 31 December 2021, women made up 20 per cent of Loihde’s personnel, 15 per cent of supervisors, 25 per cent of the Leadership Team and 17 per cent of the Board of Directors. Our aim is to increase the share of women in our personnel and to encourage women and girls to seek employment in our sector in general. For example, it is important to involve different genders and people from different backgrounds in the design of digital services and the creation of artificial intelligence solutions.

AGE DISTRIBUTION



We strive to ensure equal pay by regularly comparing the pay levels of women and men in the same or similar positions. No significant differences have been observed.

The aim is to give every employee the opportunity to make their own working time arrangements in order to coordinate their work and family life. Teleworking was possible in many jobs even before the COVID-19 pandemic, and for the last two years most employees have been working from home. Our personnel has adapted well to teleworking practices, and in a survey conducted in autumn 2021, most respondents indicated that they would like to continue teleworking, at least to some extent, in the future. On the other hand, some have experienced the constant lack of face-to-face interactions as burdensome. In the autumn of 2021, many were happy to return to the office when some of the pandemic restrictions were lifted for a few months.

Loihde has addressed the challenges of coping at work by implementing an early caring model and by providing low-threshold conversational therapy in cooperation with occupational health. Together with MIELI Mental Health Finland, we organised a webinar series with the theme "Let's take care of each other" and cooperation with the association will continue in 2022.

From the point of view of occupational safety, our business areas differ from each other. Due to the nature of the work, the security business is more vulnerable to accidents. In the security business, the accident frequency in 2021 was 8.4, while in the digital development business, there were no accidents. Our goal is to have zero accidents. Sufficient safety training is an essential element in the orientation of new employees. Loihde Trust Ltd has an ISO 450001:2018 certified occupational health and safety system.

Loihde has zero tolerance for bullying, harassment and inappropriate behavior. In order to eradicate all forms of bullying, we have prepared guidelines for personnel on what to do if they experience or see bullying or harassment.

Since 2018, employees have been able to participate in a share-based incentive scheme and it has gained great popularity in all vesting periods. In 2021, a total of 327 people participated in the scheme and they subscribed for a total of 82,842 shares.

ETHICAL STRENGTH

Our Code of Conduct describes the operating methods and values accepted by Loihde, as well as the company's commitment to compliance with laws, official regulations and ethically sound principles. The operating guidelines aim to ensure that all of those employed by Loihde act responsibly and with respect for others. The Code of Conduct helps us choose the right way to act in situations that require our personal discretion and to improve the transparency of our operations in relation to our stakeholders. We also require our partners to comply with equivalent ethically sound principles, and this is taken into account in the selection of said partners.

Our Code of Conduct also includes an anti-corruption and anti-bribery policy, which defines the rules and restrictions concerning gifts and hospitality.

In 2021, we introduced an anonymous whistleblowing channel for reporting abuse or unethical behaviour. The channel is open to both personnel and external stakeholders.

We operate in sectors where trust is key. For many of our customers, data is one of the most important assets. The customer trusts us with their data for processing or protection purposes. Whether the data belongs to our customers, employees or other stakeholders, we want to demonstrate our worthiness of their trust by processing data appropriately and in compliance with relevant laws and regulations, such as the EU's General Data Protection Regulation.

In Loihde's administration, we voluntarily follow the Finnish Securities Market Association's Corporate Governance Code, even though it is not required of First North companies.

One of the key principles in the selection of Loihde's Board of Directors is diversity, the essential elements of which are the members' complementary education, competence and experience, as well as a broad age structure and balanced gender representation. On 31 December 2021, five (73%) of the Board members were men and one (17%) a woman. Two of the members were over the age of 60 and four were between the ages of 50 and 59.

OUR IMPACT ON THE ENVIRONMENT AND SOCIETY

Our business creates jobs and cash flows across Finland and in Sweden. We operate in 24 locations and serve customers nationwide. Wages, salaries and remuneration paid by Loihde's in the financial period 2021 amounted to EUR 47.8 million. In addition, we create financial well-being indirectly through the subcontractors we use.

We value the Finnish welfare model and are prepared to do our share to foster it, also by paying taxes. In 2021, Loihde paid EUR 0.8 million in income taxes.

FINANCIAL IMPACT 2021, EUR MILLION

Revenue 108,1	→	Wages, salaries and add-on costs	57,7
	→	Payments to suppliers and partners	48,9
	→	Dividends and interest	15,5
	→	Corporation taxes	0,8
	→	Gross investments	11,7

Loihde's quality and environmental work is certified. Loihde Trust Ltd and Loihde Analytics Ltd have an ISO 9001:2015 certified quality management system. Loihde Trust Ltd also has an ISO 14001:2015 certified environmental quality system.

Through continuous improvement, we aim to prevent the waste of resources and to reduce our energy consumption and the resulting emissions. We are currently studying the environmental impacts and carbon footprint of Loihde in more detail, with the aim of setting new environmental targets in 2021.

In all devices, equipment and fleet, we emphasise safety, sustainability and efficiency in line with the life cycle approach. We also promote the circular economy by directing waste energy from data centre cooling systems to the district heating network, whenever possible.

In 2021, we introduced company bicycles as a new employee benefit in order to reduce commuting by car and to promote exercise. In the first year, 11% of Loihde employees took advantage of the benefit and acquired a company bicycle.

With regard to the climate and the environment, we believe that Loihde also has the opportunity to have a positive impact through its customers: By implementing digital solutions that save resources, we can encourage our customers and their stakeholders to actively work for the environment.



NASDAQ HELSINKI

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LOIHDE

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LOIHDE

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ANNUAL REVIEW

FINANCIAL REVIEW

**CORPORATE GOVERNANCE AND
REMUNERATION**

Financial Review

- 19** Report of the Board of Directors
- 28** Financial Statement, Group
- 31** Financial Statement, Parent company
- 34** Notes to the financial statements
- 44** Signatures
- 45** Auditor's Report

Report of the Board of Directors 2021

Loihde is a digital development and security solution provider that offers its customers data utilisation services, digital service development and physical security and cyber security services.

MATERIAL EVENTS DURING THE FINANCIAL YEAR

During the financial year, Loihde has according to its strategy developed its digital development and security solutions businesses both as separate business areas and by creating synergies between them, for example, through cross-selling, joint customer solutions and harmonisation of operating models.

At first, the common Loihde brand was introduced as the name of the Group in May, and as of the beginning of September, it was introduced in all Group companies. To customers, the new brand better highlights Loihde's extensive offerings that were previously divided between several brands. The rebranding is also a prominent example of the Group developing in an even more coherent direction. The Loihde Group is built as a network that can offer its customers very versatile know-how and integrated capabilities. However, there is room for each company's own strengths and cultures.

The cooperation in sales has paid off, and the amount of joint customer projects and cross-selling has increased during the year. One good example of the Group's companies providing common solutions is the agreement with Finnish Customs that was signed in December, through which Loihde Trust and Loihde Analytics deliver a progressive video analytics solution and solution for identifying number plates.

The company strengthened its digital development business by acquiring all the shares in 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.

In order to sharpen its business model, Loihde has continued to divest parts that do not belong to its core business. The

company divested TV service company Hibox Systems Oy Ab to the Swedish company Accedo AB in February 2021. As for Loihde Trust Ltd, they divested their alarm centre business to K2 Turvapalvelut Oy in June.

Loihde's listing on Nasdaq First North Growth Market Finland introduced a functional marketplace and transparent price formation for the company's shares. Trading in Loihde Plc's shares commenced on 7 October 2021.

As part of the preparations for listing, the company's corporate governance structure was simplified by abolishing the Supervisory Board and transferring the election of the members of the Board of Directors to the Annual General Meeting. The Articles of Association, which according to the Annual General Meeting's decision were conditional on the company being listed, entered into force on 6 October 2021.

During the second year of the COVID-19 pandemic, its effects on business operations were reduced compared to the previous year. Remote work continued to be the main form of working in jobs where it is possible, but as the COVID-19 situation temporarily improved, part of the personnel gladly embraced the opportunity to return to the office or to work according to a hybrid model, combining remote work and in-office work. For work duties carried out at a customer's premises, the emphasis was still on protection through face masks, social distancing and hygiene.

FINANCIAL PERFORMANCE

Group revenue was 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).

The Group's key figures

EUR 1,000	2021	2020	2019
Revenue, EUR 1,000	108 079	106 823	103 104
Revenue, change, %	1,2	3,6	-1,7
Revenue, continuing operations ¹	107 196	101 026	97 776
Change	6,1	3,3	-
EBITDA	9 389	5 434	5 598
Adjusted EBITDA, EUR 1,000 ²	4 250	6 160	5 492
EBITA, EUR 1,000	7 427	3 386	1 723
EBITA, %	6,9	3,2	1,7
Adjusted EBITA, EUR 1,000 ²	2 288	4 113	3 315
Adjusted EBITA, % ²	2,1	3,8	3,2
Operating profit (EBIT), EUR 1,000	-82	-3 838	-5 201
Adjusted operating profit (EBIT), EUR 1,000 ²	-5 222	-3 111	-3 609
Profit for the period, EUR 1,000	603	-4 172	10 859 ³
Adjusted profit for the period, EUR 1,000 ²	-4 812	-3 590	12 459
Balance sheet total, EUR 1,000	127 597	136 652	152 512
Equity-to-assets ratio, %	80,4	81,3	78,7
Earnings per share (EPS), EUR ⁴	0,10	-0,75	2,04
Average number of employees (FTE)	720	714	693

¹ Revenue from continuing operations does not include Hibox Systems Oy Ab's revenue for January–February 2021 EUR 0.9 million, for 2020 EUR 5.8 million and for 2019 EUR 5.4 million.

² 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.

³ The profit for the comparative year 2019 was attributable to EUR 18 million in capital gains arising from the sale of DNA shares.

⁴ The own shares owned by the Group are excluded from the total number of shares.

Revenue by business

EUR 1,000	2021	2020	2019
Group revenue, EUR 1,000	108 079	106 823	103 104
Security	71 421	69 122	65 091
Digital development	37 054	37 859	37 670
Others (incl. eliminations)	-396	-158	343
Group revenue, continuing operations, EUR 1,000 ¹	107 196	101 026	97 776
Security	71 421	69 122	65 091
Digital development ¹	36 164	32 028	32 309
Others (incl. eliminations)	-389	-124	376

¹ Revenue from continuing operations does not include Hibox Systems Oy Ab's revenue for January–February 2021 EUR 0.9 million, for 2020 EUR 5.8 million and for 2019 EUR 5.4 million.

The parent company's key figures

EUR 1,000	2021	2020	2019
Revenue, EUR 1,000	1 289	1 016	867
Revenue, change, %	26,8	17,2	-10,7
EBITDA	1 212	-3 910	-3 452
Operating profit (EBIT), EUR 1,000	1 050	-4 048	-3 576
Profit for the period, EUR 1,000	5 791	3 292	15 775
Earnings per share (EPS), EUR ¹	0,99	0,59	2,96
Balance sheet total, EUR 1,000	126 605	131 644	138 906
Return on equity, %	1,3	0,1	11,3
Equity-to-assets ratio, %	96,81	95,19	90,80
Book value of parent company's equity per share, EUR ¹	21	22	23
Average number of employees (FTE)	17	16	16
Wages, salaries and remuneration, EUR	2 353	1 948	1 593
Dividend per share ² , EUR	0,55	1,80	1,90

¹ The own shares owned by the Group are excluded from the total number of shares.

² The dividend per share for 2021 is the Board's proposal.



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.

RESEARCH AND DEVELOPMENT

The Group's direct costs related to R&D and product development totalled EUR 1.6 million (2020: EUR 1.9 million; 2019: EUR 1.6 million). This is 1.5 per cent of revenue (2020: 1.7 per cent; 2019: 1.5 per cent). The decrease in R&D costs compared to the previous year is due to changes in Group structure.

PERSONNEL

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

Key figures: Personnel	2021	2020	2019
Average number of employees, FTE	720	714	693
Average number of employees, NOE	749	743	724
Wages, salaries and remuneration, EUR 1,000	47 800	44 453	42 563

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. To encourage personnel to commit to the company's goals, Loihde offers a share-based incentive scheme for its personnel, which is presented in more detail in the section Share-based incentive schemes.

SHARES

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).

Each share entitles its holder to one vote at the Annual General Meeting. None of the company's shareholders have nominee-registered their shares.

Own shares

Own shares on 31 December 2021	Shares	% of the share capital
Parent company	80 130	1,3 %
Subsidiaries	400	0,0 %
Group	80 530	1,3 %

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.

Loihde Plc's largest shareholders on 31 December 2021

Owner	Shares	% of the share capital
1 Finnish Industry Investment Ltd	275 000	4,58 %
2 Bellurum Oy	210 576	3,50 %
3 LocalTapiola Mutual Life Insurance Company	150 000	2,50 %
4 LocalTapiola General Mutual Insurance Company	150 000	2,50 %
5 Lakiasiaintoimisto Asiakasturva Oy	125 435	2,09 %
6 Loihde Group	80 530	1,34 %
7 City of Vaasa	70 400	1,17 %
8 Pelkonen Antti	68 480	1,14 %
9 Sijoitusrahasto VISIO Allocator	58 950	0,98 %
10 Heikkilä Kimmo Juhani	58 255	0,97 %
11 Hotcom Ltd	48 000	0,80 %
12 Elisa Corporation	47 400	0,79 %
13 Tuomikoski Janne	46 041	0,77 %
14 Ab C. Wetterstrand Oy	39 600	0,66 %
15 Bergman Tomi	32 586	0,54 %
16 Mikko Meriluoto	31 856	0,53 %
17 Mikko Mustakallio	31 856	0,53 %
18 City of Kurikka	31 600	0,53 %
19 Wetterstrand Olavi	25 500	0,42 %
20 Kuokka Peetu Tapio	20 100	0,33 %
In total	1 602 165	26,70 %

The list of the 50 largest shareholders can be found on the company's website at loihde.com/en

SHARE ISSUES

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.

SHARE-BASED INCENTIVE SCHEMES

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.

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 ¹
2019-2021	330	83 789	Spring 2022	29 428 ²
2020-2022	298	82 003	Spring 2023	20 286 ³

¹ Realised amount
² 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.
³ 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 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.

The security business consists of:

- Loihde Trust Ltd,
- Trust Tansec Ltd and
- Loihde Trust Spellpoint Ltd.

The Group also includes Loihde Properties Ltd.

Loihde Advisory Ltd has been a part of the Group as of 1 June 2021. Its subsidiary Altotech Oy has merged with the parent company on 7 January 2022.

Hibox Systems Oy Ab belonged to the Group until 28 February 2021.

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 amendments to the Articles of Association that were conditional on the company's shares being 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 or an announcement about 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 were conditional on the Board of Directors deciding to apply to have the company's shares listed for trading on First North.

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.

BOARD'S AUTHORISATIONS

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 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.

BOARD OF DIRECTORS, SUPERVISORY BOARD AND MANAGEMENT

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 Gästgivers, 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.

During the financial year, 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).

AUDITOR

The company's auditor is the audit firm KPMG Oy Ab with KHT auditor Esa Kailiala as auditor in charge.

RELATED PARTY TRANSACTIONS

The Loihde Group's related parties include subsidiaries, affiliated companies and joint ventures as well as the Group's Board of Directors, CEO and Leadership Team and companies in their control. The list of subsidiaries can be found in the section The Group's business areas and structure.

Loihde Plc has granted a total of EUR 5.7 million in loans to the Group companies. The loan period is a maximum of 6 years. The loans are repaid in equal instalments or as a single payment, and the interest is paid once a year or half-yearly. As a rule, the loan interest rate is tied to a fixed interest rate or a basis interest rate. The loans are collateral-free. In addition, the company has granted a total of EUR 0.9 million as collateral for its subsidiaries' loans.

In connection with its share-based incentive scheme, the company has granted related party loans under market terms to its personnel in 2018–2021. On 31 December 2021, these loans totalled EUR 1,319,459.26, of which the share of the Group's Leadership Team members was EUR 47,930.18. The loan period is 1–3 years and the interest rate is the 12-month Euribor; however, at a minimum of 0%. The collateral for the loans is the shares subscribed by the persons in question with the loans granted.

ESTIMATE OF THE MOST SIGNIFICANT RISKS AND UNCERTAINTIES ASSOCIATED WITH OPERATIONS

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 works. 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.

SIGNIFICANT LEGAL MATTERS

During the financial year, Loihde Plc had no pending legal matters.

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.

OUTLOOK

Financial targets for the strategy period 2021–2024

The Board of Directors of Loihde Plc has confirmed the following 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 to 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 is mainly due to lease and leasing accounting in accordance with IFRS 16.

Outlook for 2022

In 2022, Loihde 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.

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 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.

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 reporting 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.

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):

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

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:

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

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.

EUR 1,000	10-12 2021	10-12 2020	1-12 2021	1-12 2020
EBITDA AND ADJUSTED EBITDA				
Operating profit (EBIT)	-685	-420	-82	-3 838
Depreciation, amortisation and impairment	2 460	2 288	9 471	9 272
EBITDA	1 775	1 868	9 389	5 434
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
ADJUSTED EBITDA	1 885	2 232	4 250	6 160
EBITA				
Operating profit (EBIT)	-685	-420	-82	-3 838
Amortisation of goodwill	1 950	1 775	7 509	7 224
EBITA	1 265	1 355	7 427	3 386
ADJUSTED OPERATING PROFIT (EBIT) AND ADJUSTED EBITA				
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
ADJUSTED OPERATING PROFIT (EBIT)	-575	-56	-5 222	-3 111
Amortisation of goodwill	1 950	1 775	7 509	7 224
ADJUSTED EBITA	1 376	1 719	2 288	4 113
ADJUSTED PROFIT FOR THE PERIOD				
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
ADJUSTED PROFIT FOR THE PERIOD	-620	114	-4 812	-3 590

Financial Statement, Group

Consolidated income statement

(1000 EUR)	Note	1 Jan.–31 Dec. 2021	1 Jan.–31 Dec. 2020
REVENUE	3.	108 079	106 823
Production for own use		495	503
Other operating income	5.	7 402	532
Materials and services	6.	33 464	35 974
Personnel expenses	7.	57 662	52 782
Depreciation, amortisation and impairment	8.	9 471	9 272
Other operating expenses		15 462	13 669
OPERATING PROFIT (EBIT)		-82	-3 838
Finance income and costs	10.	437	763
PROFIT BEFORE APPROPRIATIONS AND TAXES		355	-3 075
Income taxes	12.	239	-966
Minority interest		10	-130
PROFIT FOR THE PERIOD		603	-4 172

Consolidated balance sheet

(1000 EUR)	Note	31 Dec. 2021	31 Dec. 2020	(1000 EUR)	Note	31 Dec. 2021	31 Dec. 2020
ASSETS				EQUITY AND LIABILITIES			
NON-CURRENT ASSETS				EQUITY			
	13.				19.		
Intangible assets		48 998	46 499	Share capital		1 504	1 504
Tangible assets		7 740	8 451	Reserve fund		8 132	8 132
Investments		237	237	Share issue		0	1 310
NON-CURRENT ASSETS, TOTAL		56 975	55 187	Reserve for invested unrestricted equity		49 320	48 396
CURRENT ASSETS				Retained earnings		42 657	54 979
Inventories	15.	7 287	6 724	Profit for the period		603	-4 172
Non-current receivables	16.	716	884	EQUITY, TOTAL		102 217	110 149
Current receivables	17.	22 399	27 526	MINORITY INTEREST			
Financial securities	18.	15 866	15 418			0	357
Cash in hand and at bank		24 354	30 913	LIABILITIES			
CURRENT ASSETS, TOTAL		70 622	81 465	Non-current liabilities	21.	90	42
ASSETS, TOTAL				Current liabilities	22.	25 289	26 104
		127 597	136 652	LIABILITIES, TOTAL		25 380	26 146
				EQUITY AND LIABILITIES, TOTAL			
						127 597	136 652

Consolidated cash flow statement

(1000 EUR)	1 Jan.–31 Dec. 2021	1 Jan.–31 Dec. 2020
Cash flow from operating activities		
Profit/loss for the period	603	-4 172
Adjustments to the profit for the period	1 752	9 436
Cash flow from operating activities before the change in working capital	2 355	5 265
Change in working capital:		
Inventories increase -/ decrease +	-614	-1 120
Current receivables increase -/ decrease +	423	-2 107
Current liabilities decrease -/ increase +	858	3 676
Cash flow from operating activities before financial items and taxes	3 022	5 713
Dividends received	56	50
Interests and other finance income	637	424
Finance costs	-104	-125
Taxes	-319	-4 432
Cash flow from operating activities	3 292	1 632
Cash flow from investing activities		
Purchase of shares	-10 174	-747
Investments in tangible and intangible assets	-1 915	-2 432
Disposal of shares and repayment of capital	5 757	0
Proceeds from sale of tangible and intangible assets	1 029	535
Cash flow from investing activities	-5 304	-2 644

(1000 EUR)	1 Jan.–31 Dec. 2021	1 Jan.–31 Dec. 2020
Cash flow from financing activities		
Share issue	4 750	1 010
Change in short-term loans	-10	-5 712
Sale of own shares	116	262
Dividends paid and other profit distribution	-15 104	-10 652
Repayment of loan receivables	6 151	0
Cash flow from financing activities	-4 097	-15 092
Change in cash and cash equivalents according to the statement	-6 108	-16 104
Cash and cash equivalents 1 Jan.	46 331	62 436
Reclassification of shares and deposit account		
Impact of currency exchange rate changes	4	
Cash and cash equivalents 31 Dec.*	40 219	46 331
Change in cash and cash equivalents	-6 108	-16 104

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

Financial Statement, Parent company

Parent company's income statement

(1000 EUR)	Note	1 Jan.–31 Dec. 2021	1 Jan.–31 Dec. 2020
REVENUE	3.	1 289	1 016
Other operating income	5.	6 601	10
Materials and services			
Personnel expenses	7.	2 751	2 148
Depreciation, amortisation and impairment	8.	162	138
Other operating expenses		3 927	2 788
OPERATING PROFIT (EBIT)		1 050	-4 048
Finance income and costs	10.	761	4 415
PROFIT BEFORE APPROPRIATIONS AND TAXES		1 811	367
Appropriations	11.	3 002	2 994
Income taxes	12.	978	-69
PROFIT FOR THE PERIOD		5 791	3 292

Parent company's balance sheet

(1000 EUR)	Note	31 Dec. 2021	31 Dec. 2020
ASSETS			
NON-CURRENT ASSETS			
	13.		
Intangible assets		335	440
Tangible assets		292	312
Investments		87 831	85 832
NON-CURRENT ASSETS, TOTAL		88 458	86 584
CURRENT ASSETS			
Non-current receivables	16.	2 623	694
Current receivables	17.	8 571	11 258
Financial securities	18.	15 866	15 418
Cash in hand and at bank		11 087	17 690
CURRENT ASSETS, TOTAL		38 147	45 060
ASSETS, TOTAL		126 605	131 644

(1000 EUR)	Note	31 Dec. 2021	31 Dec. 2020
EQUITY AND LIABILITIES			
EQUITY			
	19.		
Share capital		1 504	1 504
Reserve fund		8 132	8 132
Share issue		0	1 310
Reserve for invested unrestricted equity		49 320	48 396
Retained earnings		57 818	62 679
Profit for the period		5 791	3 292
EQUITY, TOTAL		122 566	125 314
CUMULATIVE APPROPRIATIONS	20.	6	8
LIABILITIES			
Non-current liabilities	21.	2 590	3 259
Current liabilities	22.	1 443	3 063
LIABILITIES, TOTAL		4 033	6 322
EQUITY AND LIABILITIES, TOTAL		126 605	131 644

Parent company's cash flow statement

(1000 EUR)	1 Jan.–31 Dec. 2021	1 Jan.–31 Dec. 2020	(1000 EUR)	1 Jan.–31 Dec. 2021	1 Jan.–31 Dec. 2020
Cash flow from operating activities			Cash flow from financing activities		
Profit/loss for the period	5 791	3 292	Share issue	4 750	1 010
Adjustments to the profit for the period	-11 171	-7 002	Change in long-term loans		
Cash flow from operating activities before the change in working capital	-5 379	-3 709	Change in short-term loans	0	-1 500
Change in working capital:			Group contributions received	3 000	1 925
Current receivables increase -/ decrease +	-292	69	Group contributions given		
Current liabilities decrease -/ increase +	240	-109	Sale of own shares	116	262
Cash flow from operating activities before financial items and taxes	-5 431	-3 750	Dividends paid and other profit distribution	-15 069	-9 908
Dividends received	293	3 792	Loans granted	0	-1 000
Interests and other finance income	708	297	Repayment of loan receivables	6 151	0
Finance costs	-91	-84	Cash flow from financing activities	-1 052	-9 211
Taxes	959	-3 519	Change in cash and cash equivalents according to the statement	-6 155	-14 320
Change in consolidated account receivable/liability	-669	-772	Cash and cash equivalents 1 Jan.	33 108	47 428
Cash flow from operating activities	-4 231	-4 035	Cash and cash equivalents from merger		
Cash flow from investing activities			Cash and cash equivalents 31 Dec.*	26 953	33 108
Purchase of shares	-10 765	-814	Change in cash and cash equivalents	-6 155	-14 320
Investments in tangible and intangible assets	-321	-192			
Proceeds from sale of tangible and intangible assets	283	-68			
Sale of shares and repayment of capital	8 130	0			
Loans granted	0	-500			
Repayment of loan receivables	1 800	500			
Cash flow from investing activities	-873	-1 073			

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

Notes to the financial statements

ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED FINANCIAL STATEMENTS 2021

1. CONSOLIDATED FINANCIAL STATEMENTS

Loihde Plc (registered office: Seinäjoki) is the parent company of the Loihde Group (former Viria Group). Copies of the consolidated financial statements are available at Loihde Plc's office at Silmukkatie 6, 65100 Vaasa, Finland or online at www.loihde.com/en.

1.1. Scope of the consolidated financial statements

All Group companies are consolidated into the consolidated financial statements, with the exception of the following company: Fast. Ab Jakobstads Bottenvikvägen 31, for which no separate consolidation calculations have been made. The consolidation into the consolidated financial statements would not have a material impact on the Group's profit/loss or equity.

No subgroup consolidated financial statements have been made for Loihde Advisory Ltd; all companies have been directly combined with Loihde Plc's consolidated financial statements.

1.2. Accounting principles for the consolidated financial statements

The consolidated financial statements have been prepared according to the Finnish Accounting Decree. In the preparation of the consolidated financial statements, inter-company income, expenses and profit distribution as well as inter-company receivables and liabilities have been eliminated.

The acquisition cost method has been used in the elimination of inter-company shareholding. Minority interests have been separated from the Group's equity and profit/loss and presented as an item of their own. In the financial statements for 2021, there is no longer any minority interest as all subsidiaries are owned 100% by the parent company.

Translation differences

The income statement of the foreign Group company has been converted at the average exchange rate of the financial period and the balance sheet has been converted into the Finnish currency at the exchange rate of the balance sheet date. Exchange rate differences arising from the translation are presented under Retained earnings/loss just like trans-

lation differences arising from the translation of foreign subsidiaries' equity.

Income from work that requires a long production period has been recognised as income on the basis of the percentage of completion. Work is considered to require a long production period if its estimated production period is at least six months. The percentage of completion for long-term projects is determined by their actual costs in proportion to their estimated total costs.

2. VALUATION PRINCIPLES

2.1. Valuation of non-current assets

Intangible and tangible non-current assets are recognised in the balance sheet at variable acquisition cost minus depreciation and amortisation according to plan.

Planned depreciation and amortisation periods are:

Development expenditure	5 years
Intangible rights	3–5 years
Other intangible assets	3–10 years
Buildings and structures	15–25 years
Network	5 years
Machinery and equipment	3–5 years
Goodwill	5 years
Consolidated goodwill	5–10 years

Investments under non-current assets are valued at the lower of the acquisition cost or the probable fair value.

2.2. Valuation of inventories

Inventories are valued at the lower of the variable acquisition cost according to the average cost principle or the probable selling price.

2.3. Items denominated in foreign currency

Income statement items denominated in foreign currency have been converted into the Finnish currency at the average exchange rate of the financial period.

Balance sheet items denominated in foreign currency have been converted into the Finnish currency at the exchange rate of the balance sheet date.

2.4. Valuation of financial securities

Financial securities under current assets are valued at the lower of the acquisition cost or the probable replacement cost.

Impairments or reversals of impairment of investments and financial securities are presented under financial items.

2.5. Research and development costs

As a rule, R&D costs have been recognised as annual costs in the year in which they are incurred. R&D costs that generate income over several years have been capitalised in the balance sheet and will be depreciated over five years.

2.6. Pensions

The pension security of the Group's personnel has been arranged through external pension insurance companies. Pension contributions and expenses allocated to the financial period are based on the calculations made by the insurance company. Pension expenses are recognised as expenses in the year in which they are accrued.

2.7. Income taxes and deferred tax liabilities

Taxes for the financial period have been recognised on an accrual basis. The deferred tax liabilities included in the cumulative amortisation difference are recorded in the consolidated financial statements under liabilities and the remainder of the amortisation difference under equity and minority interest.

2.8. Comparability of the information of the previous financial period

During the financial period, in February 2021, there was a divestment of the subsidiary Hibox Systems Oy Ab, and the capital gains from the divestment of approximately EUR 5.9 million and the additional purchase price estimated at approximately EUR 0.7 million are presented under other operating income. On 1 June 2021, a new subsidiary Loihde Advisory Ltd was acquired, and its figures are part of the Group's figures starting from the time of acquisition. In addition, the income taxes of the financial period include adjustments concerning tax refunds for previous tax years, amounting to approximately EUR 1 million.

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES FOR THE PARENT COMPANY'S FINANCIAL STATEMENTS 2021

1.2. Accounting principles for the financial statements

The financial statements have been prepared according to the Finnish Accounting Decree.

2. VALUATION PRINCIPLES

2.1. Valuation of non-current assets

Intangible and tangible non-current assets are recognised in the balance sheet at variable acquisition cost minus depreciation and amortisation according to plan.

Planned depreciation and amortisation periods are:

Intangible rights	5 years
Other intangible assets	3–10 years
Buildings and structures	15–25 years
Machinery and equipment	3–5 years

Investments under non-current assets are valued at the lower of the acquisition cost or the probable fair value.

2.2. Items denominated in foreign currency

Income statement items denominated in foreign currency have been converted into the Finnish currency at the average exchange rate of the financial period.

Balance sheet items denominated in foreign currency have been converted into the Finnish currency at the exchange rate of the balance sheet date.

2.3. Valuation of financial securities

Financial securities under current assets are valued at the lower of the acquisition cost or the probable replacement cost.

Impairments or reversals of impairment of investments and financial securities are presented under financial items.

2.4. Pensions

The pension security of the parent company's personnel has been arranged through external pension insurance companies. Pension contributions and expenses allocated to the financial period are based on the calculations made by the insurance company. Pension expenses are recognised as expenses in the year in which they are accrued.

2.5. Comparability of the information of the previous financial period

In the financial period 2021, other operating income includes capital gains from the divestment of a subsidiary. In the financial period 2021, other operating expenses includes non-recurring expenses for the listing on First North and the rebranding. The income taxes for the financial period 2021 also include adjustments concerning tax refunds for previous tax years, amounting to EUR 1,018,082.74.

NOTES TO THE INCOME STATEMENT

(1000 EUR)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
3. REVENUE				
By business area				
Security	71 421	69 122		
Digital development	37 054	37 859		
Others	2 807	2 687	1 289	1 016
Revenue between business areas	-3 203	-2 845		
Revenue, total	108 079	106 823	1 289	1 016
By market				
Finland	106 126	104 650	1 289	1 016
Rest of Europe	1 916	2 024		
North America	20	105		
Others	18	44		
Revenue, total	108 079	106 823	1 289	1 016
Amount recognised as revenue during the financial period and previous financial periods for long-term projects that have been recognised as revenue according to their percentage of completion but that have not been handed over to customers	3 591	3 611		
Long-term project amount not recognised as revenue				
Projects recognised as revenue according to their percentage of completion	10 050	2 681		

(1000 EUR)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
4. TRANSACTIONS BETWEEN GROUP COMPANIES				
Transactions between Group companies are based on the Group's internal transfer pricing guidelines, in which the starting point is the arm's length principle.				
Services and products sold to Group companies			1 288	1 016
Services and products bought from and rents received from Group companies during the financial period			473	581
Interest income from Group companies			49	52
Dividend income from Group companies			239	3 744
Group contributions from Group companies			3 000	3 000
5. OTHER OPERATING INCOME				
Gains from the disposal of fixed assets	7 034	372	6 591	0
Grants received	118	60		
Rental income	10		10	8
Others	240	101	0	2
Other operating income, total	7 402	532	6 601	10
6. MATERIALS AND SERVICES				
Purchases during the financial period	31 045	32 654		
Change in inventories	-618	-1 100		
	30 427	31 554		
External services	3 037	4 421		
Materials and services, total	33 464	35 974		
7. PERSONNEL EXPENSES				
Wages, salaries and remuneration	47 800	44 453	2 353	1 948
Pension expenses	8 085	6 939	351	171
Other social security expenses	1 777	1 391	46	30
Personnel expenses, total	57 662	52 782	2 751	2 148

NOTES TO THE INCOME STATEMENT

(1000 EUR)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
7. PERSONNEL EXPENSES				
Management salaries and remuneration				
CEO, Managing Directors and governing bodies		607	548	
CEO and Managing Directors	1 261	1 156		
Governing bodies	271	264		
Average number of the Group's and the parent company's employees during the period	720	714	17	16
of who white-collar employees	602	600	17	16
blue-collar employees	118	114		
Average number of employees when part-time employment is taken into account	749	743	19	18
of who white-collar employees	626	624	19	18
blue-collar employees	123	119		
Management pension commitments				
The retirement age is 62 years for some of the Managing Directors of Group companies and 63 years for others.				
8. DEPRECIATION, AMORTISATION AND IMPAIRMENT				
Depreciation and amortisation on tangible and intangible assets	1 962	2 048	162	138
Amortisation on consolidated goodwill and on goodwill of business acquisitions	7 509	7 224		
Depreciation and amortisation, total	9 471	9 272	162	138

A breakdown of depreciation and amortisation by balance sheet item can be found under Non-current assets

(1000 EUR)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
9. AUDITOR'S FEES				
Audit firms				
Auditing fees	119	98	60	53
Tax advice	7	0	7	0
Other fees	134	90	134	90
Auditor's fees, total	260	188	200	143
10. FINANCE INCOME AND COSTS				
Dividend income				
From companies in the same Group			239	3 744
From others	56	50	54	48
Finance income, total	56	50	293	3 792
Other interest and finance income				
From companies in the same Group			49	52
From others	572	922	553	723
Other interest and finance income, total	572	922	602	775
Impairments and reversals of impairment of financial securities	-39	-1	-39	-1
Interest expenses and other finance costs	-152	-209	-94	-151
Finance income and costs, total	437	763	761	4 415
11. APPROPRIATIONS				
Group contribution received			3 000	3 000
Difference between planned depreciations and amortisations and depreciations and amortisations made in taxation			2	-6
Appropriations, total			3 002	2 994
12. INCOME TAXES				
Income taxes from the previous financial period	-1 018	8	-1 018	10
Income taxes from the financial period	786	957	40	59
Change in deferred tax assets	-12			
Change in deferred tax liabilities	5	1		
Income taxes, total	-239	966	-978	69

NOTES TO THE BALANCE SHEET

13. NON-CURRENT ASSETS

GROUP

Intangible assets	(1000 EUR)	Development expenditure	Intangible rights	Goodwill	Other intangible assets	Consolidated goodwill	Advance payments and work in progress	Total
Acquisition cost 1 Jan. 2021		164	1 551	3 417	2 622	71 066	213	79 033
Additions		108	154	4	866	10 130	21	11 283
Disposals			-25		-86	-628	-283	-1 022
Reclassifications					-49		49	0
Acquisition cost 31 Dec. 2021		272	1 680	3 421	3 353	80 568	0	89 294
Cumulative depreciation and impairment 1 Jan. 2021		164	1 371	2 527	1 297	27 175		32 534
Cumulative depreciation for disposals			-11		3	-410		-419
Depreciation for the period		0	122	585	550	6 925		8 181
Cumulative depreciation 31 Dec. 2021		164	1 482	3 112	1 849	33 690		40 297
Book value 31 Dec. 2021		108	198	309	1 504	46 878	0	48 998

Tangible assets	(1000 EUR)	Land	Connection fees	Buildings and structures	Networks	Machinery and equipment	Advance payments and work in progress	Total
Acquisition cost 1 Jan. 2021		1 717	41	14 534	662	6 982	47	23 983
Additions		2	0	43	475	267	29	817
Disposals		-19	-7	-173		-251	0	-450
Reclassifications				-1		1	0	0
Acquisition cost 31 Dec. 2021		1 700	34	14 403	1 137	6 999	76	24 349
Cumulative depreciation and impairment 1 Jan. 2021				9 731	257	5 544		15 532
Cumulative depreciation for additions						9		9
Cumulative depreciation for disposals				-68		-154		-223
Depreciation for the period				460	138	692		1 290
Cumulative depreciation 31 Dec. 2021				10 123	395	6 091		16 609
Book value 31 Dec. 2021		1 700	34	4 280	742	908	76	7 740

Investments	(1000 EUR)	Shares Associated companies	Shares Others	Other receivables	Total
Book value 1 Jan. 2021		214	23	0	237
Additions					
Reclassifications					
Book value 31 Dec. 2021		214	23	0	237

NOTES TO THE BALANCE SHEET

13. NON-CURRENT ASSETS

PARENT COMPANY

Intangible assets	(1000 EUR)	Intangible rights	Other intangible assets	Advance payments and work in progress	Total
Acquisition cost 1 Jan. 2021		298	446	251	995
Additions			288	33	321
Disposals				-283	-283
Acquisition cost 31 Dec. 2021		298	734	0	1 032
Cumulative depreciation and impairment 1 Jan. 2021		254	300		554
Depreciation for the period		35	107		142
Cumulative depreciation 31 Dec. 2021		289	407		696
Book value 31 Dec. 2021		9	327	0	335

Tangible assets	(1000 EUR)	Land	Buildings and structures	Machinery and equipment	Total
Acquisition cost 1 Jan. 2021		87	204	60	351
Acquisition cost 31 Dec. 2021		87	204	60	351
Cumulative depreciation and impairment 1 Jan. 2021			31	9	39
Depreciation for the period			8	12	20
Cumulative depreciation 31 Dec. 2021			39	21	59
Book value 31 Dec. 2021		87	165	39	292

Investments	(1000 EUR)	Shares Group companies	Shares Associated companies	Receivables Group companies	Total
Book value 1 Jan. 2021		79 118	214	6 500	85 832
Additions		10 765		0	10 765
Disposals		-2 266		-6 500	-8 766
Book value 31 Dec. 2021		87 617	214	0	87 831

NOTES TO THE BALANCE SHEET

14. THE GROUP'S AND THE PARENT COMPANY'S OWNERSHIP PERCENTAGES 31 DEC. 2021

	Group's ownership, %	Parent company's ownership, %
Group companies		
Loihde Trust Ltd, Vaasa	100,00	100,00
Loihde Trust Tansec Ltd, Kotka	100,00	100,00
Loihde Trust Spellpoint Ltd, Espoo	100,00	100,00
Loihde Analytics Ltd, Helsinki	100,00	100,00
Loihde Factor Ltd, Oulu	100,00	100,00
Loihde Properties Ltd, Vaasa	100,00	100,00
Loihde Advisory Ltd, Espoo	100,00	100,00
Loihde Advisory AB, Sweden (through Loihde Advisory Ltd)	100,00	0,00
Altotech Oy, Espoo (through Loihde Advisory Ltd)	100,00	0,00

Associated companies

Fast. Ab Jakobstads Bottenvikvägen 31, Pietarsaari	25,62	25,62
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(1000 EUR)

ASSETS

CURRENT ASSETS

15. INVENTORIES

	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Raw materials and consumables	7 287	6 724		
Inventories, total	7 287	6 724		

16. NON-CURRENT RECEIVABLES

	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Loan receivables	523	694	523	694
Loan receivables from Group companies			2 100	0
Other receivables and deferred tax assets	193	189	0	0
Non-current receivables, total	716	884	2 623	694

(1000 EUR)

ASSETS

17. CURRENT RECEIVABLES

	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Sales receivables	16 585	15 943	3	0
Sales receivables from Group companies			24	34
Loan receivables	796	6 954	796	6 953
Loan receivables from Group companies			3 600	1 000
Other receivables	358	135	252	55
Other receivables from Group companies			3 000	3 000
Prepayments and accrued income	4 661	4 494	880	210
Prepayments and accrued income from Group companies			16	5
Current receivables, total	22 399	27 526	8 571	11 258

Breakdown of prepayments and accrued income:

Interest receivables	0	145	0	145
Tax assets	290	419	0	0
Percentage-of-completion receivables	514	566	0	0
Accruals of personnel expenses	63	18	0	3
Prepayments and accrued income from trade	2 155	2 531	148	55
Prepayments and accrued income from sales	91	175		
Others	1 546	640	732	7
Prepayments and accrued income, total	4 661	4 494	880	210

18. FINANCIAL SECURITIES

Financial securities consist of publicly traded shares, fund units and bonds.

Replacement cost	18 097	16 820	18 097	16 820
Book value	15 866	15 418	15 866	15 418
Difference	2 231	1 402	2 231	1 402

NOTES TO THE BALANCE SHEET

(1000 EUR)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
EQUITY AND LIABILITIES				
19. EQUITY				
Share capital 1 Jan.	1 504	1 504	1 504	1 504
Share capital 31 Dec.	1 504	1 504	1 504	1 504
Reserve fund 1 Jan.	8 132	8 132	8 132	8 132
Reserve fund 31 Dec.	8 132	8 132	8 132	8 132
Connection fee fund 1 Jan.	0	41 786	0	41 786
Transfer to reserve for invested unrestricted equity	0	-41 786	0	-41 786
Connection fee fund 31 Dec.	0	0	0	0
Share issue 1 Jan.	1 310	0	1 310	0
Change for the period	-1 310	1 310	-1 310	1 310
Share issue 31 Dec.	0	1 310	0	1 310
Reserve for invested unrestricted equity 1 Jan.	48 396	2 240	48 396	2 240
Transfer from share issue	1 310		1 310	
Transfer from connection fee fund	0	41 786	0	41 786
Sale of own shares	4 689	4 370	4 689	4 370
Distribution of assets	-5 074		-5 074	0
Reserve for invested unrestricted equity 31 Dec.	49 320	48 396	49 320	48 396
Retained earnings 1 Jan.	50 807	64 756	65 971	72 457
Profit distribution	-10 276	-10 631	-10 277	-10 632
Other changes in equity	2 127	854	2 124	854
Translation differences	-1			
Retained earnings 31 Dec.	42 657	54 979	57 818	62 679
Profit for the period	603	-4 172	5 791	3 292
Equity, total	102 217	110 149	122 566	125 314

(1000 EUR)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
EQUITY AND LIABILITIES				
CALCULATION OF DISTRIBUTABLE FUNDS 31 DEC.				
Reserve for invested unrestricted equity			49 320	48 396
Retained earnings			57 818	62 679
Profit for the period			5 791	3 292
Distributable funds, total			112 930	114 367
LIABILITIES				
20. CUMULATIVE APPROPRIATIONS				
Cumulative appropriations in the parent company consist of the cumulative amortisation difference.				
21. NON-CURRENT LIABILITIES				
Deferred tax liabilities from appropriations	6	2		
Loans from financial institutions	38	30		
Consolidated account liabilities to Group companies			2 590	3 259
Other non-current liabilities, partial payment liabilities	46	11		
Non-current liabilities, total	90	42	2 590	3 259
22. CURRENT LIABILITIES				
Loans from financial institutions	20	10		
Advance payments received	443	713		
Trade payables	4 797	4 985	241	150
Trade payables to Group companies			56	46
Other liabilities	4 103	5 774	306	2 126
Accrued expenses and deferred income	15 926	14 622	840	741
Accrued expenses and deferred income to Group companies				
Current liabilities, total	25 289	26 104	1 443	3 063
Breakdown of accrued expenses and deferred income:				
Interest liabilities	0	0		
Accruals of social security expenses	11 347	9 984	652	629
Unpaid income taxes	1 119	1 383	40	59
Others	3 459	3 255	148	53
Total	15 926	14 622	840	741

NOTES TO THE REPORT OF THE BOARD OF DIRECTORS

MATERIAL EVENTS DURING THE FINANCIAL YEAR

The company sold all the shares in its subsidiary Hibox Systems Oy Ab to the Swedish company Accedo AB in February 2021. During the financial period, on 1 June 2021, the company acquired 100% of the shares in Loihde Advisory Ltd. Through the acquisition, the Group was also extended with Loihde Advisory's subsidiaries Loihde Advisory AB with its registered office in Sweden and Altotech Oy with its registered office in Espoo.

The company changed its name from Viria Plc to Loihde Plc on 31 May 2021 as part of the Group's rebranding.

On 7 October 2021, the company's shares were listed for trading on Nasdaq First North Growth Market Finland (First North), maintained by Nasdaq Helsinki Ltd.

The subsidiary Loihde Trust Ltd (formerly Viria Security Ltd) divested its alarm centre business to K2 Turvapalvelut Oy in June 2021.

Loihde Plc's Board of Directors has evaluated the impacts of the COVID-19 pandemic, which broke out in the beginning of 2020 and continued in 2021, on Loihde's market, employees and business. The pandemic has so far had a moderate impact on the demand of the services that the Group offers. The company's Board of Directors and management follow the development of the pandemic and update their forecasts about the effects of the pandemic as the situation progresses. The impacts of the pandemic on the company's business and the company's financial situation and development during the financial period are presented in more detail in the Report of the Board of Directors.

Closer information on the company's financial position and development is included in the Report of the Board of Directors.

SHARES

The number of company shares was 6,010,041 at the end of the financial period. During the financial year, the company issued a total of 245,613 new shares.

In connection with the acquisition of Loihde Advisory Ltd (formerly Talent Base Oy), Loihde Plc issued a total of 131,735 new shares in a targeted share issue for certain former ow-

ners 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 during the financial period, in which a total of 113,878 new shares were issued. These shares are divided between personnel, management and the Board of Directors in the way described below.

In March, the company 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.

On 27 May 2021, the company's Board of Directors decided on a long-term incentive scheme for the company's personnel. 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 2020–31 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.

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.

In addition, on 25 November 2021, the company's Board of Directors 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 Kontinen as part of the share-based incentive scheme agreed in his CEO contract.

OWN SHARES

On 31 December 2021, the subsidiaries held 400 shares of the parent company (0.0% of the share capital) and the parent company held 80,130 own shares (1.3% of the share capital); in other words, the Group held a total of 80,530 own shares (1.3% of the share capital).

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 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

The subsidiary Loihde Trust Ltd divested its fibre network in Northern Finland to fibre network company Koillisnet Oy at the beginning of the year.

The company's Board of Directors decided to start an acquisition of own shares. The maximum number of shares to be acquired is 230,000, which corresponds to approximately 3.8% of the company's shares. However, the amount used for acquiring shares will be at most EUR 5,000,000.

Altotech Oy, owned by Loihde's subsidiary Loihde Advisory Ltd, merged with Loihde Advisory Ltd on 7 January 2021.

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.

OTHER NOTES

(1000 EUR)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Collateral				
Debts with a business or property mortgage put up as collateral				
Business and property mortgages put up as collateral	84	84		
Shares given as collateral/negative pledge	0	9 702	0	9 702
	0	9 702	0	9 702
Debts with a guarantee as collateral				
Drawn loans and overdraft facilities	783	468		
Available loans and overdraft facilities	900	900		
Amount of the guarantee given as collateral	783	468		

(1000 EUR)	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Collateral and guarantees given on behalf of Group companies				
Total collateral amount granted			783	468
Drawn	900	900		
Contingent liabilities				
Rental and leasing commitments				
Payable in the next 12 months	4 344	4 109	70	43
Payable later	5 331	5 021	132	69
Total	9 675	9 130	202	112
Other commitments and collateral				
Total collateral amount granted	420	384	3	0
Drawn	420	384	3	0
VAT return obligation for real estate investments	74	93		
Collateral and contingent liabilities, total	11 036	19 860	988	10 281

Loihte Properties Ltd is under obligation to check the VAT deductions it has made for the following real estate investments: Puskantie 16–18 and Torikatu 36 capitalised in 2013, Puskantie 16–18, Silmukkatie 6 (warehouse), Silmukkatie 4 and Museokatu 11 capitalised in 2014, Museokatu 11 capitalised in 2016, Puskantie 16–18 capitalised in 2019, Silmukkatie 4 and 6, Puskantie 16–18 and Torikatu 36 capitalised in 2020 and Museokatu 11 capitalised in 2021.



Date and signatures of the Financial Statements and the Report of the Board of Directors

Vaasa, 3 March 2022

Timo Kotilainen
Chairperson

Kaj Hagros

Jussi Hattula

Elina Piispanen

Matti Piri

Stefan Wikman

Samu Konttinen
CEO

Auditor's Report

To the Annual General Meeting of Loihde Plc

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENT

Opinion

We have audited the financial statements of Loihde Plc (business identity code 0747682-9) for the year ended 31 December, 2021. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

In our opinion, the financial statements give a true and fair view of the group's and the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are

also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one

resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER REPORTING REQUIREMENT

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Vaasa 3.3.2022
KPMG OY AB
Esa Kailiala
KHT

ANNUAL REVIEW

FINANCIAL REVIEW

**CORPORATE GOVERNANCE AND
REMUNERATION**

Corporate governance and remuneration

47 Lohde Plc's Corporate
Governance Statement

55 Remuneration report

58 Information for investors

Loihde Plc's Corporate Governance Statement

Loihde Plc's corporate governance complies with valid legislation, the rules and regulations of the Nasdaq First North Growth Market Finland marketplace (First North), the company's Articles of Association and the governance principles confirmed by the company's Board of Directors.

Loihde complies with the Finnish Corporate Governance Code 2020 for listed companies in its entirety as formulated by the Finnish Securities Market Association. The Finnish Corporate Governance Code is publicly available on the Securities Market Association's website cgfinland.fi/en.

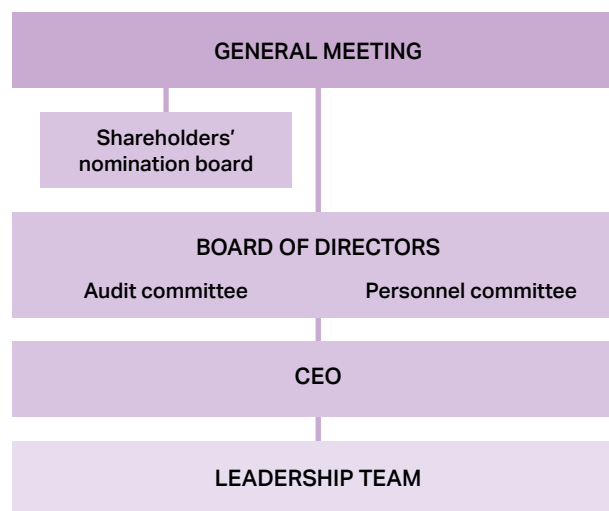
Even though compliance with the Finnish Corporate Governance Code is not required of First North companies, Loihde wants to promote good governance and transparency for shareholders and other stakeholders by complying with its recommendations. The company has complied with the Finnish Corporate Governance Code in its entirety since 6 October 2021, when the company's Supervisory Board ceased to exist as a result of the company's new Articles of Association.

The Corporate Governance Statement is given separately from the company's Report of the Board of Directors.

LOIHDE'S CORPORATE GOVERNANCE STRUCTURE

In accordance with the Finnish Limited Liability Companies Act and the Articles of Association, the management of the company is divided between the General Meeting, the Board of Directors and the CEO. Shareholders participate in the management and supervision of the company through the decisions made at the General Meetings. In addition to the Articles of Association, the management is regulated by the rules of procedure, which define the central duties of the

Board of Directors, the committees and the CEO as well as the meeting policies followed by the company.



GENERAL MEETING

The General Meeting is Loihde Plc's highest decision-making body. At the General Meeting, the shareholders' decisions include:

- the adoption of the financial statements and the use of the profit shown on the balance sheet,
- the discharge from liability of the members of the Board of Directors and the CEO,
- the appointment and remuneration of the members of the Board of Directors,
- the election and remuneration of the auditor,
- changes to the Articles of Association, and
- acquisition and transfer of treasury shares.

The Annual General Meeting is held annually before the end of June on a date decided by the Board of Directors and considers matters that according to the Limited Liability Companies Act and the Articles of Association belong to the Annual General Meeting and other possible proposals mentioned in the notice. An Extraordinary General Meeting is convened if necessary.

A shareholder shall according to the Limited Liability Companies Act have the right to have a matter falling within the competence of the General Meeting dealt with by the General Meeting, if he or she so demands in writing from the Board of Directors well in advance of the meeting, so that the matter can be mentioned in the notice.

General Meeting 2021

Loihde Plc's Annual General Meeting was held on 6 May 2021 in Seinäjoki. 2,037,301 shares, or approximately 35 per cent of all shares, were represented at the meeting. The members of the Board of Directors, the CEO and the auditor were present at the meeting, either in person or through remote access.

The General Meeting decided on conditional amendments to the Articles of Association including a change in the company's corporate governance structure and the abolition of the Supervisory Board. The decision was conditional on the company's Board of Directors applying for the company's shares to be listed for trading on First North, and the changes to the Articles of Association came into effect on 6 October 2021.

SUPERVISORY BOARD

Until 6 October 2021, the company had a Supervisory Board consisting of 18 members. The members were appointed by the General Meeting so that annually one third of the members were appointed for a three-year period. It was the duty of the company's Supervisory Board to:

- supervise the management of the Board of Directors and the CEO,
- decide on the convening of the General Meeting,
- issue a statement to the Annual General Meeting about the financial statements and the auditor's report,
- decide on the number of members of the Board of Directors and appoint the members of the Board of Directors
- decide on the remuneration of the members of the Board of Directors
- give the Board of Directors instructions in questions that are far-reaching or important in principle.

The Supervisory Board consisted of the following people in 2021: 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. Personnel representatives were Miia Manner and Olli Korpierkki.

The Supervisory Board convened three times during the year. The combined meeting participation rate of the members was 100 per cent.

BOARD OF DIRECTORS

The Board of Directors has general responsibility for the management of the company and the proper organisation of the operations of the company. The Board of Directors has adopted written rules of procedure for the management, where matters that shall be dealt with by the Board of Direc-

tors, meeting practices and decision-making procedures are defined.

According to the Articles of Association, the company's Board of Directors consists of five to seven ordinary members, which are appointed by the General Meeting for one year at a time. The Chairperson of the Board of Directors is also elected at the General Meeting, and the Board of Directors elects a Vice-Chairperson from among its members. The proposal to the General Meeting on the number of members, the members and the Chairperson of the Board of Directors as well as their remuneration is prepared by the Shareholders' Nomination Board. The majority of the members of the Board of Directors has to be independent of the company, and at least two members have to be independent of the company's major shareholders as well.

The Board of Directors is convened by the Chairperson on a regular basis, at least six times a year. A quorum of more than half of the members of the Board of Directors must be present at the meetings.

The Board of Directors regularly assesses their operations and working methods through self-evaluation once a year. In 2021, the evaluation of the Board of Directors was carried out by an external consultant and based on a questionnaire survey and interviews with the Board of Directors and the management.

Main duties of the Board of Directors

According to the rules of procedure, the main duties of the Board of Directors are among other things to:

- approve the long-term targets and strategies of the Group and its business areas,
- approve the business, financial and investment plans of the Group and its business areas for the financial period,
- ensure that the external financial statements of the Group and its companies are duly made as required by law,

- create the necessary organisational structure for the company's operations,
- appoint and discharge the CEO, the Managing Directors of the Group's business areas and the Directors in charge of the Group's administrative support functions, and decide on their remuneration and benefits,
- decide on the general principles for the Group's incentive schemes,
- approve the Group's values and follow their fulfilment,
- organise internal audits, follow external audits and take measures following from these together with the CEO,
- define the acquisition strategy and approve acquisitions,
- decide on significant investments by Group companies, other long-term expense items, transfers of property and funding vehicles,
- decide on significant expansion and reduction of operations, and
- prepare the matters to be dealt with by the General Meeting and see to their execution.

Diversity of the Board of Directors

Diversity is a central principle when Loihde's Board of Directors is elected. It supports the company's business development and the achievement of targets. The diversity of knowledge, experience and viewpoints among the members of the Board of Directors enables an open and innovative approach to business development, supports an improvement of customer understanding and promotes good governance.

Essential factors for diversity in the Board of Directors are the members having complementary education, know-how and experience from different industries and different development stages of business management, and the personal qualities of the members of the Board of Directors. Diversity is supported by the Board of Directors having a wide age distribution, well-balanced gender representation and member experience from international business environments and different cultures.

The Shareholders' Nomination Board takes the diversity principles into account when planning the composition of the Board of Directors. As a part of the election and evaluation process, they look for representatives of both genders. Persons that are appointed to the company's Board of Directors must, in addition to the required qualifications for the role, also have enough time to take on the role. When preparing the composition of the Board of Directors, long-term needs and successor planning is also acknowledged.

Members and meetings of the Board of Directors in 2021

In 2021, Loihde's Board of Directors consisted of Timo Kotilainen (Chairperson), Kaj Hagros, Jussi Hattula, Elina Piispanen, Matti Piri and Stefan Wikman. All members were independent of Loihde and its major shareholders.

The Board of Directors convened 18 times during the year. In 2021, the work of the Board of Directors centred on developing the company's strategy and following up strategy implementation, supporting performance development measures for the Group and business areas, listing on the First North marketplace and sustainability matters.

Secretary of the Board of Directors was CFO Pirjo Suhonen (until 26 May 2021) and thereafter lawyer Teresa Kauppila from Castrén & Snellman Attorneys Ltd.

Committees of the Board of Directors

In 2021, the Audit Committee and the Personnel Committee, working under the Board of Directors, have prepared matters that fall under the responsibility of the company's Board of Directors.

Audit Committee

It is the duty of the Audit Committee to among other things follow the financial reporting process for the interim financial statements, the financial statements and the consolidated financial statements and oversee the accuracy of Loihde Group's financial statements, the financial reporting process and the statutory audit. The committee follows the efficiency of Loihde Group's internal control, internal audit and risk management systems and oversees the Group's risks and the quality and coverage of the risk management. In addition, it is the duty of the Audit Committee to prepare pro-

posals to the Board of Directors on matters relating to the development of corporate governance.

The Audit Committee consists of members that are appointed by the Board of Directors and that are not part of the company's management. They shall be independent of the company and at least one of them shall be independent of the company's major shareholders.

In 2021, the Audit Committee consisted of Matti Piri (Chairperson), Stefan Wikman and Timo Kotilainen. The committee convened a total of seven times during the year. Each member's participation in meetings is shown in the table below. Secretary of the Audit Committee was Group CFO Pirjo Suhonen.

Personnel Committee

It is the duty of the Personnel Committee to among other things prepare proposals for Loihde's Board of Directors on the appointment of the CEO and other Directors that are members of Loihde Group's Leadership Team and to chart their successors when required. Additionally, the Personnel Committee prepares proposals on the principles of remuneration for and compensation of the personnel and the Leadership Team and on share-based incentive schemes. The committee prepares the remuneration policy and remuneration report of Loihde's governing bodies.

The Personnel Committee consists of members that are appointed by the Board of Directors. In 2021, the Personnel Committee consisted of Elina Piispanen (Chairperson), Jussi Hattula and Kaj Hagros. The committee convened a total of seven times during the year. Secretary of the Personnel Committee was Group HR Director Jaana Mäkinen.

MEMBERS OF THE BOARD OF DIRECTORS IN 2021

Name	Year of birth	Education	Main occupation	Ownership 31 Dec. 2021	Member since
Timo Kotilainen (Chairperson)	1959	M.Sc.Eng.	Founding Partner, KASIN Consulting Oy, Board professional	2 108	2019
Kaj Hagros	1970	M.Sc.Eng., MBA	Equity investor, Managing Partner of Redstone Nordics Oy	1 478	2021
Jussi Hattula	1968	M.Sc.Eng.	Director, Finnish Industry Investment Ltd (Tesi)	0	2018
Elina Piispanen (Vice-Chairperson)	1963	M.Sc.Econ.	Board professional, CEO of Fit Advice Oy	1 008	2019
Matti Piri	1969	M.Sc.Econ.	Group CFO, Accountor Group Oy	428	2021
Stefan Wikman	1956	LLM (with court training)	Senior Advisor, Roschier, Attorneys Ltd.	528	2021

MEETING ATTENDANCE OF THE BOARD OF DIRECTORS

Name	Position	Board of Directors	%	Audit Committee	%	Personnel Committee	%
Timo Kotilainen	Chairperson of the Board of Directors	18	100	7	100	6	85
Elina Piispanen	Vice-Chairperson of the Board of Directors, Chairperson of the Personnel Committee	18	100			7	100
Matti Piri	Chairperson of the Audit Committee	18	100	7	100		
Kaj Hagros	Member	18	100			7	100
Jussi Hattula	Member	18	100			7	100
Stefan Wikman	Member	18	100	7	100		

SHAREHOLDERS' NOMINATION BOARD

On 6 May 2021, the Annual General Meeting of Loihde Plc resolved to establish a Shareholders' Nomination Board to prepare proposals on the election and remuneration of the members of the Board of Directors for the General Meeting and confirmed the rules of procedure for the Nomination Board.

The Shareholders' Nomination Board is the governing body of the company's shareholders or their representatives, the duty of which it is to annually prepare the proposals regarding the election and remuneration of the Chairperson and members of the Board of Directors for the Annual General Meeting, and for the Extraordinary General Meeting when required. It is the main duty of the Nomination Board to ensure that the Board of Directors and its members have sufficient expertise, know-how and experience that correspond to the company's needs and to prepare well-founded proposals on the matter to the General Meeting.

According to the rules of procedure of the Nomination Board, during the first two terms of office, the members of the Nomination Board are appointed so that the association Virian pienosakkaat ry has the right to appoint three members, Finnish Industry Investment Ltd ("Tesi") has the right

to appoint one member, LocalTapiola Mutual Life Insurance Company and LocalTapiola General Mutual Insurance Company (jointly "LocalTapiola") have the right to jointly appoint one member and Katja Ahola and Janne Tuomikoski have the right to jointly appoint one member. The term of office of the Nomination Board ends annually when new members have been appointed to the Nomination Board.

In October 2021, the above mentioned appointed the following members to the Shareholders' Nomination Board:

- Kalervo Haapoja, Piia Uusi-Kakkuri and Christian Wetterstrand, appointed by Virian pienosakkaat ry,
- Jussi Hattula, appointed by Tesi,
- Juha Malm, appointed by LocalTapiola, and
- Antti Pelkonen, appointed by Katja Ahola and Janne Tuomikoski.

The Chairperson of Loihde's Board of Directors Timo Kotilainen participated in the work of the Nomination Board as an expert without right to participate in the decision-making. Chairperson of the Nomination Board was Christian Wetterstrand and secretary the Group's Director of Communications Tiina Nieminen.

The Shareholders' Nomination Board convened three times during the year. The combined meeting participation rate of the members was 100 per cent.

CEO

It is the duty of the CEO to be in charge of the day-to-day management of the company in accordance with the law and the instructions and orders issued by the Board of Directors. The Board of Directors appoints and discharges the CEO, decides on the salary and remuneration of the CEO and other terms of the employment relationship and supervises the operations of the CEO. The CEO ensures that the company's accounting practices are in compliance with the law and that the financial matters are organised in a reliable way.

Samu Konttinen has served as CEO of Loihde since 1 January 2021.

LEADERSHIP TEAM

The Leadership Team assists the CEO with the planning and operational management of the business. Among other things, it prepares Loihde's strategic planning and annual planning, follows the fulfilment of plans and financial reporting and prepares significant investments and acquisitions and divestments. One of the main duties of the Leadership Team is also to develop the internal cooperation within the Group and promote joint development projects. The members of the Leadership Team are appointed by the Board of Directors. Loihde's Leadership Team convenes regularly approximately twice a month. The CEO is responsible for the decisions made by the Leadership Team. It is the duty of the members of the Leadership Team to execute the decisions in their own areas of responsibility.



MEMBERS OF THE LEADERSHIP TEAM 31 DECEMBER 2021

Name	Year of birth	Education	Role	Ownership 31 Dec. 2021	Member since
Samu Konttinen	1973	MBA	CEO	10 876	2021
Katja Ahola	1976	MA	Managing Director of Loihde Analytics Ltd	212 994 ¹	2017
Tomi Bergman ²	1974	M.Sc.Econ	Managing Director of Loihde Advisory Ltd	32 586	2021
Marko Järvinen	1970	M.Sc.Eng., eMBA	Managing Director of Loihde Trust Ltd	4 772	2014
Juha Meronen	1972	M.Sc.Pol.	Managing Director of Loihde Factor Ltd	1 368	2021
Mikko Mäkelä ³	1973	M.Sc.Eng.	EVP Strategy and Business Development	1 668	2021
Pirjo Suhonen	1965	M.Sc.Econ	Chief Financial Officer	3 125	2018
Jere Teutari ⁴	1972	BBA	Chief Marketing Officer	0	2021

¹ Directly owned shares 2,418, shares through Bellurum Oy 210,576 ² As of 1 June 2021 ³ As of 8 February 2021

⁴ As of 19 October 2021. Director of Communications Tiina Nieminen was a member of the Leadership Team until 18 October 2021.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board of Directors of Loihde Plc has confirmed the principles of risk management, internal control and internal audit that the Group shall comply with.

Risk management

The aim of Loihde’s risk management is to support the implementation of the strategy and the achievement of the targets as well as to promote business continuity by reducing business vulnerability and protecting functions that are critical to business operations.

Risk management is an integral part of Loihde’s daily business management. The Board of Directors and operational management of each Group company ensure that risk management is taken into account in the company’s business operations, on both a strategic and operational level. The organising of risk management in practice is lead on a strategic and Group level by Loihde Plc’s EVP Strategy and Business Development and on an operational level by the person in charge of the company’s risk management. The actual risk management is performed by every employee and supervisor in the company in their day-to-day work.

Risks are identified and assessed with the help of strategy risk mapping in connection with strategy, with the help of project risk assessment in connection with projects and in connection with annual structural risk mapping. When identifying risks, a comprehensive view of the internal and external environment of the Group, the business area and the unit and possible events that could affect the reaching of the targets is formed.

In the annual risk assessment, risks are assessed based on the probability of fulfilment and the impact they would have. From the point of view of reaching the targets, risks seen as particularly significant are defined as key risks and these are examined and approved annually by Loihde’s Board of Directors, and the resources and actions of risk management are primarily aimed at these. For key risks, a risk owner is appointed. The key risk owner plans and organises adequate actions for controlling the risk and is responsible for the implementation and reporting of these.

The most significant risks

The most significant risks and uncertainties that affect the operations of the Loihde Group are described in the company’s financial statements and the report of the Board of Directors.

Internal control

Internal control is a part of Loihde’s risk management system. It is the duty of internal control to adequately ensure the accuracy of processes and control risks that can have a negative effect on the accuracy of financial reporting or business functionality and efficiency or that can be linked to compliance with external laws and internal operating principles and guidelines.

The internal control procedures include, for example, policies and guidelines, risk identification and control measures to reduce risks, as well as the ensuring of the functionality of the controls.

The person most responsible for the Group’s internal control is the CEO of Loihde Plc and on a business or company level the Chief Business Officer or Managing Director of the company. They take responsibility for that there are adequate internal control procedures to control risks and prevent adverse events. Operational management is responsible for risks and controls relating to them as well as for implementing corrective measures relating to controls.

The management with the above-mentioned responsibilities and the entire personnel constitute the so-called first line of defence of internal control. The second line of defence is the financial organisation of the Group and its subsidiaries. Internal control, auditors and supervisory authorities function independently as independent organisations constituting the third line of defence.

The Audit Committee supervises the internal control and the development and implementation of internal audit by authorisation of the Board of Directors. The CFO reports to the Audit Committee at least annually about the implementation of internal control and the results of internal audits.

Internal audit

Internal audit is a function that is intended to verify the fulfilment of the management and control environment and to recommend the development of the control environment on the basis of the conducted audits. Loihde does not have a separate function for internal audit. The Board of Directors assesses the need for internal audit annually and decides on the tasks needed for internal audit and the organising of these based on the assessment. The Board of Directors can use external help for implementing audits.

INSIDER MANAGEMENT

In matters related to insider information, Loihde complies with applicable legislation, like requirements in compliance with the Market Abuse Regulation and the guidelines for insiders published by Nasdaq Helsinki Ltd. In addition, the company has formulated its own insider guidelines, where instructions and regulations relating to insider management, publication of insider information, maintenance of insider lists and transactions of the management are defined.

Loihde maintains a project-specific non-public insider list for projects that have insider information. All people that have access to insider information specific to the project or event are listed as insiders. The people that are on the insider list cannot trade nor recommend trading in the company's financial instruments during the project in question. Persons that are on the insider list are informed in writing of this and of the obligations consequent on this, as well as of the applicable consequences of insider trading and illegally expressing insider information.

The management of Loihde must schedule its trading in the company's financial instruments so that it does not reduce general trust in the securities market. Management refers to members of Loihde's Board of Directors and Leadership Team. Management cannot trade during a closed window of 30 days preceding the publication of the financial statements release, business report or half-year report, nor can

they trade on the day of publication. The restriction on trading also includes persons that participate in the preparation of profit reports or get information of their forthcoming content before the information is published.

On the grounds of the Market Abuse Regulation, Loihde Plc's management and their related parties must report trading in the company's financial instruments made for their own account both to the company and to the Financial Supervisory Authority without delay and no later than within three working days of the trading. As for the company, it has to publish the transactions in question as company announcements without delay and no later than within two working days of receiving the information.

Loihde's CFO is responsible for the coordination and supervision of matters related to insider information.

TRANSACTIONS OF RELATED PARTIES

In accordance with the IAS24 standard, Loihde assesses and follows transactions made by its defined related parties. The company's related parties consist of its subsidiaries and the Board of Directors, the CEO and the Group's Leadership Team, as well as the family members of these and legal entities over which the mentioned persons exercise a controlling interest. Loihde maintains a list of parties that belong to the company's related parties and regularly follows, handles and assesses transactions made with its related parties in accordance with principles and regulation approved by the Board of Directors.

The company's financial management follows and supervises transactions of related parties as a part of the company's normal reporting and supervisory praxis and reports transactions of related parties to the Audit Committee on a regular basis. The company's Board of Directors decides on transactions of related parties that are not part of the company's normal business or that are not carried out under ordinary terms of trade. Members of the company's Board

of Directors and Leadership Team and persons and parties that belong to their related parties are obligated to report potential transactions of related parties to the company. Transactions of related parties that have been made under different terms than the normal terms of trade are reported in the appendices of the financial statements.

AUDIT

Loihde's auditor must be an audit firm with an auditor in charge that is approved by the Central Chamber of Commerce ("KHT auditor").

The General Meeting elects the auditor based on the proposal by the Board of Directors. The Audit Committee of the Board of Directors prepares the proposal for the election of the auditor. The term of the auditor ends with the conclusion of the Annual General Meeting following the appointment.

It is the duty of the auditor to audit the company's accounting, financial statements and management for the financial period. The auditor of the parent company must also audit the consolidated financial statements. The auditor reports regularly to the Board of Directors and its Audit Committee and gives the company's shareholders an auditor's report as required by law.

The company's auditor is the audit firm KPMG Oy Ab with KHT auditor Esa Kailiala as auditor in charge.

In accordance with the decision of the General Meeting, the auditor's fee is paid according to the invoice approved by the company. In 2021, the auditor was paid a total fee of EUR 259,909, of which EUR 141,094 was paid for services not related to the audit.

CERTIFIED ADVISER

Loihde's certified adviser in accordance with First North's regulations is Aktia Alexander Corporate Finance Oy.

Board of Directors

Timo Kotilainen

Chairperson of the Board of Directors

Born 1959
 Founding Partner, KASIN Consulting Oy, Board professional
 Member of the Board of Directors since 2019

Primary work experience:

CEO, Nixu 2006–2014
 Board professional 2003–2006
 Several managerial positions, Nokia Networks 1993–2003

Positions of trust:

KASIN Consulting Oy, Chairman of the Board 2014–



Kaj Hagros

Born 1970
 Equity investor, Managing Partner of Redstone Nordics Oy
 Member of the Board of Directors since 2021

Primary work experience:

CEO, Pivot5 2014–2017
 CEO, Tecnotree Oyj 2009–2013
 COO, FOX Mobile 2008–2009
 Managerial positions, First Hop 2001–2008

Positions of trust:

Heltti Oy, Chairman of the Board of Directors 2017–
 Inderes Plc, Chairman of the Board of Directors 2016–



Jussi Hattula

Born 1968
 Director, Finnish Industry Investment Ltd (Tesi)
 Member of the Board of Directors since 2018

Primary work experience:

Investment Director, Finnish Industry Investment Ltd 2008–
 Investment Director, Eqvitec Oy 2002–2008
 Strategy Director, Teliasonera, 2001–2002
 Director, Technology development, Sonera 1999–2001
 Development manager, Sonera 1994–1999

Positions of trust:

Aker Arctic, member of the Board of Directors 2016–
 Observer member e.g. Valmet Automotive, RMC



Elina Piispanen

Born 1963
 Board professional, CEO of Fit Advice Oy
 Member of the Board of Directors since 2019

Primary work experience:

Transformation Director, Sanoma Media Finland 2016–2018
 CEO, Fit Advice 2015–
 Managing Director, Technology – Nordic Mobility, Accenture 2011–2014
 Several managerial positions, Accenture 1995–2014

Positions of trust:

Punainen Risti Ensiapu Oy, Chairperson of the Board of Directors 2020–
 Sitowise, member of the Board of directors 2017–
 Telko, member of the Board of directors 2017–



Matti Piri

Born 1969
 Group CFO, Accountor Group
 Member of the Board of Directors since 2021

Primary work experience:

Group CFO, Altia 2013–2018
 VP Finance & Control, Neste Oil 2011–2013
 Finance Director and other positions in finance, Mars Inc 1994–2011



Stefan Wikman

Born 1956
 Senior advisor, Roschier
 Member of the Board of Directors since 2021

Primary work experience:

Lawyer, Roschier 1994–, Partner 1996–2016
 Managerial positions in KWH Group 1986–1994
 Manager, SYP 1983–1985

Positions of trust

KWH Group, member of the Board of Directors 2019–
 Harry Schauman Stiftelse, Chairman of the Board of Directors 2009–



All members of the Board of Directors are independent of the company and its major shareholders.

Leadership Team

Samu Konttinen

Loihde Group CEO
MBA, b. 1973
Employed by the Group since 2021 (member of the Board since 2019)



Primary work experience:

F-Secure Plc, CEO, 2016–2020
F-Secure, several managerial positions in business, sales and marketing 2005–2016
Valimo Wireless, sales director, 2001–2005

Positions of trust:

Aico Oy, member of the Board of Directors 2021–
Finnish Information Security Cluster ry (FISC), member of the Board of Directors 2017–
Cyberlab Oy, member of the Board of Directors 2021–

Marko Järvinen

Loihde Trust Ltd's Managing Director
M.Sc. (Eng), eMBA, b. 1970
Employed by the Group since 2014



Primary work experience:

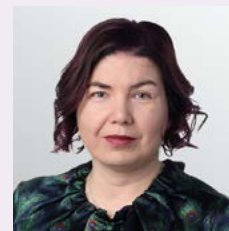
Viria Link Oy, managing director 2016–2017
Anvia IT-palvelut Oy, managing director 2015–2016
Anvia Oyj, business director 2014–2015
Maintpartner Oy, region manager 2011–2014
Eka Polymer Latex Oy, manager, process development 2004–2011
FibroGen Europe Oy, product development 1999–2004
Oulun university, research engineer, Laboratory of bio-process technology, 1996–1999

Positions of trust:

Partnera Oy, member of the Board of Directors 2018–
Foamit Group Oy, member of the Board of Directors 2019–

Katja Ahola

Loihde Analytics Ltd's Managing Director
MA, b. 1976
Employed by the Group since 2017



Primary work experience:

Aureolis Oy, managing director 2013–
Aureolis Oy, COO 2011–2013
Aureolis Oy, partner, managing director 2001–2011
eNikkas, DW consultant 1999–2001

Positions of trust:

Hobby & Bitti Oy, chairperson of the Board of Directors 2014–
Crocoliini Oy, chairperson of the Board of Directors 2010–
Bellurum Oy, member of the Board of Directors 2018–

Juha Meronen

Loihde Factor Ltd's Managing Director
M.Soc.Sci., b. 1972
Employed by the Group since 2021



Primary work experience:

Tori.fi / Schibsted, managing director 2016–2020
Tori.fi / Schibsted, growth and insight 2014–2016
Avaus Consulting Oy, VP Consulting 2013–2014
Blyk Oy, several positions 2007–2012
Andersen Consulting Oy / Accenture Oy, several positions 1997–2007

Positions of trust:

Air-Faas Oy, member of the Board of Directors 2021–
Alces Growth Oy, member of the Board of Directors 2020–
OC Puisto ry, chairperson of the Board of Directors 2002–

Tomi Bergman

Loihde Advisory Ltd's Managing Director
M.Sc. (Econ.), b. 1974
Employed by the Group since 2021



Primary work experience:

Talent Base Oy, managing director 2008–
Satama Interactive Oy, senior consultant 2000–2007
EBS GmbH, Germany, consultant, 1999

Pirjo Suhonen

CFO
M.Sc. (Econ.), b. 1965
Employed by the Group since 2018



Primary work experience:

ABB Global Business Services, Northern Europe, Director, Finance Services 2017–2018
ABB Northern Europe region, Transformation Director, Finance Services 2016–2017
ABB, Director, Finance Services, Finland (2009–2015) & Balticum (2012–2013)
Atria Suomi Oy, Business Area Controller 2008–2009
Serres Oy, CFO 2003–2008
ABB Oy, Business Controller, financial manager, project manager 1989–2003

Mikko Mäkelä

EVP, Strategy & Business Development
M.Sc. (Eng.), b. 1973
Employed by the Group since 2021

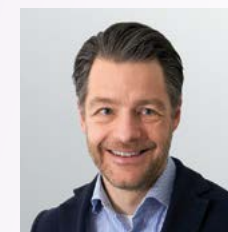


Primary work experience:

Martela Oyj, Vice President, Innovation to Market, 2017–2021
Wärtsilä Oyj, Director, Strategy & Business Development, Marine Solutions, 2015–2017
F-Secure Plc, several positions in product management and strategy, 2009–2015
Nokia Plc, several positions in product management and strategy, 2002–2009
McKinsey & Company, Associate, 2000–2002
Andersen Consulting, strategy consultant, 1998–2000

Jere Teutari

CMO
BBA, b. 1972
Employed by the Group since 2021



Primary work experience:

Never Say No, business consultant, 2019–2021
Kaleva Oy, SVP Business development, 2018–2019
MTV Oy, SVP Marketing & Analytics, 2016–2017
MTV Oy, VP Commercial development, 2014–2017
Family Inc. Advertising, Managing Director, 2010–2014
Elisa Oyj, Marketing Director, 2009–2010
TBWA Helsinki, Marketing Director, 2007–2009
TBWA Helsinki, Strategy Director, 2003–2007

Loihde Plc's remuneration report 2021

1. INTRODUCTION

The remuneration of governing bodies of Loihde Plc (below Loihde) will henceforth be based on the Remuneration Policy that the Annual General Meeting will decide on in spring 2022. It is the objective of the remuneration policy to promote Loihde's business strategy, long-term growth and profitability and sustainable growth of shareholder value.

The remuneration report is formulated in accordance with the Finnish Corporate Governance Code 2020 for listed companies, which entered into force on 1 January 2020. It is the purpose of this report to paint a clear and understandable picture of the implementation of the remuneration of Loihde's Board of Directors, Supervisory Board, Shareholders' Nomination Board, CEO and the potential deputy of the CEO, and in future also of the implementation of the remuneration policy.

Five-year development of remuneration and the company's financial result

(EUR 1,000)	2017	2018	2019	2020	2021
Revenue	87 910	104 924	103 104	106 823	108 079
Change compared to the previous year, %		19 %	-2 %	4 %	1 %
Adjusted EBITDA	5 275	6 309	5 492	6 160	4 250
Change compared to the previous year, %		20 %	-13 %	12 %	-31 %
Remuneration of the Board of Directors ¹	163	165	159	179	208
Change compared to the previous year, %		1 %	-3 %	12 %	17 %
Basic salary and benefits of the Group CEO ²	223	242	258	273	291
Change compared to the previous year, %		9 %	6 %	6 %	7 %
Total remuneration of the Group CEO	246	345	331	307	416
Change compared to the previous year, %		41 %	-4 %	-7 %	35 %
Average wages and salaries of the employees ³	49	57	61	61	65
Change compared to the previous year, %		16 %	6 %	1 %	6 %

¹ The remuneration of the Board of Directors includes meeting fees for the members of the Board of Directors when they have participated in the Supervisory Board's meetings.

² The salaries for 2021 include both Samu Konttinen's and Mika Vihervuori's CEO salaries but not the termination payment that was part of Mika Vihervuori's CEO contract.

³ The average wages and salaries of the employees include cash wages and salaries without add-on costs, divided by the average number of employees (FTE) during the year. The wages, salaries and remuneration information presents the wages, salaries and remuneration paid during each financial period. The remuneration paid as part of the short-term and long-term incentive schemes is paid during the year following the end of the vesting period.

2. REMUNERATION OF THE SUPERVISORY BOARD, THE SHAREHOLDERS' NOMINATION BOARD AND THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR 2021

Supervisory Board

The Annual General Meeting decided to abolish the Supervisory Board at its meeting on 6 May 2021, and the Supervisory Board stopped operating on 6 October 2021, when the company's new Articles of Association came into effect. The Annual General Meeting on 6 May 2021 decided to keep the meeting fees of the Supervisory Board unchanged at EUR 700 per meeting for the Chairperson and EUR 400 for the members of the Supervisory Board.

The remuneration earned by the Supervisory Board in 2021 was as follows:

Meeting fees*	EUR 1,000
Chairperson	11
Others in total	34

*The meeting fees of the Supervisory Board were paid retrospectively, therefore in 2021, the Chairperson of the Supervisory Board has received fees of EUR 3,000 earned in 2020 and the members of the Supervisory Board have received fees of EUR 3,000 earned in 2020. These fees are not included in the table. The meeting fees of the Supervisory Board also include fees for the members of the Supervisory Board when they have participated in the meetings of the Board of Directors.

Shareholders' Nomination Board

On 6 May 2021, the Annual General Meeting decided that a meeting fee of EUR 400 per meeting shall be paid to the members of the Shareholders' Nomination Board and a meeting fee of EUR 700 per meeting to the Chairperson of the Nomination Board. The Chairperson of the Board of Directors that participates in the meetings of the Nomination Board as an expert is paid a meeting fee of EUR 400 per meeting.

The remuneration earned by the Nomination Board in 2021 was as follows:

Meeting fees*	EUR 1,000
Chairperson	2
Others in total	7

*EUR 2,000 of the meeting fees that were earned by the members of the Nomination Board in 2021 and are included in the table will be paid in 2022.

Board of Directors

The amount of remuneration of the Board of Directors has been decided by the Supervisory Board at their meeting on 26 November 2020.

It was decided that the Chairperson of the Board of Directors will be paid an annual fee of EUR 36,000 and a meeting fee of EUR 700 per meeting and that each member of the Board of Directors will be paid an annual fee of EUR 15,000 and a meeting fee of EUR 600 per meeting. It was also decided that the Chairperson of a committee will be paid a meeting fee of EUR 700 and the member of a committee a meeting fee of EUR 600 per meeting.

In future, it is the General Meeting that decides on the amount of remuneration of the Board of Directors.

The company's Annual General Meeting held on 25 June 2020 resolved to adopt a long-term share-based incentive scheme for the members of the Board of Directors. Under the incentive scheme, the members of the Board of Directors can subscribe for company shares at an amount corresponding to half of their annual fee at a maximum. In 2021, there was a 10% discount on the price of the shares subscribed for. The sum of the discount has been added to the taxable income of the members of the Board of Directors. The Annual General Meeting may resolve on issuing commitment shares to the participants in the scheme based on their share ownership after a specified vesting period. Eligibility for the commitment shares is conditional on the participant still being a member of the company's Board of Directors.

The remuneration earned by the Board of Directors in 2021 was as follows:

	Annual fees* EUR 1,000	Meeting fees* EUR 1,000	In total EUR 1,000	Amount of shares subscribed for in the share-based incentive scheme in 2021	Committee memberships
Timo Kotilainen	36	20	56	1 028	Audit Committee, member
Kaj Hagros	15	15	30	428	Personnel Committee, member
Jussi Hattula	15	15	30		Personnel Committee, member
Elina Piispanen	15	16	31	428	Personnel Committee, Chairperson
Matti Piri	15	16	31	428	Audit Committee, Chairperson
Stefan Wikman	15	15	30	428	Audit Committee, member

*The annual fees and meeting fees of the Board of Directors are paid retrospectively, therefore in 2021, the Chairperson of the Board of Directors has received fees of EUR 5,000 earned in 2020 and the members of the Board of Directors have received fees of EUR 10,000 earned in 2020. These fees are not included in the table. As for the fees earned in 2021 that are included in the table, the Chairperson of the Board of Directors is paid EUR 3,000 and the members of the Board of Directors are paid EUR 9,000 in 2022.

3. REMUNERATION OF THE CEO FOR THE FINANCIAL YEAR 2021

The Board of Directors decides on the remuneration and bonuses of the CEO, as well as other terms of the CEO contract. The CEO contract also specifies financial benefits, including severance pay and other possible compensations.

The remuneration of the CEO consists of fixed basic salary (including benefits in kind), life insurance, annual performance bonus (STI), a personal share reward relating to the CEO contract and a long-term share-based incentive scheme (LTI). The share-based incentive schemes are described in more detail on the page Remuneration in the For Shareholders section on the company's website.

The CEO is entitled to statutory pension. The retirement age of the CEO is defined in the statutory employee pension scheme.

The period of notice for the CEO contract is 6 months on both sides. If the company terminates the CEO contract, the CEO is under certain conditions entitled to a one-time payment corresponding to 12 months' monthly salary.

There was a change of CEO on 1 January 2021, when Samu Konttinen started as CEO of Loihde Plc. The CEO duties of the previous CEO Mika Vihervuori ended at the end of 2020, but in 2021 he still received remuneration based on his CEO duties and the targets reached in 2020.

Samu Konttinen:	EUR 1,000	Per cent of the maximum amount
Paid in 2021		
Fixed annual salary including holiday pay and holiday bonus	291	
Share reward, paid in shares*	49	
Paid in 2022		
Short-term performance bonus (STI) for 2021	87	49 %

*The CEO contract includes an agreement on a personal share-based incentive scheme, on the grounds of which the CEO had the right to acquire 6,000 (six thousand) shares between 1 December 2020 and 30 June 2021 and in one year's time receive 3,000 shares as remuneration for the share purchase and in two years' time another 3,000 shares, providing that he still is CEO. The subscription price was based on the average price of Loihde's share on Privanet during the period 24 May–23 November 2020, on which a discount of 10 per cent was applied. The share reward for 2021, paid based on the CEO contract, is 3,000 shares, which at the time of payment were worth EUR 49,000.

Mika Vihervuori:	EUR 1,000	Per cent of the maximum amount
Paid in 2021		
Severance pay in accordance with the CEO contract	195	
Short-term performance bonus (STI) for 2020	33	26 %
Long-term share reward (additional and bonus shares) for the vesting period 2018–2020		
• Paid in shares	21	
• Paid in cash	20	
• Share reward in total	41	52 %

Short-term incentive (STI) for 2021:

The targets of the short-term performance bonus (STI) to be paid for the financial year 2021 were based on Loihde Group's revenue (weight 60%) and adjusted EBITDA (weight 40%). The performance bonus has been paid in March 2022. The performance bonus paid to the CEO for 2021 is EUR 87,000 in total (97% of the target level of the bonus and 49% of the maximum amount of the performance bonus).

Short-term incentive (STI) for 2020

The Board of Directors set the performance criteria for the CEO for the 2020 incentive scheme based on revenue and profitability development as well as strategic targets relating to enabling growth, promoting Group synergies in sales and developing operations.

Long-term share reward for the share-based incentive scheme's vesting period 2018–2020:

In accordance with the terms of the vesting period 2018–2020 for the share-based incentive scheme that was resolved by the Board of Directors and began in 2018, the participants in the scheme received one additional share for each four shares they had subscribed for. In addition, the CEO could earn bonus shares for achieving targets set by the Board of Directors relating to the company's profitability and shareholder value.

Information for investors

ANNUAL GENERAL MEETING

The planned date for Loihde Plc's next Annual General Meeting is Thursday, 5 May 2022. The meeting will be held in Vaasa. The notice of the AGM shall be given in a corporate release and on the company's website at <https://www.loihde.com/en/for-shareholders-2/corporate-governance/annual-general-meeting/>.

GUIDELINES FOR 2022

In 2022, Loihde expects the 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.

DIVIDEND POLICY

Previously, Loihde's dividend distribution was largely based on the distribution of funds to shareholders accumulated from capital gains from selling businesses or other assets. The Board of Directors wants to develop the company with a long-term view and it considers acquisitions to be an important element of the strategy of profitable growth. The dividend policy has been revised to correspond to the company's strategic objectives and, going forward, the company intends to distribute dividends primarily as its operational activities allow.

The Board of Directors has confirmed the dividend policy, according to which Loihde aims to distribute dividends annually in an amount representing at least 30 per cent of the Loihde Group's profit for the financial period.

The company will assess the conditions for the distribution of dividends annually, taking into account the company's financial position, the achievement of growth and development targets and the investments necessary for that purpose as well as other material factors influencing the distribution of dividends.

SHARES

Loihde Plc's shares are listed on the Nasdaq First North Growth Market Helsinki. The ticker symbol of the share is LOIHDE and the ISIN number is FI4000014238.



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since 1882.**