

Loihde Plc

Half-year report

1 January – 30 June 2022

31 August 2022



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LOIHDE PLC HALF-YEAR REPORT 1 JANUARY–30 JUNE 2022

Loihde's revenue increased 13% and adjusted EBITDA improved 101%, the strategic acquisition of Turvakolmio strengthens the security technology business

This is not an interim report in accordance with the IAS 34 standard. The financial information presented in this half-year report is unaudited. Unless otherwise stated, the figures in brackets indicate the corresponding period last year.

April–June 2022 in brief

- Loihde Group's revenue for the second quarter amounted to EUR 30.5 million (EUR 26.9 million), an increase of 13%.
- Revenue from continuing operations in the security business amounted to EUR 19.9 million (EUR 18.3 million), an increase of 8%.
- Revenue from continuing operations in the digital development business amounted to EUR 10.7 million (EUR 8.6 million), an increase of 24%.
- Adjusted EBITDA was EUR 1.0 million (EUR 0.7 million), or 3.3% (2.6%) of revenue.
- Adjusted EBITA was EUR 0.6 million (EUR 0.2 million), or 1.8% (0.7%) of revenue.
- In May, Loihde acquired the entire share capital of Turvakolmio Group Oy.

January–June 2022 in brief

- Loihde Group's revenue for January–June amounted to EUR 58.9 million (EUR 52.1 million), an increase of 13%.
- Revenue from the Group's continuing operations came to EUR 58.9 million (EUR 51.2 million), an increase of 15%.
- Revenue from continuing operations in the security business amounted to EUR 36.9 million (EUR 34.7 million), an increase of 6%.
- Revenue from continuing operations in the digital development business amounted to EUR 22.2 million (EUR 16.4 million), an increase of 35%.
- Adjusted EBITDA was EUR 2.2 million (EUR 1.1 million), or 3.7% (2.1%) of revenue.
- Adjusted EBITA was EUR 1.3 million (EUR 0.1 million), or 2.2% (0.2%) of revenue.
- In January, Loihde Trust Ltd divested its fibre networks in Northern Finland to the fibre network company Koillisnet Oy. Loihde has recorded capital gains of EUR 3.9 million arising from the divestment.

Outlook

Loihde Plc specifies its guidance for 2022 as far as revenue from the security business is concerned. The guidance is specified due to the acquisition of the share capital of Turvakolmio Group Oy on 1 June 2022 and a more precise market outlook for the remainder of the year. As for revenue from digital development and the Group's adjusted EBITDA, the guidance remains unchanged.

Updated outlook (issued 31 August 2022)

In 2022, Loihde expects revenue from continuing operations in the security business to grow approximately 15% 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.

Previous outlook for 2022 (issued 4 March 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.

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 the handling of leases in accordance with IFRS 16.

Key figures

EUR 1,000	4– 6/2022	4– 6/2021	Change %	1– 6/2022	1– 6/2021	Change %	1–12/2021
Revenue, EUR 1,000	30,453	26,931	13%	58,865	52,050	13%	108,079
- Security	19,853	18,303	8%	36,907	34,723	6%	71,421
- Digital development	10,704	8,613	24%	22,197	17,308	28%	37,054
- Other (incl. eliminations)	-104	15	-	-239	18	-	-396
Revenue, continuing operations ¹ , EUR 1,000	30,453	26,931	13%	58,865	51,166	15%	107,196
- Security	19,853	18,303	8%	36,907	34,723	6%	71,421
- Digital development ¹	10,704	8,613	24%	22,197	16,418	35%	36,164
- Other (incl. eliminations) ¹	-104	15	-	-239	25	-	-389
EBITDA	1,293	597	116%	6,234	6,655	-6%	9,389
Adjusted EBITDA, EUR 1,000 ²	995	689	44%	2,189	1,090	101%	4,250
Adjusted EBITDA, %	3.3	2.6	-	3.7	2.1	77%	3.9
EBITA, EUR 1,000	851	110	677%	5,359	5,675	-6%	7,427
Adjusted EBITA, EUR 1,000 ²	553	201	175%	1,314	110	1,091%	2,288
Operating profit (EBIT), EUR 1,000	-1,064	-1,731	-	1,574	2,066	-24%	-82
Adjusted operating profit (EBIT), EUR 1,000 ²	-1,362	-1,639	-	-2,471	-3,498	-	-5,222
Profit for the period, EUR 1,000	-1,632	-1,026	-	50	2,940	-98%	603
Adjusted profit for the period, EUR 1,000 ²	-1,932	-952	-	-3,531	-2,671	-	-4,812
Equity-to-assets ratio, %	78.4	79.6	-2%	78.4	79.6	-2%	80.4
Earnings per share (EPS), EUR ³	-0.28	-0.18	-	0.0	0.5	-98%	0.10
Average number of employees (FTE)	787	713	10%	765	711	8%	720

¹ Revenue from continuing operations does not include Hibox Systems Oy Ab's revenue for January–February 2021, which amounted to EUR 0.9 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 Group's treasury shares (35,187 shares on average in April–June 2022 and 65,767 shares on average in January–June 2022) are excluded from the total number of shares.

Loihde has changed its reporting practice starting from this half-year report and does no longer specify organic revenue growth. Acquisitions are an integral part of Loihde's growth strategy. Turvakolmio that joined the Group starting from June 2022 is being firmly integrated with the rest of the security business and specifying its organic growth is no longer possible.

CEO Samu Konttinen:

Both our business areas grew during the second quarter and our operational profitability increased as planned. Our revenue grew by 13% in April–June and totalled EUR 30.5 (26.9) million. The Group's adjusted EBITDA improved by 44% to EUR 1.0 (0.7) million.

We are implementing our growth strategy both organically and through acquisitions. In May, we strengthened our security business by acquiring the entire share capital of Turvakolmio Group Oy, providing Loihde with approximately 100 additional security technology experts. Turvakolmio has a strong position in the Helsinki Metropolitan Area and in fire safety services, and thus is a good complement to Loihde's offering and service capability. Through the acquisition, Loihde Trust, in our estimation, takes on the role as Finland's largest provider of electronic security technology services. Turvakolmio also adds interesting digital solutions that have been developed for process automation in the circular economy to Loihde's offering.

The security business grew by 8% in the second quarter. Revenue from the physical security business continued to grow well, while revenue from the digital security business decreased slightly mainly due to component shortage delaying customer deliveries. We have made preparations for the continued component shortage by stocking up on critical components earlier in the process. The order book in the security business is at a good level.

Of our digital security services, our continuous CSOC 24/7 cyber surveillance service and our IAM consulting grew the most. Also, the demand for security services for customers' critical OT/SCADA networks has increased, and in relation to this, new customer agreements have been made.

As for security technology, the early part of the year has been characterised by, for example large hospital construction and modernisation projects to which we deliver locking solutions and nurse call systems among other things.

Our One Security comprehensive service solutions continued to grow. One of our One Security customers is store chain Tokmanni, to whom we have delivered security technology and structural security services for a long time. As the result of an agreement early in the year, our cooperation expanded to digital security as well.

The digital development business grew with 24% in April–June compared to the same period last year.

There is a strong increase especially in solutions relating to data utilisation, analytics and AI, but also in strategic planning relating to data and digitalisation in general. The demand for software development, cloud technology consulting and UX design for digital services has also continued at a good level.

Recruiting is still demanding, but we have succeeded quite well and the increase in experts creates opportunities for growth. However, the shortage of competent professionals is still a significant risk that may slow down the growth of the digital development business area.

The market uncertainty and increased inflation has not significantly affected Loihde's business yet, but as we see it, the risks have increased. A deterioration of the economic situation might decrease customer investments, and increased costs might affect the company's profitability.

As a whole, I am pleased with the first half of the year, our profitability has improved noticeably, and both our business areas have grown faster than last year. The cross-selling between business areas has increased as well.

Revenue and profit performance April–June 2022

The Group's revenue for April–June increased by 13% and totalled EUR 30.5 (26.9) million. Revenue from the security business increased by 8% and amounted to EUR 19.9 (18.3) million. Revenue from the digital development business increased by 24% and amounted to EUR 10.7 (8.6) million.

The Group's EBITDA was EUR 1.3 (0.6) million, or 4.2% (2.2%) of revenue, and the adjusted EBITDA was EUR 1.0 (0.7) million, or 3.3% (2.6%) of revenue.

EBITA totalled EUR 0.9 (0.1) million, or 2.8% (0.4%) of revenue, and EBIT was EUR -1.1 (-1.7) million.

The profit for the period was EUR -1.6 (-1.0) million and earnings per share were EUR -0.28 (-0.18).

Revenue and profit performance in January–June 2022

The Group's revenue for the first half of the year increased by 13% and amounted to EUR 58.9 (52.1) million. Revenue from continuing operations, not taking into account the revenue for January–February in the comparative period of Hibox Systems Oy Ab (divested in early 2021), increased by 15% (revenue for the comparative period: EUR 51.2 million). Revenue from continuing operations in the security business increased with 6% and amounted to EUR 36.9 (34.7) million. Revenue from continuing operations in the digital development business increased with 35% and amounted to EUR 22.2 (16.4) million.

EBITDA was EUR 6.2 (6.7) million, or 10.6% (12.8%) of revenue. EBITDA of the review period was increased by capital gains of approximately EUR 3.9 million from the divestment of fibre networks and EBITDA of the comparative period was increased by capital gains of approximately EUR 5.9 million from the divestment of Hibox Systems Oy Ab. Adjusted EBITDA was EUR 2.2 (1.1) million, or 3.7% (2.1%) of revenue.

EBITA totalled EUR 5.4 (5.7) million, or 9.1% (10.9%) of revenue. EBIT was EUR 1.6 (2.1) million.

Personnel expenses totalled EUR 31.5 (28.8) million, or 54% (55%) of revenue.

Other operating expenses amounted to EUR 7.7 (6.8) million, or 13% (13%) of revenue.

The Group's planned depreciation totalled EUR 4.7 (4.6) million, of which the amortisation of goodwill accounted for EUR 3.8 (3.6) million. In the period under review, taxation increased due to taxes paid on capital gains from the divesting of our fibre networks.

The Group's profit for the period was EUR 0.1 (2.9) million and earnings per share were EUR 0,01 (0,51).

Financial position, financing and investments

The Group's balance sheet total at the end of the review period was EUR 128.7 (133.3) million. Consolidated goodwill on the balance sheet amounted to EUR 47.7 (50.5) million. The most significant changes affecting the balance sheet total compared to the same period last year were dividend payments and the additional distribution of assets during the latter half of 2021.

The equity-to-assets ratio at the end of the review period was 78.4% (79.6%) and the Group's return on equity was 0.1% (5.4%). During the period under review, return on equity was improved by capital gains from the divestment of fibre networks. The stronger return on equity during the comparative period is explained by capital gains from the divestment of Hibox Systems Oy Ab and a tax refund that the company received.

Cash flow from operating activities before financial items and taxes was EUR -1.9 (-0.3) million. Cash flow from operating activities has been weakened by an increase in inventories due to precautionary measures relating to the component shortage and projects being delayed as well as an increase in sales receivables.

The Group's investments totalled EUR 5.1 (10.7) 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 0.55 per share for 2021 in accordance with the resolution of the Annual General Meeting (record date 9 May 2022). The dividend payment date was 17 May 2022. The dividend totalled approximately EUR 3.1 million.

Shares and shareholders

The number of Loihde Plc shares was 5,628,583 at the end of June and the average number of shares in January–June was 5,885,959 (end of June 2021: 5,921,459 and January–June 2021 average: 5,803,248).

	30 June 2022	30 June 2021
Number of shares	5,628,583	5,921,459
Treasury shares	637	80,530
Outstanding shares	5,627,946	5,840,929
Market value, EUR million	63,877,187	-
Number of shareholders	25,844	25,914
Number of nominee-registered shares	7,048	0

Overview of trading on Nasdaq First North Growth Market Helsinki 1 January–30 June 2022

	Shares ex- changed	Total value, EUR	Highest, EUR	Lowest, EUR	Weighted average price, EUR	Last, EUR
LOIHDE	198,782	3,082,577	18.35	11.15	15.51	11.35

On 4 January 2022, Loihde Plc's Board of Directors decided to start a share buyback programme in accordance with the authorisation granted to them by the Annual General Meeting on 6 May 2021. The repurchase of shares started on 10 January 2022 and ended on 4 May 2022. During that period, Loihde acquired 25,325 own shares at a total value of EUR

0.4 million and an average price of EUR 16.57. The shares were acquired by public trading on the Nasdaq First North Growth Market Finland marketplace at the market price quoted at the time of acquisition.

On 3 May 2022, the company's Board of Directors decided to cancel the 25,088 shares that by that time had been acquired in the buyback programme. At the same time, 382,130 other treasury shares were also cancelled. Of these, 302,000 had been transferred to the company from its joint book-entry account as the rights carried by such so-called paper shares were forfeited.

Share-based incentive schemes

During the period under review, the company has issued 25,760 new shares in relation to 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 2019. A total of 22,093 new shares were transferred to incentive scheme participants in the share issue. The incentive scheme and its terms and conditions are described in more detail on the company's website.

Share-based incentive scheme for personnel 2022

On 6 June 2022, the Board of Directors of Loihde decided on a long-term incentive scheme for the company's personnel (Share-based incentive scheme for personnel 2022). The target group for the incentive scheme includes all of the personnel of Loihde Group, including the management. The purpose of the incentive 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 scheme based on the earnings and value development of the company's shares.

The incentive scheme consists of one vesting period, 1 June 2022 to 31 December 2024. During the subscription period, 14–22 June 2022, the participants in the scheme had the opportunity to subscribe for company shares at a reduced subscription price of EUR 12.70 per share. The subscription price is based on the volume-weighted average share price in May 2022 (EUR 14.11), with a 10 per cent discount applied. After the vesting period, 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 own the shares he or she subscribed for in the employee share issue and must still be employed by the Loihde Group at the time of the payment of the bonus. 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.

A total of 144 people participated in the scheme and they subscribed for a total of 50,208 shares. The subscription price was entered in the company's share issue account in June and transferred to the reserve for invested unrestricted equity when the new shares were entered in the Trade Register on 18 July 2022.

Share-based incentive scheme for the Board of Directors

On 5 May 2022, the Annual General Meeting decided on a directed share issue related to the long-term share-based incentive scheme for the company's Board of Directors, in which a maximum of 3,667 shares were issued for subscription by the members of the Board of Directors at a subscription price of EUR 13.98 per share. The subscription price is based on the volume-weighted average share price in April 2022, with a 10 per cent discount applied. All five members of the Board of Directors subscribed for shares, with the total number being 3,667 shares. The subscription price was entered in the company's share issue account in June and transferred to the reserve for invested unrestricted equity when the new shares were entered in the Trade Register on 5 July 2022.

The Group's business areas and structure

Loihde Plc is an expert organisation specialising in digital development and security solutions. The Group has two business areas: The digital development business provides customers with digital strategy consulting, 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 review period, the digital development business consisted of:

- Loihde Analytics Ltd,
- Loihde Factor Ltd and
- Loihde Advisory Ltd and its subsidiary Loihde Advisory AB.

The security business consists of:

- Loihde Trust Ltd,
- Loihde Trust Tansec Ltd,
- Loihde Trust Spellpoint Ltd and
- Turvakolmio Group Oy and its subsidiary TK Recycling Oy.

The Group also includes Loihde Properties Ltd.

Changes in Group structure

Loihde has acquired the entire share capital of Turvakolmio Group Oy in May, and the company has joined the Group on 1 June 2022.

Loihde Trust Ltd has divested its fibre networks in Northern Finland to Koillisnet Oy in January 2022.

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

Personnel, management and corporate governance

The Group's number of personnel converted into full-time equivalents (FTE) averaged 765 (711) in January–June and stood at 855 (750) at the end of the review period. Potential part-time employment has also been taken into account in calculating the average number of employees.

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

During the period under review, the members of the Group's Leadership Team were Group CEO Samu Konttinen, Loihde Trust Ltd's Managing Director Marko Järvinen, Loihde Advisory Ltd's Managing Director Tomi Bergman, Loihde Analytics Ltd's Managing Director Katja Ahola, Loihde Factor Ltd's Managing Director Juha Meronen, CFO Pirjo Suhonen, CMO Jere Teutari and EVP Strategy and Business Development Mikko Mäkelä.

Loihde Plc's Board of Directors consisted of Timo Kotilainen (Chairperson), Kaj Hagros, Jussi Hattula (until 5 May 2022), Elina Piispanen, Matti Piri and Stefan Wikman.

Annual General Meeting

Loihde Plc's Annual General Meeting was held in Vaasa on Thursday, 5 May 2022. The Annual General Meeting confirmed the company's financial statements for the financial year 2021 and discharged the persons responsible for the accounts and operations from liability.

The Annual General Meeting resolved to distribute a dividend of EUR 0.14 per share based on the profit for 2021 and an additional dividend of EUR 0.41 per share, in total EUR 0.55 per share. The dividend record date was 9 May 2022 and the payment date 17 May 2022.

The Annual General Meeting adopted the remuneration policy for governing bodies and the remuneration report for 2021.

The Annual General Meeting confirmed the number of members of the Board of Directors as five and re-elected the following current members of the Board of Directors: Kaj Hagros, Timo Kotilainen, Elina Piispanen, Matti Piri and Stefan Wikman. Timo Kotilainen was re-elected as Chairperson of the Board of Directors.

The Annual General Meeting decided that the Chairperson of the Board of Directors shall be paid an annual fee of EUR 39,600 and a meeting fee of EUR 700 per meeting, that the members of the Board of Directors shall be paid an annual fee of EUR 16,500 and a meeting fee of EUR 600 per meeting and that the meeting fee shall be EUR 700 per meeting for the Chairperson of a committee and EUR 600 per meeting for the members of a committee. The Annual General Meeting adopted the suggested changes to the terms of the long-term share-based incentive scheme for the Board of Directors. The changes were due to the listing of the company and changes in the company's corporate governance model. The Annual General Meeting confirmed that the third vesting period for the incentive scheme is 6 May 2022–31 December 2024 and confirmed that the persons that were elected to the Board of Directors are entitled to participate in the vesting period. In addition, the Annual General Meeting resolved on a directed share issue against payment related to the incentive scheme, in which a maximum of 3,667 shares in the company can be issued at a subscription price of EUR 13.98.

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 authorised the Board of Directors to decide on issuing a maximum of 683,000 shares. This authorisation applies to issuing new shares as well as the company's own shares held by it. The shares can be issued as consideration in business

arrangements (at most 483,000 shares) or as part of the personnel's incentive schemes (at most 200,000 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 2023 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 25 June 2020 and 6 May 2021 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 100,000 to training and research activities that support the company's business or non-profit or comparable causes.

Market review

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

Digital growth also means new threats, and for this reason, the secure development of systems and applications and comprehensive cyber security solutions are increasingly critical aspects of total security for companies. There is also an increased need for cyber security services since cybercrime is becoming increasingly professional and corporate IT environments are becoming increasingly complex, which has increased the significance of, for example, identity and access management. Cyber security is also increasingly 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 to develop new digital services and leverage data but also anticipate and solve the security threats related to them. In physical security services, there has been an increased demand especially for electronic security systems.

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

The uncertainty caused by the COVID-19 pandemic and Russia's invasion of Ukraine has slowed down the growth rate of both the global and the Finnish economy. At the same time, however, the restrictions related to the pandemic have increased digitalisation and accelerated the implementation of electronic services and new operating models, which also increases the need for cyber security services. Runaway inflation and investments being postponed due to the uncertainty associated with the economic development may affect also Loihde's businesses.

Strategy

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

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

The cornerstones of our strategy are:

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

Risks and uncertainties

The market uncertainty and runaway inflation 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. Increased costs may affect Loihde's profitability. The global component shortage makes it more difficult to deliver some types of equipment and related services. Russia's invasion of Ukraine does not directly affect Loihde's business but has increased the risk level through the above-mentioned indirect effects. The COVID-19 pandemic is anticipated to still cause sick leaves. 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.

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.

Events after the review period

The shares subscribed for in May–June as part of the share-based incentive schemes for the personnel and the Board of Directors were entered in the Trade Register on 5 July 2022 and 18 July 2022. Following the registration of the new shares, the company has 5,678,791 shares in total.

On 31 August 2022, Loihde's Board of Directors decided to specify its guidance for 2022 as far as revenue growth of the security business is concerned.

Webcast press conference

Loihde's CEO Samu Konttinen presents the results in a webcast today, 31 August 2022 at 11:00 EEST. The webcast will be live at <https://loihde.videosync.fi/q2-2022-liiketoimintakatsaus/>.

Presentations and a recording of the webcast will later be available in Finnish on the company's website at <https://www.loihde.com/omistajille/raportit-ja-esitykset/>.

Financial calendar

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

- The business report for July–September will be published on Tuesday, 1 November 2022.

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

31 August 2022
Loihde Plc
Board of Directors

Further information

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Loihde is an expert organisation specialising in digital development and security solutions. We help our customers create growth and competitiveness through digitalisation, while ensuring the security of people and information and the continuity of business. Loihde consists of two business areas: security solutions with the brand Loihde Trust, and digital development with the brands Loihde Advisory, Loihde Analytics and Loihde Factor. The Group has approximately 855 employees and its revenue in 2021 amounted to EUR 108.1 million.

TABLES

Accounting principles for the half-year report

The half-year report has been prepared in accordance with good accounting practice and the Finnish legislation. Lohde Plc prepares its financial statements according to the Finnish accounting legislation (FAS). The information is presented to the extent required by the Nasdaq First North Growth Market Rulebook section 4.4.6. The figures presented have been rounded from the exact figures. The figures in the half-year report are unaudited.

Consolidated income statement (FAS)

EUR 1,000	1 Jan.–30 June 2022	1 Jan.–30 June 2021	1 Jan.–31 Dec. 2021
REVENUE	58,865	52,050	108,079
Change in inventory of finished and unfinished goods	10	0	0
Production for own use	282	256	495
Other operating income	4,355	6,180	7,402
Materials and services	18,105	16,254	33,464
Personnel expenses	31,486	28,800	57,662
Depreciation, amortisation and impairment	4,660	4,589	9,471
Other operating expenses	7,686	6,777	15,462
OPERATING PROFIT (EBIT)	1,574	2,066	-82
Finance income and costs	-314	377	437
PROFIT BEFORE APPROPRIATIONS AND TAXES	1,260	2,443	355
Income taxes	-1,210	487	239
Minority interest	0	10	10
PROFIT FOR THE PERIOD	50	2,940	603

Consolidated balance sheet (FAS)

EUR 1,000	30 June 2022	30 June 2021	31 Dec. 2021
ASSETS			
Intangible assets	51,046	52,886	48,998
Tangible assets	6,896	7,957	7,740
Investments	236	237	237
NON-CURRENT ASSETS, TOTAL	58,178	61,080	56,975
CURRENT ASSETS			
Inventories	10,930	7,176	7,287
Non-current receivables	1,056	876	716
Current receivables	25,654	21,526	22,399
Financial securities	10,157	15,716	15,866
Cash in hand and at bank	22,693	26,948	24,354
CURRENT ASSETS, TOTAL	70,491	72,241	70,622
ASSETS, TOTAL	128,669	133,321	127,597
EUR 1,000	30 June 2022	30 June 2021	31 Dec. 2021

EQUITY AND LIABILITIES

EQUITY

Share capital	1,504	1,504	1,504
Reserve fund	8,132	8,132	8,132
Share issue	689	0	0
Reserve for invested unrestricted equity	49,320	52,782	49,320
Retained earnings	39,859	40,533	42,657
Profit for the period	50	2,940	603
EQUITY, TOTAL	99,556	105,868	102,217

LIABILITIES

Non-current liabilities	136	60	90
Current liabilities	28,977	27,392	25,289
LIABILITIES, TOTAL	29,113	27,453	25,380

EQUITY AND LIABILITIES, TOTAL	128,669	133,321	127,597
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Consolidated cash flow statement (FAS)

CONSOLIDATED CASH FLOW STATEMENT	1 Jan.–30 June 2022	1 Jan.–30 June 2021	1 Jan.–31 Dec. 2021
Cash flow from operating activities			
Profit/loss for the period	50	2,940	603
Adjustments to the profit for the period	1,999	-2,211	1,752
Cash flow from operating activities before the change in working capital	2,049	729	2,355
Change in working capital:			
Inventories increase (-)/decrease (+)	-2,456	-503	-614
Current receivables increase (-)/decrease (+)	-2,259	342	423
Current liabilities decrease (-)/increase (+)	779	-864	858
Cash flow from operating activities before financial items and taxes	-1,887	-296	3,022
Dividends received	28	28	56
Interests and other finance income	9	544	637
Finance costs	-114	-49	-104
Taxes	-623	525	-319
Cash flow from operating activities	-2,586	752	3,292
Cash flow from investing activities			
Purchase of shares	-3,966	-9,518	--10,174
Investments in tangible and intangible assets	-550	-894	-1,915
Disposal of shares and repayment of capital	797	5,759	5,757
Proceeds from sale of tangible and intangible assets	4,700	401	1,029
Loans granted	-2,405		
Repayment of loan receivables			
Cash flow from investing activities	-1,425	-4,252	-5,304

	1 Jan.–30 June 2022	1 Jan.–30 June 2021	1 Jan.–31 Dec. 2021
Cash flow from financing activities			
Share issue against payment	824	3,419	4,750
Change in long-term loans	-105		
Change in short-term loans	-460	-10	-10
Acquisition of own shares	-420		
Sale of own shares	1	77	116
Dividends paid and other profit distribution	-3,184	-9,805	-15,104
Repayment of loan receivables	0	6,151	6,151
Cash flow from financing activities	-3,345	-168	-4,097
Change in cash and cash equivalents according to the statement	-7,355	-3,668	-6,108
Cash and cash equivalents 1 Jan.	40,219	46,331	46,331
Impact of currency exchange rate changes	-14	-1	4
Cash and cash equivalents 31 Dec.*	32,850	42,664	40,219
Change in cash and cash equivalents	-7,355	-3,668	-6,108

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

Changes in the Group's equity (FAS)

EUR 1,000	30 June 2022	30 June 2021	31 Dec. 2021
EQUITY			
Share capital 1 Jan.	1,504	1,504	1,504
Share capital 30 June/31 Dec.	1,504	1,504	1,504
Reserve fund 1 Jan.	8,132	8,132	8,132
Reserve fund 30 June/31 Dec.	8,132	8,132	8,132
Share issue 1 Jan./31 Dec.	0	0	1,310
Change for the period	689	0	-1,310
Share issue 30 June/31 Dec.	689	0	0
Reserve for invested unrestricted equity 1 Jan.	49,320	49,706	48,396
Transfer from share issue	0	0	1,310
Sale of own shares	0	3,052	4,689
Distribution of assets	0	0	-5,074
Reserve for invested unrestricted equity 30 June	49,320	52,758	49,320
Retained earnings 1 Jan.	43,260	50,807	50,807
Profit distribution	-3,093	-10,277	-10,276
Translation differences	-5	-1	-1
Other changes in equity	-302	3	2,127
Retained earnings 30 June	39,859	40,533	42,657
Profit for the period	50	2,940	603
Equity, total	99,556	105,868	102,217

The Group's commitments and collateral

EUR 1,000	30 June 2022	30 June 2021	31 Dec. 2021
Debts with a business or property mortgage put up as collateral			
Loans from financial institutions	0	0	0
Overdraft facilities			
Overdraft facilities granted	1 000	0	0
Drawn	0	0	0
Business and property mortgages			
Business and property mortgages put up as collateral	1 584	84	84
Debts with a guarantee as collateral			
Loans from financial institutions	0	0	0
Bank guarantees	612	0	0
Overdraft facilities	1,025	456	783
Drawn loans and overdraft facilities	1,637	456	783
Available loans and overdraft facilities	2,312	900	900
Amount of the guarantee given as collateral	1,637	456	783
Contingent liabilities			
Rental and leasing commitments			
Payable in the next 12 months	5,018	3,995	4,344
Payable later	7,501	5,154	5,331
Total	12,519	9,149	9,675
Other commitments and collateral			
Total collateral amount granted	1,586	420	420
Drawn	1,192	418	420
VAT return obligation for real estate investments	65	95	74
Collateral and contingent liabilities, total	16,997	10,201	11,036

Loihde Properties Ltd has a conditional commitment to the city of Vaasa of EUR 510,000.00 relating to a land use agreement, for which a bank guarantee of EUR 612,000.00 has been applied for as collateral. The fulfilment of the commitment is conditional on the town plan related to the land use agreement being approved and the building permit obtaining legal validity.

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.

EBITDA AND ADJUSTED EBITDA

EUR 1,000	4-6/2022	4-6/2021	1-6/2022	1-6/2021	1-12/2021
Operating profit (EBIT)	-1,064	-1,731	1,574	2,066	-82
Depreciation, amortisation and impairment	2,357	2,328	4,660	4,589	9,471
EBITDA	1,293	597	6,234	6,655	9,389
Gains from the disposal of fixed assets	-328	-160	-4,203	-6,019	-7,107
Restructuring expenses	24	24	45	176	666
Other non-recurring operating expenses	6	228	113	278	1,302
ADJUSTED EBITDA	995	689	2,189	1,090	4,250

ADJUSTED OPERATING PROFIT (EBIT) AND ADJUSTED EBITA

EUR 1,000	4-6/2022	4-6/2021	1-6/2022	1-6/2021	1-12/2021
Operating profit (EBIT)	-1,064	-1,731	1,574	2,066	-82
Gains from the disposal of fixed assets	-328	-160	-4,203	-6,019	-7,107
Restructuring expenses	24	24	45	176	666
Other non-recurring operating expenses	6	228	113	278	1,302
ADJUSTED OPERATING PROFIT (EBIT)	-1,362	-1,639	-2,471	-3,498	-5,222
Amortisation of goodwill	1,915	1,841	3,785	3,609	7,509
ADJUSTED EBITA	553	201	1,314	110	2,288

ADJUSTED PROFIT FOR THE PERIOD

EUR 1,000	4-6/2022	4-6/2021	1-6/2022	1-6/2021	1-12/2021
Profit for the period	-1,632	-1,026	50	2,940	603
Gains from the disposal of fixed assets	-328	-160	-4,203	-6,019	-7,107
Restructuring expenses	24	24	45	176	666
Other non-recurring operating expenses	6	228	113	278	1,302
Tax effects of adjustment items	-2	-18	463	-47	-276
ADJUSTED PROFIT FOR THE PERIOD	-1,932	-952	-3,531	-2,671	-4,812

Calculation formulas

EBITDA:

Operating profit + depreciation, amortisation and impairment

Adjustments:

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

Return on equity, % (ROE):

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

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

Equity-to-assets ratio:

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

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.