



**Loihde Plc**  
**Half-year report**  
1 January – 30 June 2021

31 August 2021

# LOIHDE PLC HALF-YEAR REPORT 1 JANUARY–30 JUNE 2021

(published 31 August 2021, unaudited)

## Growth in both businesses, strategic acquisition of Talent Base, Loihde updates its revenue outlook

### April–June 2021 in brief

- Loihde Group's revenue for the second quarter amounted to EUR 26.9 million (EUR 26.0 million), an increase of 4%
- Revenue from the Group's continuing operations came to EUR 26.9 million (EUR 24.3 million), representing total growth of 11% and organic growth of 18%
- Revenue from continuing operations in the security business amounted to EUR 18.3 million (EUR 16.7 million), an increase of 10%
- Revenue from continuing operations in the digital development business amounted to EUR 8.6 million (EUR 7.7 million), representing total growth of 13% and organic growth of 3%
- Adjusted EBITDA was EUR 0.7 million (EUR 1.4 million), or 2.6% (5.2%) of revenue
- Adjusted EBITA was EUR 0.2 million (EUR 0.8 million), or 0.7% (3.2%) of revenue
- In May, Loihde acquired the entire share capital of the IT consulting firm Talent Base Oy, with Talent Base Oy's CEO Tomi Bergman joining Loihde Plc's Group Management Team
- The Group began a brand renewal, with the parent company Viria Plc changing its name to Loihde Plc in May and the name Loihde adopted for the Group as a whole

### January–June 2021 in brief

- Loihde Group's revenue was on a par with the comparison period at EUR 52.1 million (EUR 52.2 million)
- Revenue from the Group's continuing operations came to EUR 51.2 million (EUR 48.9 million), representing total growth of 5% and organic growth of 3%
- Revenue from continuing operations in the security business amounted to EUR 34.7 million (EUR 32.7 million), an increase of 6%
- Revenue from continuing operations in the digital development business amounted to EUR 16.4 million (EUR 16.2 million), representing total growth of 1% and organic growth of -3%
- Adjusted EBITDA was EUR 1.1 million (EUR 2.4 million), or 2.1% (4.6%) of revenue
- Adjusted EBITA was EUR 0.1 million (EUR 1.4 million), or 0.2% (2.7%) of revenue
- In February, Loihde sold the entire share capital of the TV solutions provider Hibox Systems Oy Ab to Accedo AB

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<sup>1</sup> The organic growth of continuing operations excludes the revenue of Hibox Systems Oy Ab, Talent Base Oy and Talent Base AB

## **Financial targets for the strategy period 2021–2024**

Loihde's Board of Directors has confirmed the financial targets for the strategy period 2021–2024 as follows:

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.<sup>2</sup>

## **Outlook for 2021**

Loihde Plc has decided to increase its revenue guidance due to the acquisition of Talent Base Oy's share capital, which was completed on 1 June 2021.

### **Updated outlook for 2021**

Loihde intends to take measures in 2021 related to the achievement of long-term objectives, and the development expenses associated with these measures will temporarily reduce the company's operational profitability. It can also be expected that the costs that decreased in 2020 due to the COVID-19 pandemic will partly return closer to normal levels in 2021.

In 2021, Loihde expects the revenue of continuing operations in the digital business to grow. Revenue from the security business is expected to remain on a par with the previous year or show moderate growth. The Group's adjusted EBITDA is estimated to be lower than in 2020.

### **Previous outlook for 2021** (published on 4 March 2021)

The uncertainty caused by COVID-19 continues in the market and reduces predictability. Viria intends to take measures in 2021 related to the achievement of long-term objectives, and the development expenses associated with these measures will temporarily reduce the company's operational profitability. It can also be expected that the costs that decreased in 2020 due to the pandemic will return closer to normal levels in 2021.

In 2021, Viria expects the revenue of continuing operations in both the security business and the digital development business to be on a par with the previous year or show moderate growth. The Group's adjusted EBITDA is estimated to be lower than in 2020.

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<sup>2</sup> The difference of 3–4 percentage points, estimated by the management, between the adjusted EBITDA margins calculated in accordance with IFRS vs. FAS standards is mainly due to handling of leases in accordance with IFRS 16.

## Key figures

EUR 1,000	4–6 2021	4–6 2020	Change %	1–6 2021	1–6 2020	Change %	1–12 2020
Revenue, EUR 1,000	26,931	25,988	4%	52,050	52,236	0%	106,823
- Security business	18,303	16,670	10%	34,723	32,665	6%	69,122
- Digital development business	8,613	9,354	-8%	17,308	19,558	-12%	37,859
- Other (incl. eliminations)	15	-36	-140%	18	13	38%	-158
Revenue, continuing operations <sup>1</sup> , EUR 1,000	26,931	24,297	11%	51,166	48,919	5%	101,026
- Security business	18,303	16,670	10%	34,723	32,665	6%	69,122
- Digital development business <sup>1</sup>	8,613	7,654	13%	16,418	16,223	1%	32,028
- Other (incl. eliminations) <sup>1</sup>	15	-28	-153%	25	31	-19%	-124
EBITDA	597	1,427	-58%	6,655	2,199	203%	5,434
Adjusted EBITDA, EUR 1,000 <sup>2</sup>	689	1,359	-49%	1,090	2,425	-55%	6,160
Adjusted EBITDA, %	2.6	5.2	-	2.1	4.6	-	5.8
EBITA, EUR 1,000	110	909	-88%	5,675	1,164	387%	3,386
Adjusted EBITA, EUR 1,000 <sup>2</sup>	201	841	-76%	110	1,391	-92%	4,113
Operating profit (EBIT), EUR 1,000	-1,731	-929	-	2,066	-2,445	-	-3,838
Adjusted operating profit (EBIT), EUR 1,000 <sup>2</sup>	-1,639	-997	-	-3,498	-2,218	-	-3,111
Profit for the period, EUR 1,000	-1,026	-269	-	2,940	-2,980	-	-4,172
Adjusted profit for the period, EUR 1,000 <sup>2</sup>	-952	-323	-	-2,671	-2,799	-	-3,590
Equity-to-assets ratio, %	79.6	77.3	-	79.6	77.3	-	81.3
Earnings per share (EPS), EUR <sup>3</sup>	-0.18	-0.05	-	0.51	-0.54	-	-0.75
Average number of employees (FTE)	713	717	-1%	711	711	0%	714

<sup>1</sup> Revenue from continuing operations does not include Hibox Systems Oy Ab<sup>1</sup> revenue for January–February, which amounted to EUR 890 thousand.

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

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

### CEO Samu Konttinen:

Our revenue from continuing operations grew organically by 8% in April–June. Including inorganic growth, revenue increased by 11%. The total revenue from continuing operations during the period was EUR 26.9 million (EUR 24.3 million). The Group's adjusted EBITDA was EUR 0.7 million (EUR 1.4 million), or 3% (5%) of revenue. We are in the process of making several investments related to the company's strategy and business development, which reduce profitability in the short term.

In May, we acquired the IT consulting firm Talent Base Oy, which strengthens our digital development business particularly due to its expertise in data-driven management consulting and solution planning. Together with the existing Group companies BitFactor and Aureolis, Talent Base provides the Loihde Group with a strong digital development network with more than 300 top professionals.

The digital development business picked up slightly during the first half of the year, with revenue from continuing operations in the business growing by 3% organically and by 13% if the Talent Base acquisition is taken into account. Companies and other organisations are actively digitalising their operations. This was reflected in high demand for our services related to, for example, software development, cloud transformation and projects related to analytics and business intelligence. The utilisation rate in the digital development business was at a fairly good level. Accelerating growth will call for increasing the number of personnel. The implementation of our growth plans may be influenced by the prevailing shortage of competent professionals in the market and the success of our recruitment activities.

The 10% growth we achieved in the security business represented exceptional success in both physical security and cyber security. We signed several significant customer agreements with social services and health care organisations and other public sector entities on camera surveillance, access control, locking and personal security solutions. Among our continuing services, the strongest growth was seen in software-driven network solutions and the services produced by the Cyber Security Operations Centre. We have a positive view of the corporate security market, but we expect there to be fluctuation from one quarter to the next.

We are now Loihde. Earlier this year, we started a comprehensive brand renewal that involves adopting the name Loihde throughout the Group. A common brand enables us to better highlight the Group's strong and diverse expertise, which was previously divided under multiple brands. The transformation into Loihde started with a change of name for the Group and its parent company in the spring. The subsidiaries will switch to new brand names preceded by Loihde at the beginning of September.

In May, we announced that we are exploring opportunities to apply for Loihde Plc's shares to be listed for trading on Nasdaq First North Growth Market Finland. We have continued our listing-related assessments and the company's preparations for listing have progressed according to plan.

## **Revenue and profit performance in April–June 2021**

The Group's revenue for April–June amounted to EUR 26.9 million (EUR 26.0 million). Revenue from the Group's continuing operations came to EUR 26.9 million (EUR 24.3 million). Revenue from continuing operations in the security business increased by 10% and amounted to EUR 18.3 million (EUR 16.7 million). Growth in the security business was entirely organic. Revenue from continuing operations in the digital development business increased by 13% and amounted to EUR 8.6 million (EUR 7.7 million). Organic growth was 3%.

The Group's EBITDA was EUR 0.6 million (EUR 1.4 million), or 2.2% (5.5%) of revenue, and the adjusted EBITDA was EUR 0.7 million (EUR 1.4 million), or 2.6% (5.2%) of revenue.

EBITA totalled EUR 0.1 million (EUR 0.9 million), or 0.4% (3.5%) of revenue, and EBIT was EUR -1.7 million (EUR -0.9 million).

The profit for the period was EUR -1.0 million (EUR -0.3 million) and earnings per share were EUR -0.18 (EUR -0.05).

## **Revenue and profit performance in January–June 2021**

The Group's revenue for the first half of the year amounted to EUR 52.1 million (EUR 52.2 million). Revenue declined by 0.4 per cent year-on-year, which was mainly attributable to the divestment of the shares of Hibox Systems Oy Ab. Hibox Systems Oy Ab is included in the revenue for January–February and Talent Base Oy in the revenue for June. Revenue from continuing operations increased by 5% and amounted to EUR 51.2 million (EUR 48.9 million). The organic growth of revenue from continuing operations was 3%. Revenue from continuing operations in the security business increased by 6% and amounted to EUR 34.7 million (EUR 32.7 million). Growth in the security business was entirely organic. Revenue from continuing operations in the digital development business increased by 1% and amounted to EUR 16.4 million (EUR 16.2 million). Organic growth was -3%.

EBITDA was EUR 6.7 million (EUR 2.2 million), or 12.8% (4.2%) of revenue, and the adjusted EBITDA was EUR 1.1 million (EUR 2.4 million), or 2.1% (4.6%) of revenue. EBITDA was increased by the capital gain of approximately EUR 5.9 million recognised on the sale of Hibox Systems Oy Ab.

EBITA totalled EUR 5.7 million (EUR 1.2 million), or 10.9% (2.2%) of revenue. EBIT was EUR 2.1 million (EUR -2.4 million).

Personnel expenses totalled EUR 28.8 million (EUR 27.1 million), or 55% (52%) of revenue. The increase in personnel expenses was mainly attributable to changes in group structure, the growth of the Security Solutions business area and investments in business development.

Other operating expenses totalled EUR 6.8 million (EUR 6.9 million), or 13% (13%) of revenue.

The Group's planned depreciation totalled EUR 4.6 million (EUR 4.6 million), of which the amortisation of goodwill accounted for EUR 3.6 million (EUR 3.6 million).

The Group's profit for the review period was EUR 2.9 million (EUR -3.0 million) and earnings per share were EUR 0.51 (EUR -0.54).

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

The Group's balance sheet total at the end of the review period was EUR 133.3 million (EUR 145.7 million). Consolidated goodwill on the balance sheet amounted to EUR 50.5 million (EUR 47.2 million). The most significant changes that affected the balance sheet total compared to the comparison date were dividend payment and the repayment of loans in late 2020.

The equity-to-assets ratio at the end of the review period was 79.6% (77.3%) and the Group's return on equity was 5.4% (-5.0%). Return on equity was improved by the capital gain recognised on the sale of Hibox Systems Oy Ab and reduced by the amortisation of goodwill.

Cash flow from operating activities before financial items and taxes was EUR -0.3 million (EUR 3.2 million).

Investments totalled EUR 10.7 million (EUR 5.5 million). The most significant investments during the review period and the comparison period were related to acquisitions.

Loihde Plc distributed dividends for the year 2020 in accordance with the decision of the Annual General Meeting. The dividend amount was EUR 1.80 per share (record date 10 May 2021). The dividend payment date was 18 May 2021. The total amount of the dividend was approximately EUR 10.3 million.

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

The number of Loihde Plc shares was 5,921,459 at the end of June and the average number of shares in January–June was 5,723,118 (end of June 2020: 5,675,465 and January–June 2020 average: 5,524,726).

At the end of the review period, the parent company held 80,130 of its own shares and the subsidiaries held 400 shares, representing 1.4% of the total number of shares.

The company had 25,914 shareholders at the end of the period. This figure does not include shares that have not been registered in the book-entry system; there were 349,100 such shares at the end of the period. On 6 May 2021, the Annual General Meeting resolved that the rights carried by such shares in joint accounts would be forfeited unless a request to register the shares were made by 30 June 2021 at the latest. During the spring and early summer, 51,100 shares previously registered in a joint account were registered in their owners' book-entry accounts. For shares that have been lost and for which cancellation has been sought through a district court, the deadline for registration in the book-entry system is 31 December 2021.

None of the company's shareholders have nominee-registered their shares. The list of major shareholders can be found on the company's website at [loihde.com](http://loihde.com).

The company issued a total of 157,031 new shares during the period under review.

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

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

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

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

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

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 2021–31 December 2023. 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 reward. In order to be eligible to receive the additional shares, the participant must still be employed by Loihde Group at the time of the payment of the reward. Rewards based on the earning of additional shares will be paid to the eligible participants after the vesting period, tentatively in early 2024. The rewards under the incentive scheme will be primarily paid in a combination of the company's shares and cash. The cash component is intended to cover the taxes and tax-like charges arising from the reward. The Board of Directors also has the right to decide that the reward be paid fully in shares or fully in cash.

During the subscription period, 18 June 2021–24 June 2021, the participants in the scheme had the opportunity to subscribe for shares in the company at a discounted 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 after the review period, in July 2021, and the new shares were entered in the Trade Register on 19 July 2021.

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

On 3 March 2021, the company's Board of Directors decided on a performance-based long-term incentive scheme aimed at the Group Management 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 reward consist of revenue and EBITDA targets set by the Board of Directors for the vesting period. The potential share rewards 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. The condition for the payment of the reward is that the key employee's employment or service relationship has not been terminated by the key employee or the company before the end of the vesting period.

#### *The 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 after the review period, in July 2021, and entered in the Trade Register on 20 July 2021.

## **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 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.

The digital development business consists of:

- Aureolis Oy (renamed Loihde Analytics Oy effective from 1 September 2021)
- BitFactor Oy (Loihde Factor Oy) and
- Talent Base Oy (Loihde Advisory Oy) and its subsidiaries Talent Base AB (Loihde Advisory AB) and Altotech Oy

The security business consists of:

- Viria Security Ltd (Loihde Trust Oy)
- Tansec Oy (Loihde Trust Tansec Oy) and
- Spellpoint Ltd (Loihde Trust Spellpoint Oy)

The Group also includes Viria Kiinteistöt Oy (Loihde Kiinteistöt Oy).

### **Changes in group structure**

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

The company acquired the entire share capital of the IT consulting firm Talent Base Oy in May. Talent Base and its subsidiaries joined the Group effective from 1 June 2021.

Viria Security Ltd sold its alarm centre business to K2 Turvapalvelut Oy in June.

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

The Group's number of personnel, converted into full-time equivalents (FTE), averaged 711 (711) for the review period and stood at 754 (720) at the end of the review period. Potential part-time employment has also been taken into account in calculating the average number of employees.

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

During the period under review, the members of the Group Management Team were Group CEO Samu Konttinen, Viria Security Ltd's Managing Director Marko Järvinen, Aureolis Oy's Managing Director Katja Ahola, BitFactor Oy's Managing Director Juha Meronen, Talent Base Oy's CEO Tomi Bergman (starting from 1 June 2021), CFO Pirjo Suhonen, Director of Communications Tiina Nieminen and EVP, Strategy & Business Development Mikko Mäkelä (starting from 8 February 2021).

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

The members of the Supervisory Board were 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 (starting from 6 May 2021), Ari Närvä, Björn Pundars, Raimo Ristilä, Janne Tuomikoski, Matti Uusi-Kakkuri and Piia Uusi-Kakkuri.

## Annual General Meeting

Loihde Plc's Annual General Meeting was held in Seinäjoki on Thursday, 6 May 2021. The Annual General Meeting confirmed the company's financial statements for the financial period 2020 and discharged the persons responsible for 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 equity, in which EUR 0.90 per share would be distributed from the company's reserve for invested unrestricted equity. The additional distribution of equity is conditional on the company's shares being listed for trading on Nasdaq First North Growth Market Finland, maintained by Nasdaq Helsinki Oy, by 31 December 2021. The Board of Directors will decide on the record date and payment date of the distribution of equity. The payment date must 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, APA, 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 business name be 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 comprises digitalisation, information management, security and various technology-related business operations, management, development and consulting, owning, leasing and selling properties and shares as well as financing and investment operations. The company may engage in its operations directly or through subsidiaries, associated companies and affiliated companies."*

The Annual General Meeting also resolved on conditional amendments to the Articles of Association that will be submitted for registration if the company's Board of Directors decides to apply to have the company's shares listed for trading on First North. The amendments in question are 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 elected by the General Meeting of Shareholders.
- The Board of Directors' term of office will end at the conclusion of the next Annual General Meeting following its election.

- The company has one auditor, which must be an audit firm in accordance with the Auditing Act, and the principal auditor must be an authorised public accountant.
- The General Meeting of Shareholders may be held in either Seinäjoki or Vaasa. The notice of the General Meeting will be delivered by publishing it on the company's website. In addition, the notice of the General Meeting may be published in one or more newspapers if the Board of Directors so decides.
- In General Meetings of Shareholders, vote capping will be eliminated along with the requirement of a three-quarter majority for certain decisions made by a General Meeting.

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

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

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

The shares of Anvia Oyj, the predecessor of the company that is now 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 the 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 the 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 paid directed share issue related to the long-term share-based incentive scheme for the members of the Board of Directors, in which a maximum of 3,168 shares will be issued for subscription by members of the Board of Directors.

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

## **Market review**

The strong digitalisation development of companies and society in general is one of the most important growth drivers for Loihde. It has direct or indirect impacts on nearly all of Loihde's service areas, most typically on software development and data analytics utilisation. In addition, it increases the need for cyber security services significantly.

Digitalisation creates significant opportunities for companies to develop their business operations. It has extensively reshaped traditional business and revenue models while also creating entirely new operating models, such as the platform economy and the significantly increased utilisation of mobility. Digital services and systems are developed using a business-oriented approach, with emphasis on the user experience. The aspects highlighted in development projects include not only technological expertise but also the significance of customer and business insight and service design.

Digitalisation also sees various areas of society move increasingly to electronic channels, which makes systems and services more vulnerable to cyber security threats. For this reason, the secure development of systems and applications and comprehensive cyber security solutions are increasingly critical aspects of total security for companies. Changes in the corporate IT environment, such as cloud services, the increase in the number of systems, system integrations and inter-company ecosystems as well as cyber crime becoming increasingly professional increase the need for cyber security services and pose new kinds of challenges. 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 camera 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.

Use of data and business intelligence are key trends in business development. The amount of data is growing exponentially and organisations have a strong motivation to make their operations data-driven and to seize the opportunities offered by artificial intelligence and automation. Data refinement, analytics and business intelligence consulting are Loihde's key competences. By combining them with the Group's other service areas, solutions can be created for the needs of the Industrial Internet, for example.

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 has slowed down the growth of the global economy and the Finnish economy. At the same time, however, the restrictions related to the pandemic have increased the need for digital services and accelerated their implementation, which also increases the need for cyber security services. Nevertheless, investments being postponed due to the uncertainty associated with economic development may also affect Loihde's businesses, and the growth outlook of the physical security market is partially influenced by the slowing down of new construction and delays in renovation projects.

Digitalisation development is at different stages in different sectors. 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 currently under way in sectors including social welfare and health care services, retail and industry, where digitalisation can both enhance processes and improve the customer experience.

## **Strategy**

Loihde is a service company specialising in digital services and security technology. It develops digital solutions for its customers and protects them from information security risks and other security risks. The company helps its customers take advantage of data and digitalisation and secure 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.

### *Organic growth and improving profitability*

Loihde aims 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. The company's view is that digitality will break through in nearly all industries, the data-driven approach and the use of data in all business activities will increase in significance and, simultaneously, technologies will develop at a rapid rate. To keep abreast of this development, companies will take advantage of the expertise of partners such as Loihde.

#### *We focus on growth segments in digital development and the security market*

In digital development, the company's strategic focus is on growing service areas such as data analytics, service design, software development and cloud technology development projects. A trend that has been evident in the market in recent years is companies aiming to establish customer relationships starting from the planning and design stages of digitalisation projects, as being able to sell one hour of design work typically means selling several hours of software development work. The Talent Base acquisition completed in spring 2021 takes Loihde in precisely this direction in the value chain.

In the security business, the company continues to develop cyber security and cloud transformation services in response to changing customer needs. Digitality and the significance of information security are also growing in physical security solutions, while analytics is creating new growth as increasingly advanced video surveillance and access control systems become more commonplace. Loihde continues to refine its unique One Security® total security concept that covers both digital and physical security. The company is confident that it will strengthen its position as one of Finland's strongest comprehensive service providers in physical security and aims to achieve market leadership in Finland.

#### *Synergies through cooperation within the Group*

During the past few years, the company has completed a number of acquisitions that have created the core of today's Loihde. The acquired companies have operated as separate entities under several different brands. The company aims to develop and harmonise the Group's operations, increase cross-selling and develop synergistic comprehensive solutions. One clear indication of the creation of a more coherent Group is the brand renewal carried out in 2021 that will see all of the Group companies moved under the Loihde brand.

#### *Accelerating growth through selected acquisitions*

Loihde aims to continue to make focused acquisitions to support its 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. The company wants to be a highly sought-after workplace that offers well-being, professional development and the experience of doing meaningful work each and every day. Loihde's slogan, "People first since 1882" refers to the customers for whom the company works as well as the personnel on whose expertise the company is built.

## **Risks and uncertainties**

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

The COVID-19 pandemic and its effect of slowing down economic growth globally and in Finland continues to cause uncertainty that may reduce companies' ability and willingness to make investments, or lead to such investments being postponed. The pandemic may also

have negative effects on customers' financial standing. At the same time, the COVID-19 pandemic has accelerated the implementation of new digital services and changes in how society operates, which increases 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 highly on skilled personnel. The company's profit and the implementation of the company's strategy may be impaired significantly 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 and 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 subscription price for the shares subscribed in May–June as part of the share-based incentive schemes for the personnel and the Board of Directors was paid in July and the shares were entered in the Trade Register on 19 July 2021 and 20 July 2021. Following the registration of the new shares, the company has 6,007,041 shares in total.

On 30 August 2021, Loihde's Board of Directors decided on the company's financial targets for the strategy period 2021–24, which are presented at the beginning of this half-year report, as well as the company's dividend policy. Previously, the company'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 new dividend policy is as follows:

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.

### **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 Friday, 29 October 2021

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

31 August 2021

Loihde Plc

Board of Directors

### **Further information**

CEO Samu Konttinen, interview requests Director of Communications Tiina Nieminen, tel. +358 44 4113480 or [tiina.nieminen@loihde.com](mailto:tiina.nieminen@loihde.com)

*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. The Loihde Group consists of the parent company Loihde Plc and its subsidiaries Viria Security Ltd, Aureolis Oy, BitFactor Oy, Talent Base Oy, Tansec Oy, Spellpoint Ltd and Viria Kiinteistöt Oy. The Group has approximately 710 employees and its revenue in 2020 amounted to EUR 106.8 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. Loihde Plc prepares its financial statements according to the Finnish accounting legislation (FAS). 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 2021	1 Jan.–30 June 2020	1 Jan.–31 Dec. 2020
<b>REVENUE</b>	52,050	52,236	106,823
Production for own use	256	275	503
Other operating income	6,180	421	532
Materials and services	16,254	16,713	35,974
Personnel expenses	28,800	27,090	52,782
Depreciation, amortisation and impairment	4,589	4,644	9,272
Other operating expenses	6,777	6,930	13,669
<b>OPERATING PROFIT (EBIT)</b>	<b>2,066</b>	<b>-2,445</b>	<b>-3,838</b>
Finance income and costs	377	97	763
<b>PROFIT BEFORE APPROPRIATIONS AND TAXES</b>	<b>2,443</b>	<b>-2,348</b>	<b>-3,075</b>
Income taxes	487	-565	-966
Minority interest	10	-67	-130
<b>PROFIT FOR THE PERIOD</b>	<b>2,940</b>	<b>-2,980</b>	<b>- 4,172</b>

**Consolidated balance sheet (FAS)**

EUR 1,000	30 June 2021	30 June 2020	31 Dec. 2020
<b>ASSETS</b>			
Intangible assets	52,886	49,853	46,499
Tangible assets	7,957	8,715	8,451
Investments	237	237	237
<b>NON-CURRENT ASSETS, TOTAL</b>	<b>61,080</b>	<b>58,805</b>	<b>55,187</b>
<b>CURRENT ASSETS</b>			
Inventories	7,176	7,503	6,724
Non-current receivables	876	6,801	884
Current receivables	21,526	15,200	27,526
Financial securities	15,716	14,933	15,418
Cash in hand and at bank	26,948	42,493	30,913
<b>CURRENT ASSETS, TOTAL</b>	<b>72,241</b>	<b>86,930</b>	<b>81,465</b>
<b>ASSETS, TOTAL</b>	<b>133,321</b>	<b>145,735</b>	<b>136,652</b>

EUR 1,000	30 June 2021	30 June 2020	31 Dec. 2020
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	1,504	1,504	1,504
Reserve fund	8,132	8,132	8,132
Connection fee fund	0	0	0
Share issue			1,310
Reserve for invested unrestricted equity	52,758	48,284	48,396
Retained earnings	40,533	56,866	54,979
Profit for the period	2,940	-2,980	-4,172
<b>EQUITY, TOTAL</b>	<b>105,868</b>	<b>111,807</b>	<b>110,149</b>
<b>MINORITY INTEREST</b>	<b>0</b>	<b>294</b>	<b>357</b>
<b>STATUTORY PROVISIONS</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>LIABILITIES</b>			
Non-current liabilities	60	98	42
Current liabilities	27,392	33,537	26,104
<b>LIABILITIES, TOTAL</b>	<b>27,453</b>	<b>33,634</b>	<b>26,146</b>
<b>EQUITY AND LIABILITIES, TOTAL</b>	<b>133,321</b>	<b>145,735</b>	<b>136,652</b>

## Consolidated cash flow statement (FAS)

	1 Jan.–30 June 2021	1 Jan.–30 June 2020	1 Jan.–31 Dec. 2020	
<b>CONSOLIDATED CASH FLOW STATEMENT</b>				
<b>Cash flow from operating activities</b>				
Profit/loss for the period	2,940	-2,980	-4,172	
Adjustments to the profit for the period	-2,211	4,825	9,436	
Cash flow from operating activities before the change in working capital	729	1,844	5,265	
Change in working capital:				
Inventories	increase (-)/decrease (+)	-503	-1,900	-1,120
Current receivables	increase (-)/decrease (+)	342	4,161	-2,107
Current liabilities	decrease (-)/increase (+)	-864	-908	3,676
Cash flow from operating activities before financial items and taxes	-296	3,198	5,713	
Dividends received	28	25	50	
Interest and other finance income	544	69	424	
Finance costs	-49	-166	-125	
Taxes	525	-4,030	-4,432	
<b>Cash flow from operating activities</b>	<b>752</b>	<b>-905</b>	<b>1,632</b>	
<b>Cash flow from investing activities</b>				
Purchase of shares	-9,518	-744	-747	
Investments in tangible and intangible assets	-894	-1,527	-2,432	
Disposal of shares and repayment of capital	5,759	0	0	
Proceeds from sale of tangible and intangible assets	401	605	535	
Loans granted				
Repayment of loan receivables				
<b>Cash flow from investing activities</b>	<b>-4,252</b>	<b>-1,667</b>	<b>-2,644</b>	

	1 Jan.–30 June 2021	1 Jan.–30 June 2020	1 Jan.–31 Dec. 2020
<b>Cash flow from financing activities</b>			
Share issue	3,419	379	1,010
Change in long-term loans			
Change in short-term loans	-10	-2,203	-5,712
Purchase of own shares			
Disposal of own shares	77	146	262
Dividends paid and other profit distribution	-9,805	-760	-10,652
Repayment of loan receivables	6,151	0	0
<b>Cash flow from financing activities</b>	<b>-168</b>	<b>-2,438</b>	<b>-15,092</b>
<b>Change in cash and cash equivalents according to the statement</b>	<b>-3,668</b>	<b>-5,010</b>	<b>-16,104</b>
Cash and cash equivalents			
1 Jan.	46,331	62,436	62,436
Impact of currency exchange rate changes	-1	0	0
Cash and cash equivalents			
31 Dec.*	42,664	57,426	46,331
<b>Change in cash and cash equivalents</b>	<b>-3,668</b>	<b>-5,010</b>	<b>-16,104</b>

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

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

EUR 1,000	30 June 2021	30 June 2020	31 Dec. 2020
<b>EQUITY</b>			
Share capital 1 Jan.	1,504	1,504	1,504
Share capital 30 June	1,504	1,504	1,504
Reserve fund 1 Jan.	8,132	8,132	8,132
Reserve fund 30 June	8,132	8,132	8,132
Connection fee fund 1 Jan.	0	41,786	41,786
Reclassifications	0	-41,786	-41,786
Connection fee fund 30 June	0	0	0
Share issue	0	0	1,310
Reserve for invested unrestricted equity 1 Jan.	49,706	2,240	2,240
Disposal of own shares	3,052	4,258	4,370
Reclassifications	0	41,786	41,786
Reserve for invested unrestricted equity 30 June	52,758	48,284	48,396
Retained earnings 1 Jan.	50,807	64,756	64,756
Profit distribution	-10,277	-7,889	-10,631
Translation differences	-1	0	0
Other changes in equity	3	0	854
Retained earnings 30 June	40,533	56,866	54,979
Profit for the period	2,940	-2,980	-4,172
<b>Equity, total</b>	<b>105,868</b>	<b>111,807</b>	<b>110,149</b>

## The Group's commitments and collateral

EUR 1,000	30 June 2021	30 June 2020	31 Dec. 2020
<b>Debts with a business or property mortgage put up as collateral</b>			
Business and property mortgages			
Business and property mortgages put up as collateral	84	84	84
<b>Debts with shares or book-entry accounts given as collateral</b>			
Shares given as collateral/negative pledge	0	9,702	9,702
	<b>0</b>	<b>9,702</b>	<b>9,702</b>
<b>Debts with a guarantee as collateral</b>			
Loans from financial institutions	0	3,429	0
Overdraft facilities	456	226	468
Drawn loans and overdraft facilities	456	3,655	468
Available loans and overdraft facilities	900	4,329	900
Amount of the guarantee given as collateral	<b>456</b>	<b>3,655</b>	<b>468</b>
<b>Contingent liabilities</b>			
<b>Rental and leasing commitments</b>			
Payable in the next 12 months	3,995	4,050	4,082
Payable later	5,154	2,992	4,819
<b>Total</b>	<b>9,149</b>	<b>7,042</b>	<b>8,900</b>
<b>Other commitments and collateral</b>			
Total collateral amount granted	420	655	384
Drawn	<b>418</b>	<b>655</b>	<b>384</b>
<b>VAT return obligation for real estate investments</b>	<b>95</b>	<b>84</b>	<b>93</b>
<b>Collateral and contingent liabilities, total</b>	<b>10,201</b>	<b>21,221</b>	<b>19,630</b>

**Calculation formulas*****EBITDA:***

Operating profit + depreciation, amortisation and impairment

***Adjustments:***

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

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

Equity + minority interest x 100

Balance sheet total - advances received

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

***Investments:***

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

## Reconciliation calculations for alternative performance measures

Loihde Plc discloses alternative performance measures to provide a better picture of the operational development of business operations and to improve comparability between 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 2021	4–6 2020	1–6 2021	1–6 2020	1–12 2020
Operating profit (EBIT)	-1,731	-929	2,066	-2,445	-3,838
Depreciation, amortisation and impairment	2,328	2,356	4,589	4,644	9,272
<b>EBITDA</b>	<b>597</b>	<b>1,427</b>	<b>6,655</b>	<b>2,199</b>	<b>5,434</b>
Gains from the disposal of fixed assets	-160	-328	-6,019	-328	-338
Restructuring expenses	24	13	176	213	582
Other non-recurring operating expenses	228	247	278	342	483
<b>ADJUSTED EBITDA</b>	<b>689</b>	<b>1,359</b>	<b>1,090</b>	<b>2,425</b>	<b>6,160</b>

### **ADJUSTED OPERATING PROFIT (EBIT) AND ADJUSTED EBITA**

EUR 1,000	4–6 2021	4–6 2020	1–6 2021	1–6 2020	1–12 2020
Operating profit (EBIT)	-1,731	-929	2,066	-2,445	-3,838
Gains from the disposal of fixed assets	-160	-328	-6,019	-328	-338
Restructuring expenses	24	13	176	213	582
Other non-recurring operating expenses	228	247	278	342	483
<b>ADJUSTED OPERATING PROFIT (EBIT)</b>	<b>-1,639</b>	<b>-997</b>	<b>-3,498</b>	<b>-2,218</b>	<b>-3,111</b>
Amortisation of goodwill	1,841	1,838	3,609	3,609	7,224
<b>ADJUSTED EBITA</b>	<b>201</b>	<b>841</b>	<b>110</b>	<b>1,391</b>	<b>4,113</b>

### **ADJUSTED PROFIT FOR THE PERIOD**

EUR 1,000	4–6 2021	4–6 2020	1–6 2021	1–6 2020	1–12 2020
Profit for the period	-1,026	-269	2,940	-2,980	-4,172
Gains from the disposal of fixed assets	-160	-328	-6,019	-328	-338
Restructuring expenses	24	13	176	213	582
Other non-recurring operating expenses	228	247	278	342	483
Write-downs on properties	0	0	0	0	0
Tax effects of adjustment items	-18	14	-47	-45	-145
<b>ADJUSTED PROFIT FOR THE PERIOD</b>	<b>-952</b>	<b>-323</b>	<b>-2,671</b>	<b>-2,799</b>	<b>-3,590</b>