

The background of the slide features a blurred image of a green plant with large, rounded leaves on the right side. In the upper right corner, there are two soft, out-of-focus circular light sources, one larger and more prominent than the other, both emitting a warm, orange-gold glow. The overall color palette is a mix of deep purples, blues, and greens, creating a professional and modern aesthetic.

**Loihde Plc**

**FINANCIAL STATEMENTS RELEASE**

**1 January –31 December 2023**

**1.3.2024**

Loihde Plc Company announcement 1 March 2024 at 8:00 a.m. EET (audited)

## LOIHDE PLC'S FINANCIAL STATEMENTS RELEASE 1 JANUARY–31 DECEMBER 2023

### **A good end to a difficult year – in Q4, adjusted EBITDA improved by 13% year-on-year and was 10% of revenue**

#### October–December 2023 in brief

- Loihde Group's revenue for the fourth quarter amounted to EUR 37.3 (36.0) million, an increase of 3%.
- Revenue from the security business amounted to EUR 26.7 (25.5) million, an increase of 5%.
- Revenue from the digital development business amounted to EUR 10.4 (10.6) million, a decrease of 2%.
- Adjusted EBITDA was EUR 3.8 (3.4) million, or 10.1% (9.3%) of revenue.
- Adjusted operating profit (EBIT) was EUR 1.8 (1.5) million, or 4.8% (4.1%) of revenue.
- The company announced its new strategy and financial targets for the strategy period 2024–2027 and its updated dividend policy.

#### January–December 2023 in brief

- Loihde Group's revenue for the entire year was EUR 132.7 (123.0) million, an increase of 8%.
- Revenue from the security business amounted to EUR 92.4 (82.5) million, an increase of 12%.
- Revenue from the digital development business amounted to EUR 40.1 (40.8) million, a decrease of 2%.
- Adjusted EBITDA was EUR 7.6 (10.3) million, or 5.7% (8.4%) of revenue.
- Adjusted operating profit (EBIT) was EUR 0.0 (3.5) million, or 0.0% (2.8%) of revenue.
- Hämeen Lukko Oy joined the Group on 3 April 2023.
- The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.00 per share be paid from distributable funds.

**Outlook for 2024**

In 2024, Loihde expects the Group's revenue to be on a par with the previous year or grow.

The Group's adjusted EBITDA is estimated to improve compared to 2023, when it was EUR 7.6 million.

**Financial targets for the strategy period 2024–2027**

Loihde Group aims to achieve an average annual revenue growth of approximately 10%, including potential acquisitions. The revenue target for the end of the strategy period, i.e. for 2027, is at least EUR 200 million.

In terms of profitability, the target is to achieve an adjusted EBITDA margin of 15% by the end of the strategy period.

The target return on investment (ROI) is 10% and net debt/EBITDA between 0–2x.

## Key figures (IFRS)

EUR 1,000	10–12 2023	10–12 2022	Change in %	1–12 2023	1–12 2022	Change in %
<b>Revenue, EUR 1,000</b>	37,266	36,045	3%	132,690	122,987	8%
- Security	26,693	25,495	5%	92,366	82,450	12%
- Digital development	10,417	10,584	-2%	40,105	40,849	-2%
- Other (incl. eliminations)	156	-34	559%	219	-312	170%
<b>EBITDA</b>	3,512	2,911	21%	6,669	13,319	-50%
<b>Adjusted EBITDA, EUR 1,000<sup>1</sup></b>	3,771	3,351	13%	7,569	10,290	-26%
<b>Adjusted EBITDA, %<sup>1</sup></b>	10.1%	9.3%		5.7%	8.4%	
<b>Operating profit (EBIT), EUR 1,000</b>	1,540	904	70%	-901	6,371	-114%
<b>Adjusted operating profit (EBIT), EUR 1,000<sup>1</sup></b>	1,799	1,485	21%	-1	3,482	-100%
<b>Profit/loss for the period, EUR 1,000</b>	2,090	1,252	67%	-620	3,359	-118%
<b>Adjusted profit/loss for the period, EUR 1,000<sup>1</sup></b>	2,297	1,754	31%	121	526	-77%
<b>Equity-to-assets ratio, %</b>	69.6%	73.8%		69.6%	73.8%	
<b>Earnings per share (EPS), EUR, basic (undiluted)<sup>2</sup></b>	0.36	0.22	66%	-0.11	0.58	-118%
<b>Earnings per share (EPS), EUR, diluted<sup>2</sup></b>	0.36	0.22	64%	-0.11	0.58	-118%
<b>Return on investment (ROI), %</b>	1.9%	0.9%		0.5%	6.0%	
<b>Adjusted return on investment (ROI), %<sup>1</sup></b>	2.1%	1.4%		1.3%	3.5%	
<b>Average number of employees</b>	843	866	-3%	863	812	6%

The table shows the figures for continuing operations, with the exception of the profit/loss for the period, where the profit for the financial year 2022 also includes the effect of discontinued operations on the profit, i.e. the additional purchase price that the company received for Hibox Systems Oy Ab that was sold in February 2021.

<sup>1</sup> The adjusted EBITDA, 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>2</sup> The parent company's treasury shares (15,195 shares on average in October–December 2023 and 0 shares on average in October–December 2022, as well as 4,014 shares on average in January–December 2023 and 32,948 shares on average in January–December 2022) are excluded from the total number of shares.

## **CEO Samu Konttinen:**

In October–December 2023, Loihde's revenue increased 3% year-on-year to EUR 37.3 (36.0) million. Adjusted EBITDA improved 13% to EUR 3.8 (3.6) million, or 10.1% (9.3%) of revenue.

### **Variation between service areas in digital development**

In the digital development business, there were continued challenges with demand, and revenue decreased 2% year-on-year. However, for some of our clients, the number of projects has remained good, and we have seen some growth in e.g. the financial and public sectors.

Demand for bespoke software development has been low over the past year, and we do not see any significant improvement in a more positive direction in early 2024.

In data and analytics services, the market situation is slightly more positive. We have won several interesting projects related to artificial intelligence, data management, data platforms, analytics and reporting. One such example is AinoAid, where we are developing a generative AI chatbot service to help people that are experiencing domestic violence. The pilot project is a splendid example of how AI can be used to promote well-being. In addition to AI engineering, the project also uses Loihde's extensive expertise in information security and digital development.

The market for cloud transformation and cloud optimisation consultancy has remained fairly positive. Loihde's strength is its versatile expertise in cloud, hybrid and server implementations, which is highlighted in the phased cloud adoption of customers and in situations where part of the IT environment needs to be located on the customer's own servers.

### **Growth continued as expected in the security business**

The security business continued to grow; in October–December, revenue grew by 5% year-on-year.

In security technology, the last quarter of the year was typical, with customers pushing to complete projects by the end of the year, and also with established budget practices accumulating purchases towards the end of the year. We performed well in several customer and offering segments. In the social welfare and health care sector, for example, we had several projects underway at the end of the year to deliver nurse call and other security systems to major hospital projects.

In digital security, Identity and Access Management (IAM) consulting and our 24/7 Cyber Security Operations Centre CSOC grew nicely towards the end of the year, and the year as a whole was good for these service areas. We also entered into several new agreements in these areas, which will have an impact this year. In infrastructure and equipment sales, revenue in Q4 was weak due to customers postponing their purchase decisions.

Towards the end of the year, we signed two important framework agreements in the security business, with an estimated combined value of more than EUR 10 million. One of the agreements concerns security technology systems and services and the other network solutions. Deliveries are spread over a period of several years.

### **A mixed year that improved towards the end**

Full-year revenue saw a year-on-year increase of 8% and came to EUR 132.7 million. Adjusted EBITDA was EUR 7.6 million, a decrease compared to the previous year due to the very weak start to the year. The latter half of the year was better in terms of profitability, with the adjusted EBITDA margin for this period improving by 20% compared to the comparative period and amounting to approximately 10% of revenue. In the early part of the year, the company's profitability was

weighed down by, among other things, weaker demand for bespoke software development, which led to low utilisation rates, and one-off costs and slowdowns due to the ERP change in the security business.

### **New strategy and financial targets – towards 15% EBITDA**

In November, we published our new strategy and financial targets for the period 2024–2027. During the strategy period, we aim to grow faster than the market and achieve a significant improvement in profitability, resulting in an adjusted EBITDA margin of 15% at the end of the strategy period. A key change is the operating model shift from a subsidiary-based management model to business areas based on customer needs.

In the past year, our employees have again shown strong professionalism and commitment to serving our customers, and I would like to express my sincerest thanks to them. I would also like to thank our customers and owners; we do our utmost to be worthy of your trust.

## **Revenue and profit performance in October–December 2023**

The Group's revenue increased by 3% in October–December and totalled EUR 37.3 (36.0) million. Revenue from the security business increased by 5% and amounted to EUR 26.7 (25.5) million. Revenue from the digital development business decreased by 2% and amounted to EUR 10.4 (10.6) million.

The Group's EBITDA was EUR 3.5 (2.9) million, or 9.4% (8.1%) of revenue, and the Group's adjusted EBITDA was EUR 3.7 (3.4) million, or 10.1% (9.3%) of revenue. Adjusted EBITDA was reduced by a write-down of approximately EUR 0.4 million related to a customer receivable.

The Group's operating profit (EBIT) was EUR 1.5 (0.9) million, or 4.1% (2.5%) of revenue, and the Group's adjusted operating profit (EBIT) was EUR 1.8 (1.5) million, or 4.8% (4.1%) of revenue.

The profit for the period was EUR 2.1 (1.3) million. Earnings per share (EPS) were EUR 0.36 (0.22), both basic (undiluted) and diluted.

## **Revenue and profit performance in January–December 2023**

The Group's revenue for the entire year 2023 totalled EUR 132.7 (123.0) million. Revenue saw a year-on-year increase of 8%. Revenue from the security business increased by 12% and amounted to EUR 92.4 (82.5) million. Revenue from the digital development business decreased by 2% and amounted to EUR 40.1 (40.8) million. Hämeen Lukko Oy, acquired in spring 2023, is included in the figures of the security business starting from April.

EBITDA was EUR 6.7 (13.3) million, or 5% (10.8%) of revenue. The EBITDA of the comparative period was increased by capital gains of approximately EUR 3.9 million from the divestment of fibre networks. Adjusted EBITDA was EUR 7.6 (10.3) million, or 5.7% (8.4%) of revenue.

Operating profit (EBIT) was EUR -0.9 (6.4) million, or -0.7% (5.2%) of revenue, and adjusted operating profit (EBIT) was EUR 0.0 (3.5) million, or 0.0% (2.8%) of revenue.

Personnel expenses totalled EUR 68.2 (64.4) million, or 51.4% (52.4%) of revenue.

Other operating expenses amounted to EUR 16.6 (14.2) million, or 12.5% (11.6%) of revenue.

The Group's planned depreciation totalled EUR 7.6 (6.9) million.

The profit or loss for the financial year was EUR -0.6 (3.4) million. Earnings per share (EPS) were EUR -0.11 (0.58), both basic (undiluted) and diluted.

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

The Group's balance sheet total at the end of the financial year was EUR 145.5 (150.9) million. Goodwill on the balance sheet amounted to EUR 63.9 (62.8) million. The balance sheet total was primarily reduced by the dividend and additional dividend paid.

The equity-to-assets ratio at the end of the financial year was 69.6% (73.8%). Return on investment (ROI) was 0.5% (6.0%) and adjusted ROI was 1.3% (3.5%). The Group's return on equity was -0.6% (3.0%).

Cash flow from operating activities was EUR 1.9 (5.1) million. Cash flow from operating activities has been weakened by the poor financial performance in the early part of the year.

The Group's investments totalled EUR 8.0 (14.7) million. In both the period under review and the comparative period, the most significant investments were associated with acquisitions.

Loihde Plc paid a dividend of EUR 0.80 per share for 2022 in accordance with the resolution of the Annual General Meeting (AGM). The dividend record date was 8 May 2023 and the payment date 16 May 2023. The company also distributed an additional dividend of EUR 1.00 per share. The record date of the additional dividend was 21 November 2023 and the payment date 28 November 2023. The dividends and additional dividends totalled approximately EUR 10.3 million.



## Shares and shareholders

The number of outstanding shares in Loihde Plc was 5,738,513 at the end of the financial year and 5,741,198 on average from January to December (5,729,709 at the end of the financial year 2022 and 5,753,658 on average from January to December 2022). The average number of outstanding shares from July to December was 5,743,707 (July to December 2022: 5,687,122). Each share entitles its holder to one vote at the General Meeting.

	31 Dec. 2023	31 Dec. 2022
Number of shares	5,761,707	5,729,709
Treasury shares	23,594	400
Outstanding shares	5,738,113	5,729,309
Market value, EUR million	69.1	75.3
Number of shareholders	24,918	25,499
Number of nominee-registered shares	10,158	8,247

## Overview of trading on Nasdaq First North Growth Market Helsinki 1 January–31 December 2023

	Shares ex-changed	Total value, EUR	Highest, EUR	Lowest, EUR	Weighted average price, EUR	Last, EUR
LOIHDE	554,662	7,373,615	17.15	11.15	13.29	12.05

On 5 September 2023, Loihde Plc's Board of Directors decided to start a share buyback programme in accordance with the authorisation granted to them by the AGM on 4 May 2023. The repurchases of Loihde shares started on 15 September 2023 and by 31 December

2023, Loihde had acquired 23,194 shares through the share buyback programme. The shares were acquired by public trading on the Nasdaq First North Growth Market Finland at the market price quoted at the time of acquisition.

The list of major shareholders is available on the company's website at loihde.com.

## Share-based incentive schemes

During the financial year, the company has issued a total of 31,998 new shares in relation to share-based incentive schemes.

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

In March, Loihde carried out a directed share issue in relation to the payment of matching shares and bonus shares for the personnel incentive scheme vesting period that began in 2020. A total of 12,389 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.

### *Employee Share Savings Plan (ESSP) 2023*

On 25 May 2023, Loihde's Board of Directors decided to establish an Employee Share Savings Plan (ESSP), with the aim to encourage employees to acquire and own Loihde shares. The ESSP is also intended to align the interests of shareholders and employees and to increase employee motivation and long-term commitment to the company. The ESSP, which is available to all employees, consists of annually commencing plan periods, each one comprising of an approximately one-year savings period and a holding period following the savings period.

During the financial year 2023, two share issues have been carried out in connection with the ESSP, in which the company has transferred

shares to the participants corresponding to their savings. During the period 1 July to 31 August 2023, the participants subscribed for a total of 5,933 shares at a subscription price of EUR 12.71 per share with their accumulated savings, and during the period 1 September to 30 November 2023, the participants subscribed for 9,593 shares at a subscription price of EUR 12.19 per share with their accumulated savings. The subscription price is based on the volume-weighted average share price on Nasdaq First North Growth Market Finland in the calendar month preceding the decision on the share issue.

A total of 146 employees participates in the ESSP. As a reward for their commitment, Loihde grants the participating employees a gross reward of one (1) matching share for every two (2) savings shares acquired with their savings. Additionally, the participants have the opportunity to earn half (0.5) or one (1) performance-based matching share (gross) for every two (2) savings shares acquired with their savings, based on the achievement of the performance criterion. The performance criterion is the Group's EBITDA margin for the financial year 2025. Continuity of employment and holding of acquired savings shares for the duration of the holding period are the prerequisites for receiving the award.

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

On 28 November 2023, the company's Board of Directors decided on a performance-based long-term incentive scheme (LTI) aimed at the Group's Leadership Team and selected key employees. The LTI has one vesting period, 2024–2026. A maximum of 29 people is covered by the incentive scheme. The criteria for the payment of the bonus are the EBITDA target set by the Board of Directors for the vesting period and the development of total shareholder return (TSR). The maximum number of shares to possibly be paid as a bonus is 107,600 shares in Loihde Plc. A prerequisite of the bonus under the incentive scheme is that the key employee's employment relationship has not been

terminated or ended by the employee in question or by the company before the end of the vesting period.

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

On 4 May 2023, the AGM decided on two directed share issues related to the long-term share-based incentive scheme for the company's Board of Directors. The first of these related to the payment of a total of 240 commitment shares earned during the vesting period 26 June 2020–31 December 2022. In the second share issue, a maximum of 4,678 shares were issued for subscription by the members of the Board of Directors at a subscription price of EUR 14.82 per share. The subscription price is based on the volume-weighted average share price in April 2023, with a 10 per cent discount applied. Six members of the Board of Directors subscribed for shares, totalling 3,843 shares. The subscription price was entered in the company's reserve for invested unrestricted equity in June and the new shares were entered in the Trade Register on 6 July 2023.

Loihde Plc's share-based incentive schemes are described on the company's website at <https://www.loihde.com/en/for-shareholders-2/corporate-governance/remuneration/>.

## **Group structure and business areas**

Loihde Plc is an expert organisation specialising in digital development and security solutions that enables business continuity for its customers. The Group had two business areas in the financial year 2023: The digital development business offered customers digital strategy consulting, data-driven management and data analytics services, solutions promoting digitalisation from service and user interface design to software development and change management, as well as services related to implementing and managing cloud technologies. Loihde's security business covered a wide range of corporate security services, from cyber security and secure network connections to locking and electronic security technology. From the point of view of IFRS 8 Operating Segments, Loihde had two operating segments and one reportable segment, as the segment aggregation criteria were met.

The Group's parent company is Loihde Plc.

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

- Loihde Advance Ltd
- Loihde Factor Ltd and
- Loihde Cloudon Ltd.

The security business consisted of:

- Loihde Trust Ltd and
- Hämeen Lukko Oy.

The Group also includes Loihde Properties Ltd.

## **Changes in Group structure**

On 3 April 2023, Loihde acquired the entire share capital of Hämeen Lukko Oy.

Loihde Advisory Ltd has merged with Loihde Analytics Ltd on 31 May 2023, and the merged company has taken the name Loihde Advance Ltd.

In August, Loihde divested the business operations of its Swedish digital development subsidiary Loihde Advisory AB to Witted Megacorp Plc.

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

The Group's number of employees, converted into full-time equivalents (FTE), averaged 863 during the financial year (812 in 2022) and stood at 841 (885) at the end of the financial year. Potential part-time employment has also been taken into account when 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 employee satisfaction, sustainable modes of operation and developing competence continuously. Job satisfaction is assessed by continuously collecting feedback through pulse surveys and discussions.

During the financial year, the members of the Group's Leadership Team were Group CEO Samu Konttinen, Loihde Trust Ltd's Managing Director Marko Järvinen, Loihde Advance Ltd's Managing Director Tomi Bergman, Loihde Factor Ltd's Managing Director Juha Meronen, Loihde Cloudon Ltd's Managing Director Jarno Mäki, EVP, Business Development Katja Ahola, CFO Pirjo Suhonen, CMO Jere Teutari and Head of People and Culture Kristiina Aaltonen.

Loihde Plc's Board of Directors consisted of Timo Kotilainen (Chair), Kaj Hagros, Elina Piispanen (until 4 May 2023), Matti Piri and Stefan Wikman, and as of 4 May 2023 Juha Murtopuro, Anni Ronkainen and Matti Vikkula as new members.

## **General Meeting**

Loihde Plc's Annual General Meeting (AGM) was held in Seinäjoki on Thursday, 4 May 2023. The AGM confirmed the company's financial statements for the financial year 2022 and discharged the persons responsible for the accounts and operations from liability.

The AGM resolved to distribute a dividend of EUR 0.15 per share based on the profit for 2022 and an additional dividend of EUR 0.65 per share, i.e. in total EUR 0.80 per share. The dividend record date was 8 May 2023 and the payment date 16 May 2023. In addition, the AGM decided to authorise the Board of Directors to, at its discretion, decide on the distribution of an additional dividend of a maximum of EUR 1.00 per share. The authorisation is valid until the beginning of the next AGM.

The AGM adopted the Remuneration Report for 2022.

The AGM confirmed the number of members of the Board of Directors as seven and re-elected the current members Kaj Hagros, Timo Kotilainen, Matti Piri and Stefan Wikman, while Juha Murtopuro, Anni Ronkainen and Matti Vikkula were elected as new members. Timo Kotilainen was re-elected as Chair of the Board.

The AGM decided that the Chair 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 Chair of a committee and EUR 600 per meeting for the members of a committee.

The AGM approved an amendment to the terms and conditions of the Board of Directors' long-term share-based incentive scheme, in which the Board membership duration criterion for the payment of the commitment shares was changed. The AGM also decided on a directed share issue without payment in order to pay a total of 240 commitment shares

earned in the scheme's first vesting period that began on 26 June 2020 and ended on 31 December 2022.

The AGM confirmed that the fourth vesting period of the incentive scheme is 5 May 2023–31 December 2025 and also confirmed that the persons elected to the Board of Directors are entitled to participate in the vesting period. In addition, the AGM resolved on a directed share issue against payment related to the incentive scheme, in which a maximum of 4,678 shares in the company can be issued at a subscription price of EUR 14.82 per share.

Ernst & Young Oy was elected as the company's auditor, with Maria Onniselkä, auditor approved by the Finnish Central Chamber of Commerce, as the principal auditor.

The AGM decided to amend the Articles of Association § 9 to allow organising the general meetings as remote meetings without a meeting location as an alternative to physically held meetings or hybrid meetings.

The AGM authorised the Board of Directors to decide on a share buyback programme, where at most 350,000 of the company's shares would be acquired, in one or more instalments, using the company's unrestricted equity. The authorisation entitles the Board of Directors to decide on the acquisition of shares also otherwise than in proportion to the shareholdings of the shareholders (directed acquisition). The authorisation is valid until the end of the next AGM, but until 30 June 2024 at the latest. The Board of Directors decided on the share buyback programme on 5 September 2023.

The AGM authorised the Board of Directors to decide on a share issue of a maximum of 300,000 shares. The authorisation concerns issuing new shares as well as transferring treasury shares held by the company. The shares can be used for financing acquisitions or restructuring, a maximum of 200,000 shares, or as part of the personnel's incentive schemes, a maximum of 100,000 shares. The share issue

authorisation with regard to shares used for acquisitions and restructuring is valid until the end of the next AGM, but until 30 June 2024 at the latest, while the authorisation with regard to shares related to incentive schemes for the company's personnel is valid for four years from the decision of the AGM. The authorisation does not revoke the previous authorisations granted by the AGM to the Board of Directors on 25 June 2020, 6 May 2021 and 5 May 2022 to the extent that the previous authorisations concern shares issued as part of the personnel incentive schemes.

The AGM authorised the Board of Directors to decide on donations of at most EUR 50,000 in total to training and research activities that support the company's business or non-profit or comparable causes.

## **Market review**

Over the past year, global economic uncertainty and runaway inflation have had an impact on companies' willingness to invest. Customer demand for digital development has remained high, but in an uncertain market situation, development projects may be postponed to a later date. There is a wide variation between sectors, and demand for digital development has remained strong in sectors such as manufacturing, finance and energy. There is also variation between service areas, with strong interest in areas such as data analytics and AI solutions. Therefore, we do not see this as a longer-term market change but believe that the digitalisation trend will continue to be strong despite the economic situation.

The security business is less affected by economic fluctuations, as there is no desire to compromise on security even in more difficult times. In addition, the uncertain geopolitical situation increases the awareness of and preparedness for cyber and other security threats. The slowdown in the construction sector has reduced the demand for locking solutions, which has increased price competition in other customer segments, not only in locking but also in security technology solutions, where Loihde's strong market position is primarily based on expertise and quality of service.

With the growth of digitalisation, 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, and this has increased the significance of e.g. 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. According to our survey, almost one in two companies have merged their security organisations and are managing security as a whole.

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.

One of major turning points in IT over the last few years has been the transition of companies' systems and data from their own servers to the cloud. For the vast majority of organisations, cloud transformation is underway and cloud technology is being adopted at an accelerating pace.

The competition for skilled employees has eased with the change in the IT market situation, but there is still competition for skilled professionals, particularly in certain service areas.

## **Strategy**

In November, Loihde's Board of Directors approved Loihde's new and updated strategy for the period 2024–2027.

Loihde's comprehensive portfolio of security, data, digitalisation and cloud technologies is well aligned with global market trends. As a result of the global situation and technological development, security in both the physical and cyber world has become an even more topical issue, and the use of data is growing rapidly, driven by e.g. efforts in artificial intelligence. Businesses are modernising their networks, and more and more companies are seeking the benefits of cloud technologies. The development and deployment of digital services are essential for all companies that want to remain competitive.

Around these related customer needs, Loihde has formed five complementary and interlinked service areas, which also serve as a basis for the company's business units:

1) Data & AI, 2) Cloud & Connect, 3) Cyber Security, 4) Digital Services, and 5) Security Solutions.

Each service area focuses on delivering in-depth expertise and an excellent customer experience. Together, they can deliver comprehensive service packages and act as a total security and digitalisation partner for customers, while the basic mission of Loihde as a whole is to enable the continuity of the customer's business.

In the coming strategy period, Loihde aims to grow faster than the market and achieve a significant improvement in profitability.

Loihde will focus in particular on continuous services. The aim is for continuous services to grow faster than Loihde's other offering and to represent 30% of revenue at the end of the strategy period.

To clarify the total offering, customer communication and employer brand, Loihde will start using a single, common Loihde brand, instead of the earlier network model with several sub-brands. Synergies will also be sought through jointly produced support 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' ability to pay. 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 uncertain global political situation also 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 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 intense competition for highly competent professionals in Loihde's business segments, which may lead to wage inflation and create upward pressure on personnel expenses.

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

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

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

The Board of Directors proposes to the AGM that a dividend of EUR 1.00 per share be paid from the parent company's distributable funds (EUR 104,893,268.11), of which the parent company's profit for the period is EUR 4,381,560.72. Based on the situation at the time of signing the financial statements, the dividend would correspond to EUR 5,721,360.00 in total.

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

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

Loihde Plc's subsidiary Hämeen Lukko Oy has merged with Loihde Trust Ltd on 29 February 2024.

### **Financial calendar**

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

- The business report for January–March 2024 will be published on Tuesday, 30 April 2024.
- The half-year report for January–June 2024 will be published on Tuesday, 27 August 2024.
- The business report for January–September 2024 will be published on Wednesday, 30 October 2024.

The Financial Statements, the Report of the Board of Directors, the Auditor's Report and the Corporate Governance Statement for the financial year 2023 will be published in week 13.

The AGM is scheduled to take place on 7 May 2024. The Board of Directors will publish a separate notice of the AGM later.

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

1 March 2024  
Loihde Plc  
Board of Directors

### **Webcast press conference**

Loihde's CEO Samu Konttinen will present the results in a webcast today, 1 March 2024 at 11:00 a.m. EET. The webcast is held in Finnish and will be live at <https://loihde.videosync.fi/q4-2023>.

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

### **Further information**

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*Loihde enables business continuity. We help our customers to gain a sustainable competitive edge through data, AI and digitalisation, to harness the potential of the cloud and to protect themselves against both physical and cyber threats. The combining of these skills is what makes Loihde a unique and comprehensive partner. We are approximately 850 skilled professionals, and our revenue in 2023 amounted to EUR 132.7 million.*



## TABLES

### **Accounting principles for the financial statements**

The financial statements have been prepared in accordance with Finnish legislation and the information is presented to the extent required by the Nasdaq First North Growth Market Rulebook sections 4.4.6 and 4.4.7. Lohde Plc prepares its financial statements in accordance with the IFRS. The figures presented have been rounded from the exact figures. The financial statements figures presented in this release are based on the company's audited financial statements. The auditor's report has been issued on 29 February 2024.

## Consolidated comprehensive income statement (IFRS)

EUR 1,000	1 July– 31 Dec. 2023	1 July– 31 Dec. 2022	1 Jan–31 Dec. 2023	1 Jan–31 Dec. 2022
<b>CONTINUING OPERATIONS</b>				
<b>REVENUE</b>	67,198	65,593	132,690	122,987
Other operating income	325	324	586	4,369
Changes in inventories of finished goods and work in progress	-53	-4	-50	6
Production for own use	25	159	76	441
Materials and services	-22,214	-20,668	-41,915	-35,838
Employee benefit expenses	-31,313	-32,750	-68,164	-64,403
Depreciation, amortisation and impairment	-3,858	-3,658	-7,571	-6,948
Other operating expenses	-7,703	-7,615	-16,554	-14,242
<b>OPERATING PROFIT (EBIT)</b>	<b>2,406</b>	<b>1,380</b>	<b>-901</b>	<b>6,371</b>
<b>Finance income and expenses</b>				
Interest and finance income	620	167	1,452	736
Interest and finance expenses	-590	-395	-1,058	-3,018
<b>Finance income and expenses, total</b>	<b>30</b>	<b>-228</b>	<b>394</b>	<b>-2,282</b>
<b>PROFIT/LOSS BEFORE TAXES</b>	<b>2,436</b>	<b>1,153</b>	<b>-506</b>	<b>4,090</b>
Income taxes	53	-44	-112	-1,040
<b>Profit/loss from continuing operations</b>	<b>2,489</b>	<b>1,109</b>	<b>-620</b>	<b>3,049</b>
<b>DISCONTINUED OPERATIONS</b>				
Profit/loss from discontinued operations	0	0	0	310
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>2,489</b>	<b>1,109</b>	<b>-620</b>	<b>3,359</b>

	1 July– 31 Dec. 2023	1 July– 31 Dec. 2022	1 Jan–31 Dec. 2023	1 Jan–31 Dec. 2022
<b>Other comprehensive income:</b>				
<b>Not transferred to profit or loss later</b>				
Value remeasurements of defined benefit plans	70	-60	70	-60
	<b>70</b>	<b>-60</b>	<b>70</b>	<b>-60</b>
<b>May be transferred to profit or loss later</b>				
Translation differences from foreign units	-26	2	-12	-3
	<b>-26</b>	<b>2</b>	<b>-12</b>	<b>-3</b>
<b>Other comprehensive income</b>	<b>45</b>	<b>-58</b>	<b>58</b>	<b>-63</b>
<b>COMPREHENSIVE INCOME, TOTAL</b>	<b>2,534</b>	<b>1,051</b>	<b>-561</b>	<b>3,296</b>
<b>Profit/loss attributable to:</b>				
Owners of the parent company	2,489	1,109	-620	3,359
Non-controlling interests	0	0	0	0
	<b>2,489</b>	<b>1,109</b>	<b>-620</b>	<b>3,359</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the parent company	2,534	1,051	-561	3,296
Non-controlling interests	0	0	0	0
	<b>2,534</b>	<b>1,051</b>	<b>-561</b>	<b>3,296</b>
<b>Earnings per share</b>				
Earnings per share, basic (undiluted)	0.43	0.19	-0.11	0.58
Earnings per share, diluted	0.43	0.19	-0.11	0.58

**Consolidated balance sheet (IFRS)**

EUR 1,000	31 Dec. 2023	31 Dec. 2022
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Tangible assets	5,404	4,646
Investment property	2,381	2,534
Right-of-use assets	9,902	8,457
Goodwill	63,881	62,819
Intangible assets	2,140	2,916
Other financial assets	17	22
Receivables	158	381
Deferred tax assets	1,463	1,347
<b>NON-CURRENT ASSETS</b>	<b>85,348</b>	<b>83,120</b>
<b>CURRENT ASSETS</b>		
Inventories	12,052	10,350
Trade and other receivables	20,603	17,936
Contract assets	7,695	3,478
Prepayments and accrued income	3,290	3,409
Current tax assets	291	254
Financial assets at fair value through profit or loss	3,775	11,186
Cash and cash equivalents	12,436	21,173
<b>CURRENT ASSETS</b>	<b>60,142</b>	<b>67,785</b>
<b>ASSETS HELD FOR SALE</b>		
<b>ASSETS</b>	<b>145,490</b>	<b>150,905</b>

EUR 1,000	31 Dec. 2023	31 Dec. 2022
<b>EQUITY AND LIABILITIES</b>		
<b>Owners of the parent company</b>		
Share capital	1,504	1,504
Reserve fund	8,132	8,132
Reserve for invested unrestricted equity	50,152	50,189
Translation differences	-4	-4
Retained earnings	40,993	51,490
<b>Owners of the parent company</b>	<b>100,778</b>	<b>111,312</b>
<b>Non-controlling interests</b>		
<b>EQUITY</b>	<b>100,778</b>	<b>111,312</b>
<b>NON-CURRENT LIABILITIES</b>		
Interest-bearing financial liabilities	4	18
Lease liabilities	5,429	4,795
Contract liabilities	283	779
Accrued expenses and deferred income	43	48
Pension liabilities	75	205
Deferred tax liabilities	458	412
<b>NON-CURRENT LIABILITIES</b>	<b>6,291</b>	<b>6,257</b>
<b>CURRENT LIABILITIES</b>		
Interest-bearing financial liabilities	14	20
Lease liabilities	4,837	3,953
Trade and other payables	14,536	12,155
Contract liabilities	6,329	2,919
Current tax liabilities	34	639
Accrued expenses and deferred income	12,670	13,649
<b>CURRENT LIABILITIES</b>	<b>38,421</b>	<b>33,336</b>
<b>LIABILITIES ASSOCIATED WITH NON-CURRENT ASSETS HELD FOR SALE</b>		
<b>LIABILITIES</b>	<b>44,712</b>	<b>39,593</b>
<b>EQUITY AND LIABILITIES</b>	<b>145,490</b>	<b>150,905</b>

## Consolidated cash flow statement (IFRS)

EUR 1,000	1 Jan–31 Dec. 2023	1 Jan–31 Dec. 2022
<b>Cash flow from operating activities</b>		
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>-620</b>	<b>3,359</b>
<b>Adjustments:</b>		
Depreciation	7,571	6,948
Unrealised changes in value and exchange gains and losses	-466	2,441
Capital gains or losses from tangible and intangible assets and companies	-78	-4,191
Finance income and expenses	72	-159
Income taxes	112	1,040
Other adjustments*	492	890
<b>Adjustments, total</b>	<b>7,703</b>	<b>6,969</b>
<b>Change in working capital</b>		
Change in inventories	-1,054	-1,875
Increase/decrease in current interest-free receivables	-6,692	-1,033
Increase/decrease in current interest-free liabilities	3,758	-1,325
Change in provisions	-42	-39
<b>Change in working capital, total</b>	<b>-4,031</b>	<b>-4,272</b>
Interest and other financial items paid	-314	-200
Interest and other financial items received	206	162
Dividends received	24	53
Other financial items	-92	-134
Taxes paid	-974	-873
<b>Cash flow from operating activities</b>	<b>1,902</b>	<b>5,064</b>

	1 Jan–31 Dec. 2023	1 Jan–31 Dec. 2022
<b>Cash flow from investing activities</b>		
Investments in tangible and intangible assets	-1,787	-1,115
Proceeds from sale of tangible and intangible assets	99	4,710
Acquisition of subsidiary, net of cash acquired	-2,078	-10,834
Disposal of subsidiary, net of cash disposed		1,034
Proceeds from sale of other investments	7,981	4,863
<b>Cash flow from investing activities</b>	<b>4,215</b>	<b>-1,342</b>
<b>Cash flow from financing activities</b>		
Share issue against payment	828	1,902
Repurchase of own shares	-281	-420
Repayments of short-term loans	-6	-460
Proceeds from long-term loans	1	0
Repayments of long-term loans	-44	-110
Repayment of lease liabilities	-5,027	-4,610
Dividends paid	-10,332	-3,185
<b>Cash flow from financing activities</b>	<b>-14,862</b>	<b>-6,883</b>
<b>Change in cash and cash equivalents</b>	<b>-8,745</b>	<b>-3,162</b>
Cash and cash equivalents, opening balance	21,273	24,354
Change in cash and cash equivalents	-8,745	-3,162
Foreign exchange difference, cash and cash equivalents		
Foreign exchange difference on cash and cash equivalents	8	-19
Impact of currency exchange rate changes	8	-19
Cash and cash equivalents	12,436	21,173

\*) Other adjustments include adjustments to cash flow from investing activities for share bonus periodisations and acquisition costs.

**Consolidated statement of changes in equity (IFRS)**

EUR 1,000	Share capital	Reserve for invested un-restricted equity	Reserve fund	Translation differences	Retained earnings	Treasury shares	Retained earnings (loss)	Total	Non-controlling interests	Equity, total
<b>EQUITY 1 JAN. 2023</b>	1,504	50,189	8,132	-4	51,490		51,490	111,312		111,312
<b>Comprehensive income</b>										
<b>Profit/loss for the period</b>					-620		-620	-620		-620
Other comprehensive income:										
Value remeasurements of defined benefit plans					70		70	70		70
Translation differences					-12		-12	-12		-12
<b>COMPREHENSIVE INCOME, TOTAL</b>					<b>-516</b>		<b>-516</b>	<b>-516</b>		<b>-516</b>
<b>Sale of shares and interests, at fair value permanently through other comprehensive income</b>										
<b>Transactions with owners</b>										
Distribution of dividends, distribution of assets					-10,335		-10,335	-10,335		-10,335
Repurchase of shares		-287						-287		-287
Cancellation of shares										
Share-based payments					397		397	397		397
Share issue		249						249		249
Transfer of expired dividends of joint book-entry account shares					3		3	3		3
<b>Transactions with owners, total</b>		<b>-37</b>			<b>-9,935</b>		<b>-9,935</b>	<b>-9,973</b>		<b>-9,973</b>
<b>EQUITY, TOTAL 30 DEC. 2023</b>	<b>1,504</b>	<b>50,152</b>	<b>8,132</b>	<b>-4</b>	<b>40,993</b>		<b>40,993</b>	<b>100,778</b>		<b>100,778</b>

	Share capital	Reserve for invested un-restricted equity	Reserve fund	Translation differences	Retained earnings	Treasury shares	Retained earnings (loss)	Total	Non-controlling interests	Equity, total
<b>EQUITY 1 JAN. 2022</b>	1,504	49,320	8,132		51,734	-1,102	50,631	109,589		109,589
<b>Comprehensive income</b>										
<b>Profit/loss for the period</b>					3,359		3,359	3,359		3,359
Comprehensive income:										



**Consolidated commitments, guarantees and contingent liabilities (IFRS)**

**Commitments, guarantees and contingent liabilities**

**EUR 1,000**

	<b>31 Dec. 2023</b>	<b>31 Dec. 2022</b>
Business mortgages	7,084	84
Lease guarantees	328	516
Performance and warranty guarantees, drawn	1,143	971
Bank guarantees	612	612
Other commitments	47	105
<b>Total</b>	<b>9,214</b>	<b>2,288</b>

**EUR 1,000**

	<b>31 Dec. 2023</b>	<b>31 Dec. 2022</b>
VAT liability on real estate investments	85	67
<b>GUARANTEES AND CONTINGENT LIABILITIES, TOTAL</b>	<b>9,299</b>	<b>2,355</b>

The parent company of Loihde Group has provided guarantees for part of the performance and warranty guarantees provided by Group companies and as collateral for a bank guarantee.

**Contingent liabilities**

Loihde Group has a contingent liability of EUR 510,000 to the city of Vaasa relating to a land use agreement, for which the Group has applied for a bank guarantee of EUR 612,000 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.

## Calculation formulas

### **EBITDA:**

Operating profit + depreciation, amortisation and impairment

### **Adjustments:**

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

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

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

The divisor used is the average of the value at the beginning and the end of period.

### **Return on investment % (ROI):**

$$\frac{\text{Net result + taxes + finance expenses} \times 100}{\text{Equity (average) + interest-bearing liabilities}}$$

The divisor used is the average of the value at the beginning and the end of period.

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

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

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

### **Investments:**

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



## Reconciliation calculations for alternative performance measures

Loihde Plc discloses alternative performance measures to provide a better picture of the operational development of business operations and to improve comparability between reporting periods.

The alternative performance measures used by Loihde Plc are EBITDA, adjusted EBITDA, adjusted operating profit (EBIT) and adjusted profit for the period.

### EBITDA AND ADJUSTED EBITDA

EUR 1,000	10-12 2023	10-12 2022	1-12 2023	1-12 2022
Operating profit (EBIT)	1,540	904	-901	6,371
Depreciation, amortisation and impairment	1,972	2,006	7,571	6,948
<b>EBITDA</b>	<b>3,512</b>	<b>2,911</b>	<b>6,669</b>	<b>13,319</b>
Capital gains from tangible and intangible assets	0	0	-78	-3,925
Restructuring expenses	179	160	617	274
Other non-recurring operating expenses	80	281	361	621
Non-recurring impairment losses	0	0	0	0
<b>ADJUSTED EBITDA</b>	<b>3,771</b>	<b>3,351</b>	<b>7,569</b>	<b>10,290</b>

### ADJUSTED OPERATING PROFIT (EBIT)

EUR 1,000	10-12 2023	10-12 2022	1-12 2023	1-12 2022
Operating profit (EBIT)	1,540	904	-901	6,371
Capital gains from tangible and intangible assets	0	0	-78	-3,925
Restructuring expenses	179	160	617	274
Other non-recurring operating expenses	80	281	361	621
Non-recurring impairment losses	0	140	0	140
<b>ADJUSTED OPERATING PROFIT (EBIT)</b>	<b>1,799</b>	<b>1,485</b>	<b>-1</b>	<b>3,482</b>

### ADJUSTED PROFIT/LOSS FOR THE PERIOD

EUR 1,000	10-12 2023	10-12 2022	1-12 2023	1-12 2022
Profit/loss for the period	2,090	1,252	-620	3,359
Capital gains from tangible and intangible assets, including discontinued operations	0	0	-78	-4,235
Restructuring expenses	179	160	617	274
Other non-recurring operating expenses	80	281	361	621
Non-recurring impairment losses	0	140	0	140
Tax effects of adjustment items	-52	-79	-160	366
<b>ADJUSTED PROFIT/LOSS FOR THE PERIOD</b>	<b>2,297</b>	<b>1,754</b>	<b>121</b>	<b>526</b>