

LOIHDE

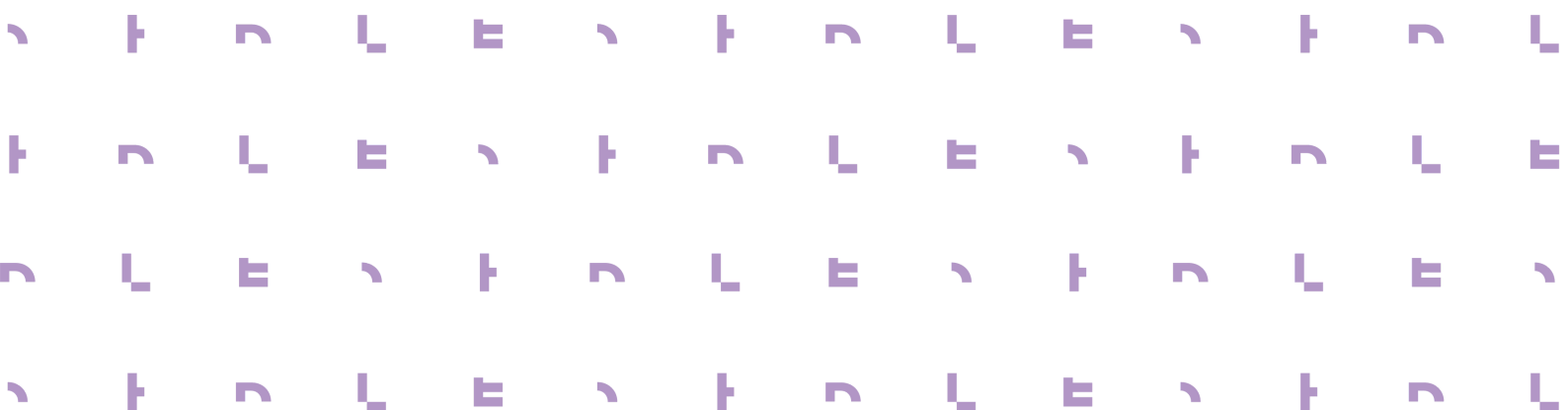
Annual Report
2023



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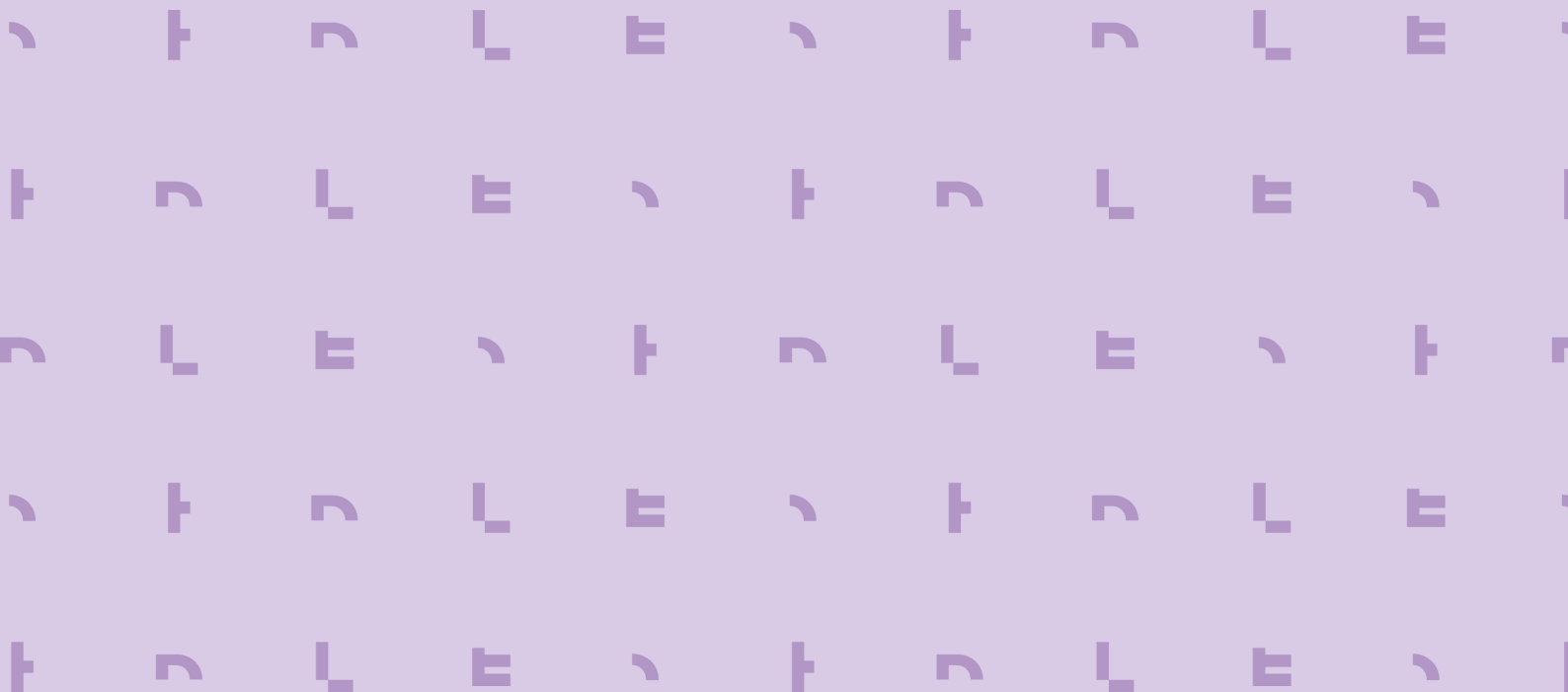
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Loihde Plc
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Report of the Board of Directors and Financial Statements



Report of the Board of Directors and Financial Statement

Loihde enables business continuity and helps its 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

Material events during the financial year

In 2023, Loihde had two business areas: security solutions that provided physical and cyber security services, and digital development that offered solutions related to the digitalisation of services and business, change management, the utilisation of data and cloud technology. The business areas operated both separately from their own starting points and together, building synergies through cross-selling, joint customer solutions and harmonisation of operations, among other things. The amount of cross-selling and joint customer projects has increased further since last year.

On 3 April 2023, Loihde acquired the entire share capital of Hämeen Lukko Oy. Hämeen Lukko complements Loihde's regional service capability in the Kanta-Häme region and provides significant economies of scale and synergies in alarm transmission services.

In accordance with its strategy, Loihde strives to create synergies through cooperation within the Group. Loihde Advisory Ltd and Loihde Analytics Ltd combined their operational activities during the beginning of the year, and on 31 May 2023 the companies merged under the name Loihde Advance Ltd.

Loihde divested the business operations of its Swedish subsidiary Loihde Advisory AB to Witted Megacorp Plc. The divestment entered into effect on 1 September 2023.

On 13 November 2023, Loihde announced its new strategy and financial targets for the period 2024–2027.

Financial performance

The Group's revenue amounted to 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 5.0% (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.

The Group's key figures (IFRS)

EUR 1,000	1-12/2023	1-12/2022	Change in %
Revenue, continuing operations, EUR 1,000	132,690	122,987	8%
- Security	92,366	82,450	12%
- Digital development	40,105	40,849	-2%
- Other (incl. eliminations)	219	-312	170%
EBITDA	6,669	13,319	-50%
Adjusted EBITDA, EUR 1,000¹	7,569	10,290	-26%
Adjusted EBITDA, %¹	5.7%	8.4%	
Operating profit (EBIT), EUR 1,000	-901	6,371	-114%
Adjusted operating profit (EBIT), EUR 1,000¹	-1	3,482	-100%
Profit/loss for the period, EUR 1,000	-620	3,359	-118%
Adjusted profit/loss for the period, EUR 1,000¹	121	526	-77%
Equity-to-assets ratio, %	69.6 %	73.8%	
Earnings per share (EPS), EUR, basic (undiluted)²	-0.11	0.58	-118%
Earnings per share (EPS), EUR, diluted²	-0.11	0.58	-118%
Return on investment (ROI), %	0.5%	6.0%	
Adjusted return on investment (ROI), %¹	1.3%	3.5%	
Average number of employees	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.

¹ 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.

² The parent company's treasury shares (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.

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.

Research and development

The Group's direct costs related to R&D and product development totalled EUR 1.9 (1.9) million. This corresponds to 1.5% (1.5%) of revenue.

Personnel

The Group's number of employees, converted into full-time equivalents (FTE), averaged 863 during the financial year (812 in 2022) and stood at 843 (866) at the end of the financial year. Potential part-time employment has also been considered when calculating the average number of employees.

Key figures: Personnel (continuing operations)

	2023	2022
Average number of employees, FTE	863	812
Average number of employees, NOE	887	846
Wages, salaries and remuneration, EUR 1,000	56,156	53,263

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

Shares and shareholders

The number of Loihde Plc's shares 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). Each share entitles its holder to one vote at the AGM.

	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–30 June 2023

	Shares exchanged	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 repurchase 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 Nasdaq First North Growth Market Finland at the market price quoted at the time of acquisition.

Loihde Plc's largest shareholders on 31 December 2023

	Owner	Shares	% of the share capital
1	Finnish Industry Investment Ltd	275,000	4.77%
2	Bellurum Oy	210,576	3.65%
3	Lakiasiaintoimisto Asiakasturva Oy	128,274	2.22%
4	Sijoitusrahasto VISIO Allocator	100,000	1.74%
5	Tenendum Oy	76,348	1.33%
6	LocalTapiola Mutual Life Insurance Company	75,000	1.30%
7	LocalTapiola General Mutual Insurance Company	75,000	1.30%
8	City of Vaasa	70,400	1.22%
9	Pelkonen Antti	68,480	1.19%
10	Hotcom Ltd	67,000	1.16%
	10 largest owners, in total	1,146,078	19.89%

The list of the 50 largest shareholders is available on the company's website at loihde.com/en.

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 the shareholders and the employees and to increase employee motivation and long-term commitment to the company. The ESSP 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. With the savings accumulated 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, and with the savings accumulated 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. 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 for the management and key personnel (LTI)

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.

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.

Board's authorisations

The AGM authorised 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 Board of Directors decided on the distribution of the additional dividend on 13 November 2023.

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.

Board of Directors and management

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.

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.

Auditor

The company's auditor is the audit firm Ernst & Young Oy, with Maria Onniselkä, auditor approved by the Finnish Central Chamber of Commerce, as the principal auditor.

Related party transactions

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

Loihde Plc has granted loans to Group companies, which totalled EUR 3.6 million at the end of the financial year. The loan period is a maximum of six years. The loans are repaid according to plan and the interest is paid once a year or half-yearly. As a rule, the loan interest rate is tied to a fixed interest rate or a calculated interest rate. The loans are collateral-free. In addition, the company has granted a total of EUR 2.3 million as collateral for its subsidiaries' liabilities.

In connection with its share-based incentive scheme, the company has in 2019–2022 granted related party loans under market terms to its employees. On 31 December 2023, these loans totalled EUR 134,000, of which the share belonging to the members of the Group's Leadership Team was EUR 19,000. The loan period is 1–3 years and the interest rate the 12-month Euribor; however, at a minimum of 0%. The collateral for the loans granted is the shares that the persons in question have subscribed for with the loans.

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 very 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 the 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 the customer needs related to these, 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 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.

Estimate of the most significant risks and uncertainties associated with operations

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.

Significant legal matters

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

Events after the financial year

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

Outlook

Financial targets for the strategy period 2024–2027

The Board of Directors of Loihde Plc has confirmed the following 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, i.e. 2027.

Loihde aims to achieve a return on investment (ROI) of more than 10% and keep its net debt/EBITDA between 0–2x.

Outlook for 2024

In 2024, Loihde expects the Group's revenue to be on 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.

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 4,382,560.72. Based on the situation at the time of signing the financial statements, the dividend would correspond to EUR 5,721,360 in total.

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

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):

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

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

Return on investment % (ROI):

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

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

Equity-to-assets ratio:

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

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

Investments:

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

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/loss 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
EBITDA	3,512	2,911	6,669	13,319
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
ADJUSTED EBITDA	3,771	3,351	7,569	10,290

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
ADJUSTED OPERATING PROFIT (EBIT)	1,799	1,485	-1	3,482

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
ADJUSTED PROFIT/LOSS FOR THE PERIOD	2,297	1,754	121	526

Consolidated comprehensive income statement

EUR 1,000	Note	1/1/2023 - 31/12/2023	1/1/2022 - 31/12/2022
CONTINUING OPERATIONS			
REVENUE	2.	132,690	122,987
Other operating income	3.1.	586	4,369
Changes in inventories of finished goods and work in progress		-50	6
Production for own use		76	441
Use of materials and services	3.2.	-41,915	-35,838
Employee benefit expenses	3.5.	-68,164	-64,403
Depreciation, amortisation and impairment	7.-10.	-7,571	-6,948
Other operating expenses	3.3.	-16,554	-14,242
OPERATING PROFIT (EBIT)		-901	6,371
Finance income and expenses			
Finance income	3.6.	1,452	736
Finance expenses	3.6.	-1,058	-3,018
Total finance income and expenses		394	-2,282
PROFIT/LOSS BEFORE TAXES		-507	4,090
Income taxes	4.	-112	-1,040
Profit/loss from continuing operations		-620	3,049
DISCONTINUED OPERATIONS			
Profit/loss from discontinued operations	5.		310
PROFIT/LOSS FOR THE PERIOD		-620	3,359
Other comprehensive income:			
		1/1/2023 - 31/12/2023	1/1/2022 - 31/12/2022
Not transferred to profit or loss later			
Value remeasurements of defined benefit plans		70	-60
		70	-60
May be transferred to profit or loss later			
Translation differences from foreign units		-12	-3
		-12	-3
Other comprehensive income		58	-63
TOTAL COMPREHENSIVE INCOME		-561	3,296
Profit/loss attributable to:			
Owners of the parent company		-620	3,359
Non-controlling interests			
		-620	3,359
Total comprehensive income attributable to:			
Owners of the parent company		-561	3,296
Non-controlling interests			
		-561	3,296
EUR			
Earnings per share			
Earnings per share, basic (undiluted)	6.	-0.11	0.58
Earnings per share, diluted	6.	-0.11	0.58

Consolidated balance sheet
EUR 1,000

ASSETS

	Note	31/12/2023	31/12/2022
NON-CURRENT ASSETS			
Tangible property, plant and equipment	7.	5,404	4,646
Investment property	8.	2,381	2,534
Right-of-use assets	9.	9,902	8,457
Goodwill	10.	63,881	62,819
Intangible assets	10.	2,140	2,916
Other financial assets	11.	17	22
Receivables	12.	158	381
Deferred tax assets	13.	1,463	1,347
NON-CURRENT ASSETS		85,348	83,120
CURRENT ASSETS			
Inventories	14.	12,052	10,350
Trade and other receivables	15.	20,603	17,936
Assets based on customer contracts	16.	7,695	3,478
Prepayments and accrued income	17.	3,290	3,409
Current tax assets	18.	291	254
Financial assets at fair value through profit or loss	19.	3,775	11,186
Cash and cash equivalents	20.	12,436	21,173
CURRENT ASSETS		60,142	67,785
ASSETS		145,490	150,905

EUR 1,000

EQUITY AND LIABILITIES

	Note	31/12/2023	31/12/2022
Owners of the parent company			
Share capital	21.	1,504	1,504
Reserve fund	21.	8,132	8,132
Reserve for invested unrestricted equity	21.	50,152	50,189
Translation differences	21.	-4	-4
Retained earnings	21.	40,993	51,490
Owners of the parent company		100,778	111,312
Non-controlling interests	21.		
EQUITY		100,778	111,312
NON-CURRENT LIABILITIES			
Interest-bearing financial liabilities	22.	4	18
Lease liabilities	22.	5,429	4,795
Contract liabilities	23.	283	779
Accrued expenses and deferred income	23.	43	48
Pension liabilities	23.	75	205
Deferred tax liabilities	13.	458	412
NON-CURRENT LIABILITIES		6,291	6,257
CURRENT LIABILITIES			
Interest-bearing financial liabilities	24.	14	20
Lease liabilities	24.	4,837	3,953
Trade and other payables	25.	14,536	12,155
Contract liabilities	25.	6,329	2,919
Current tax liabilities	25.	34	639
Accrued expenses and deferred income	25.	12,670	13,649
CURRENT LIABILITIES		38,421	33,336
LIABILITIES		44,712	39,593
EQUITY AND LIABILITIES		145,490	150,905

Consolidated statement of changes in equity

EUR 1,000	Share capital	Reserve for invested un-restricted equity	Reserve fund	Translati on differenc es	Retained earnings	Treasury shares	Retained earnings (loss)	Total	Non-controlling interests	Total equity
EQUITY 1 JAN. 2023	1,504	50,189	8,132	-4	51,490		51,490	111,312		111,312
Comprehensive income										
Profit/loss for the period					-620		-620	-620		-620
Other comprehensive income:										
Value remeasurements of defined benefit plans					70		70	70		70
Translation differences					-12		-12	-12		-12
TOTAL COMPREHENSIVE INCOME					-561		-561	-561		-561
Sale of shares and interests, at fair value permanently through other comprehensive income										
Transactions with owners										
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
Total transactions with owners		-37			-9,935		-9,935	-9,973		-9,973
TOTAL EQUITY 31 DEC. 2023	1,504	50,152	8,132	-4	40,993		40,993	100,778		100,778

EUR 1,000	Share capital	Reserve for invested un-restricted equity	Reserve fund	Translati on differenc es	Retained earnings	Treasury shares	Retained earnings (loss)	Total	Non-controlling interests	Total equity
EQUITY 1 JAN. 2022	1,504	49,320	8,132		51,734	-1,102	50,631	109,589		109,589
Comprehensive income										
Profit/loss for the period					3,359		3,359	3,359		3,359
Other comprehensive income:										
Value remeasurements of defined benefit plans					-60		-60	-60		-60
Translation differences					1		1	-3		-3
TOTAL COMPREHENSIVE INCOME					-4	3,300	3,300	3,296		3,296
Sale of shares and interests, at fair value permanently through other comprehensive income										
Transactions with owners										
Distribution of dividends, distribution of assets					-3,093		-3,093	-3,093		-3,093
Repurchase of shares		-420						-420		-420
Cancellation of shares					-1,102	1,102				
Share-based payments					531		531	531		531
Share issue		1,288						1,288		1,288
Transfer of expired dividends of joint book-entry account shares					120		120	120		120
Other changes										
Total transactions with owners		869			-3,544	1,102	-2,442	-1,573		-1,573
TOTAL EQUITY 31 DEC. 2022	1,504	50,189	8,132	-4	51,490		51,490	111,312		111,312

Consolidated cash flow statement, indirect

EUR 1,000

	Note	1/1/2023 - 31/12/2023	1/1/2022 - 31/12/2022
Cash flow from operating activities			
PROFIT/LOSS FOR THE PERIOD		-620	3,359
Adjustments:			
Depreciation	7.-10.	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	4.2.-4.3.	112	1,040
Other adjustments *)		492	890
Total adjustments		7,703	6,969
Change in working capital			
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
Total change in working capital		-4,031	-4,272
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
Cash flow from operating activities		1,902	5,064
Cash flow from investing activities			
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
Cash flow from investing activities		4,215	-1,342
Cash flow from financing activities			
Share issue against payment		828	1,902
Repurchase of shares		-281	-420
Repayments of short-term loans		-6	-460
Proceeds from long-term loans		1	
Repayments of long-term loans		-44	-110
Repayments of lease liabilities		-5,027	-4,610
Dividends paid	21.1.1.	-10,332	-3,185
Cash flow from financing activities		-14,862	-6,883
Change in cash and cash equivalents			
		-8,745	-3,162
Cash and cash equivalents, opening balance		21,173	24,354
Change in cash and cash equivalents		-8,745	-3,162
Foreign exchange differences 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 share bonus periodisation and acquisition costs adjustments to cash flow from investing activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

1.1. General information on the Group

Loihde Group is a digital development and security solutions service company that provides business continuity services to its customers. In digital development, Loihde offers its 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 solutions cover a wide range of corporate security services, from cyber security and secure network connections to locking and electronic security technology.

Loihde Group's parent company Loihde Plc is a Finnish public limited liability company with its registered office in Seinäjoki and its registered address at Silmukkatie 6, 65100 Vaasa. Loihde Plc's shares are listed on Nasdaq First North Growth Market Finland. The Board of Directors of Loihde Plc has approved these consolidated financial statements for publication on 29 February 2024. A copy of the consolidated financial statements can be obtained from Loihde's website at <https://www.loihde.com/for-shareholders-2/>.

According to the Finnish Limited Liability Companies Act, shareholders have the possibility to approve, reject or amend the financial statements at the General Meeting that follows their publication.

Loihde Group consists of the parent company Loihde Plc and its subsidiaries. Information on the Group structure is presented below. Information on the Group's other related parties is presented in Note 29.

Group structure	31/12/2023	31/12/2023	31/12/2022	31/12/2022
	Group ownership, %	Parent company ownership, %	Group ownership, %	Parent company ownership, %
Group companies				
Loihde Trust Ltd, Vaasa	100.00	100.00	100.00	100.00
Loihde Advance Ltd, Helsinki (formerly Loihde Analytics Ltd)	100.00	100.00	100.00	100.00
Loihde Factor Ltd, Oulu	100.00	100.00	100.00	100.00
Loihde Properties Ltd, Vaasa	100.00	100.00	100.00	100.00
Loihde Advisory Ltd, Espoo *)	0.00	0.00	100.00	100.00
Loihde Advisory AB, Sweden	100.00	0.00	100.00	0.00
Loihde Cloudon Ltd, Espoo (formerly Onrego Ltd)	100.00	100.00	100.00	100.00
Hämeen Lukko Oy, Hämeenlinna	100.00	100.00	0.00	0.00

*) Loihde Advisory Ltd merged with Loihde Advance Ltd on 31 May 2023.

1.2. Significant changes in the financial year

Changes in Group structure

During the financial year 1 January – 31 December 2023, the following changes occurred in the Group structure:

Loihde Plc acquired the entire share capital of Hämeen Lukko Oy. The acquisition entered into effect on 3 April

2023.

Loihde Advisory Ltd merged *) with its sister company Loihde Advance Ltd (formerly Loihde Analytics Ltd) on 31 May 2023. In connection with the merger, the name of Loihde Analytics Ltd was changed to Loihde Advance Ltd.

The Board of Directors of Loihde Trust Ltd (the receiving company) has on 13 June 2023 signed a merger plan with Hämeen Lukko Oy (the merging company). The planned registration of the merger is at the end of February 2024.

In the comparative period 1 January – 31 December 2022, the following changes occurred in the Group structure:

Loihde Plc acquired the entire share capital of Turvakolmio Group Oy. In connection with the acquisition, the entire share capital

of Turvakolmio Recycling Oy, a subsidiary of Turvakolmio Group Oy, was also transferred to the Group. The acquisition entered into effect on 1 June 2022.

Loihde Plc acquired the entire share capital of Loihde Cloudon Ltd (formerly Onrego Ltd). The acquisition entered into effect on 1 December 2022.

Loihde Trust Spellpoint Ltd, Loihde Trust Tansec Ltd, Turvakolmio Group Oy and Turvakolmio Recycling Oy (through Turvakolmio Group Oy) merged with Loihde Trust Ltd on 31 December 2022.

On 28 November 2022, the Board of Directors of Loihde Analytics Ltd (the receiving company, currently Loihde Advance Ltd) signed a merger plan with Loihde Advisory Ltd (the merging company). According to plan, the registration of the merger was 31 May 2023.

1.3. Basis of preparing the consolidated financial statements

Accounting policies

The Consolidated Financial Statements of Loihde Plc have been prepared in accordance with the International Financial Reporting Standards (IFRS) and their interpretations (IFRIC), as in force on 31 December 2023 and adopted by the European Union. The notes to the financial statements also comply with Finnish accounting and company legislation.

The Consolidated Financial Statements have been prepared on the basis of initial acquisition costs, unless otherwise stated in the accounting policies. The Consolidated Financial Statements are presented in thousands of euros, which may result in rounding differences. Comparative data are presented in brackets after the data for the current financial year.

The Consolidated Financial Statements on 31 December 2023 are Loihde Plc's second financial statements prepared in accordance with the IFRS. The date of transition to IFRS was 1 January 2021. The Consolidated Financial Statements on 31 December 2023 include comparative data for the financial year that ended on 31 December 2022.

Scope of the Consolidated Financial Statements

The Consolidated Financial Statements include all the Group companies in which Loihde has a controlling interest (subsidiaries). Control arises when the Group owns more than half of the voting rights or otherwise has control of the company. Control means the right to determine the financial and operating policies of the company to benefit from its activities.

Acquired subsidiaries are consolidated in the Consolidated Financial Statements from the date of acquisition and cease to be consolidated when Loihde loses control of the company.

The financial statements of the subsidiaries are adjusted, if necessary, to reflect the accounting policies of the Group. All intra-group transactions, receivables and liabilities, as well as income and expenses from transactions between Group companies are eliminated when preparing the Consolidated Financial Statements.

The acquisition method has been applied when eliminating mutual shareholdings. The consideration transferred and the identifiable assets of the acquired company and liabilities assumed have been measured at fair value at the time of acquisition. Acquisition-related expenses are recognised as an expense.

Non-controlling interests in subsidiaries are presented in the consolidated balance sheet as part of equity, separately from the capital attributable to the shareholders. Non-controlling interest in the profit for the period is disclosed separately in the consolidated statement of comprehensive income.

Segment reporting

Loihde Plc has one reportable segment. The reported segment consists of the Group, and the segment figures are consistent with those of the Loihde Group, see further details in Note 2. Revenue from contracts with customers.

Exchange rates and foreign Group companies

Items included in the financial statements of Group companies are measured in the currency of the main economic environment in which the company operates (functional currency). The Consolidated Financial Statements are presented in euros, the parent company's functional and reporting currency. Loihde Group has a subsidiary abroad in Sweden, which has a different functional currency than the euro.

In the Consolidated Financial Statements, the income statements of foreign subsidiaries are translated into euros using the average exchange rate for the financial year and the balance sheets using the closing rate of exchange. The average exchange rate difference arising from the different exchange rates in comprehensive income and the balance sheet is recognised in other

comprehensive income. Translation differences arising from the consolidation of foreign subsidiaries and translation differences on equity accumulated after the acquisition are recognised in other comprehensive income. Foreign currency income and expenses from monetary items included in the net investments of a foreign unit are considered in other comprehensive income and recognised in the comprehensive income statement when the foreign unit is disposed of.

Transactions in foreign currency are translated into the functional currency at the exchange rate on the date of the transaction. Monetary items are translated into the functional currency using the exchange rate at the end of the reporting period. Non-monetary items are valued at the exchange rate on the date of the transaction.

Foreign exchange gains and losses related to normal business operations are presented in the income statement under the corresponding items above operating profit. Foreign exchange gains and losses related to financial items are presented in the income statement under finance expenses.

Impact of the global situation on business

The slowdown in the global economy, the rising interest rates and the runaway inflation could reduce customers' willingness to invest and ability to pay and affect the company's profitability. 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 company's Board of Directors and management monitor the development of the general economic situation and update their estimates as situations change.

1.4. Key assessments requiring management discretion and discretionary decisions

Preparation of Consolidated Financial Statements in accordance with IFRS requires management to make estimates and discretion-based solutions that affect the amounts of income, expenses, assets and liabilities presented in the Financial Statements and related notes. Actual results may differ from these estimates.

The application of the accounting policies of the Consolidated Financial Statements also requires various estimates from the management. The main items requiring management discretion and estimates are presented in the following notes:

- Revenue from contracts with customers (Note 2.1.5.)
- Share-based payments (note 3.5.3.)
- Lease agreements (Note 9.1.3.)
- Impairment testing (note 10.5.)
- Deferred tax assets and liabilities (Note 13.1.)
- Expected credit losses (Note 26.1.1.)
- Business combinations (note 27.2.)

1.5. New or amended IFRS

Loihde Group applies new and amended standards and interpretations as they enter into force. Standards and amendments to standards that are applied from 1 January 2024 or later are not expected to have an effect on the information in Loihde Plc's Consolidated Financial Statements.

The following new standards and amendments to standards will enter into force in the financial year beginning on 1 January. Only the most relevant changes for Loihde Group are included in the summary below.

New and amended standards applicable in future financial years

* = This regulation has not been adopted for application in the EU by 31 December 2023.

Disclosure of Accounting Policies – Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements

(Applicable for financial periods beginning on or after 1 January 2023, earlier application is allowed)

The amendments clarify the application of materiality to the disclosure of accounting policies to assist companies in presenting useful accounting policies.

Definition of Accounting Estimates – Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

(Applicable for financial periods beginning on or after 1 January 2023, earlier application is allowed)

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The amendments focus mainly on the definition and clarification of accounting estimates.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 Income Taxes

(Applicable for financial periods beginning on or after 1 January 2023)

The amendments narrow the scope of the initial recognition exemption (IRE) and clarify that the exemption is not applicable to individual transactions, such as lease agreements and decommissioning provisions, which result in equal and opposing temporary differences.

NOTES TO THE INCOME STATEMENT

2. REVENUE FROM CONTRACTS WITH CUSTOMERS

2.1. Accounting policies

2.1.2. Segment information

An operating segment is a part of the Group that conducts business activities from which it can generate income and incur expenses, and for which separate financial information is available.

Loihde has two operating segments: security solutions and digital development, and one reportable segment because the segment aggregation criteria are met.

Loihde's management has assessed the operating segments based on the aggregation criteria and found that they meet the criteria for aggregation:

- Both of Loihde's operating segments provide business continuity services.
- Both solve customers' continuity needs with technology-based solutions that combine strong expertise, understanding of customers' needs and building the best solution for every need in a technology-independent manner.
- The solutions also use synergistic components and joint deliveries of the operating segments.
- Both operating segments serve mainly Finnish customers and in the same industries.
- In addition, the long-term profitability targets are similar for both operating segments.
- The Group's business operations are examined as a whole, both to assess performance and to manage resources.
- Only the results of the entire Group are monitored at a more detailed income statement level, and the operating segment level is reported in less detail.

Loihde's chief operational decision-maker is the CEO of the Loihde Group.

Sales revenue from one customer group exceeds 10% of the Loihde Group's total revenue and amounted to approximately EUR 15.9 million for the financial year 2023 (EUR 14.8 million for the financial year 2022).

2.1.3. Income recognition principles

Income from sales contracts is recognised when the goods and services are transferred to the control of the customer in proportion to the amount of consideration the Group expects to be entitled to in return for the goods or services.

Recognition as income takes place at a point in time or over time.

Loihde primarily acts as the principal of the products sold, as it typically manages the products and services transferred to the customer. However, in some services, Loihde acts as an agent on behalf of third parties. These services are described in more detail in the next section.

2.1.4. Revenue recognition

Loihde Group provides customers with business continuity services in the following areas and ways:

- through solutions and services related to the customers' digital environment, cloud environment, data, analytics and AI,
- through services related to the security of the customers' digital environment, cloud environment and data, such as network, cyber security and access management solutions and services,
- through solutions related to the security of people, objects and buildings, such as video surveillance, access control, fire detection, fire alarm and nurse call systems as well as locking and door and gate automation solutions.

Loihde Group's revenue mainly consists of the following revenue streams:

Hourly-based services and projects, fixed-price projects, continuous services, licensed products, product sales and installation services.

Loihde Group recognises revenue from different revenue streams mainly over time. At one point in time, revenue is separately recognised for equipment and supplies sold and for their installations, as well as for licensed products, over which the customer obtains control at a point in time.

Projects based on hourly fees are recognised as revenue on a monthly basis according to the hours worked.

In fixed-price projects, revenue is recognised over time based on percentage of completion either based on the actual costs or hours recorded relative to the estimated total costs or total working hours.

Loihde also supplies its customers with third-party licensed products, where Loihde acts as an agent and recognises only the portion of the margin received as revenue.

By contrast, in continuous service agreements, Loihde provides customers with a service package, which means that any licensed products and equipment used in the services and their installation, as well as any start-up fees of the services are considered a performance obligation and the service package is recognised over time on a gross basis. In these contracts, the customer simultaneously receives and consumes the benefits as Loihde supplies the service.

If Loihde provides services to the customer before the customer pays the consideration or the payment falls due, the contract is presented as a contractual asset, excluding amounts that are recorded as trade receivables. If Loihde receives advance payments, they are recognised as a liability based on customer contracts and the revenue is recognised when the services have been

delivered.

2.1.5. **Material solutions based on discretion**

When revenue recognition is based on percentage of completion, the final result of the contract is assessed regularly and reliably. Revenue recognition based on percentage of completion is based on estimates of the expected probable sales income and expenses from the project, as well as a reliable measurement of the percentage of completion of the project. The estimates made are reviewed on each reporting date and any changes are recognised through profit or loss in the period in which the change is first known and can be assessed. If it is probable that the total expenditure necessary to complete the project will exceed the total revenue, the expected loss is immediately recognised as an expense. Due to the estimates included in the revenue recognition of percentage of completion contracts, actual income and expenses will generally differ from the estimates.

Loihde's management also assesses whether Loihde is acting as an agent or principal when selling third-party licensed products. Loihde considers itself to be acting as an agent for third-party licensed products when they are distinguishable and when management considers that Loihde has no principal responsibility toward the end customer.

2.2. **Breakdown of sales revenue**

Revenue by business EUR 1,000

	2023	2022
Security	92,366	82,450
Digital development	40,105	40,849
Other	5,179	4,318
Revenue between business areas	-4,960	-4,630
Total	132,690	122,987

Revenue by market EUR 1,000

	2023	2022
Finland	131,320	121,567
Other countries	1,370	1,419
Total	132,690	122,987

Revenue has been divided into geographical markets by the location of the customers.

2.3. **Contractual amounts recorded in the balance sheet**

2.3.1. **Contractual assets recorded in the balance sheet**

EUR 1,000	2023	2022
Trade receivables, Note 15	20,303	17,177
Assets based on customer contracts (current), Note 16	7,695	3,478
Total	27,997	20,655

2.3.2. **Contractual liabilities recorded in the balance sheet**

EUR 1,000	2023	2022
Liabilities based on customer contracts (non-current), Note 23	283	779
Liabilities based on customer contracts (current), Note 25	6,329	2,919
Total	6,612	3,698

2.4. **Unfulfilled long-term customer contracts**

Transaction price allocated to outstanding performance obligations EUR 1,000

	2023	2022
Transaction price allocated to partly or fully outstanding long-term fixed-price contracts	7,384	9,553

Management expects that 93% (EUR 6,865,000) of the transaction price allocated to outstanding performance obligations on 31 December 2023 will be recognised as income in the next financial year and the remaining 7% (EUR 518,000) after that.

Loihde Group applies a practical tool to present the transaction price allocated to the outstanding performance obligations at the reporting date. This tool may be applied when the Group's performance obligations that are outstanding at the reporting date are generally part of a contract with an initial expected duration of at most one year, or the sales revenue to be recognised corresponds to the value of the performance produced by the Group for the customer by the time of review.

3. OTHER INCOME AND EXPENSE ITEMS

3.1. Other operating income

3.1.1. Accounting policies

Other operating income includes, e.g. sales gains from fixed assets and business transactions and contributions received. Government grants are recognised through profit or loss in the periods in which the expenses to which they relate are recorded when it is reasonably certain that the conditions of the grants will be met and the grants will be received. Government grants related to the acquisition of property, plant and equipment are deducted from the acquisition cost of the asset. The impact on profit or loss is recognised as decreased depreciation of the acquired asset. During the financial year 2023, Loihde Group's subsidiaries have received funding from Business Finland.

EUR 1,000	2023	2022
Gains from disposal of property, plant and equipment and from business transactions	78	3,930
Grants received	268	230
Rental income	8	9
Other income	232	200
Total	586	4,369

In the financial year 2023, capital gains of EUR 78,000 were recognised from the divestment of the business operations of Loihde Advisory AB. In the financial year 2022, capital gains of EUR 3,925,000 were recognised from the divestment of fibre networks.

3.2. Use of materials and services

3.2.1. Accounting policies

Purchases consist of equipment and supplies included in customer contracts, and licences, when Loihde Group does not act as an agent. External services consist mainly of subcontracting. The valuation of inventories is described in more detail in note 14. Inventories.

EUR 1,000	2023	2022
Purchases during the financial year	-36,901	-34,026
Change in inventories	1,702	3,064
External services	-6,716	-4,877
Total	-41,915	-35,838

3.3. Other operating expenses

3.3.1. Accounting policies

Other operating expenses include the acquisition costs of goods and services other than those sold and produced.

EUR 1,000	2023	2022
Voluntary indirect employee costs	-1,857	-1,800
Rents and other office costs 1)	-2,000	-1,997
IT hardware and software costs 1)	-4,304	-3,139
Vehicle costs 1)	-1,702	-1,187
Travel and entertainment expenses	-1,722	-1,446
Administrative expenses	-3,356	-3,051
Acquisition-related costs	-95	-358
Change in expected credit losses (ECL)	-71	-48
Other fixed costs	-1,446	-1,216
Total	-16,554	-14,242

Other operating expenses include amounts recognised for expected credit losses. Further information on expected credit losses is presented in Note 26.1 Credit risk.

1) The lessee's expenses are specified in Note 9.1 Leases, lessee's income statement items.

3.4. Auditor's fees

EUR 1,000	2023	2022
Auditing services, current audit firm	-120	
Auditing services, previous audit firm	-92	-131
Tax advice services, current audit firm	-4	
Other services, current audit firm	-14	
Other services, previous audit firm	-82	-95
Total	-312	-227

3.5. Employee benefit expenses

3.5.1. Accounting policies

Wages, salaries and fringe benefits, annual leave and bonuses are included in current employee benefits and recorded in the period in which the work was performed. Loihde's personnel is covered by an incentive scheme based on the achievement of the company's common and partly personal objectives. Share-based payments are described below in section 3.5.3.

Pension plans are classified as defined benefit or defined contribution plans. In defined contribution plans, the Group makes fixed payments to a separate unit. The Group has no legal or constructive obligation to pay further contributions if the beneficiary is unable to pay the pension benefits in question. All arrangements that do not meet these conditions are defined benefit pension plans.

Loihde Group's current pension arrangements are mainly defined contribution plans and their contributions are recognised as expenses in the income statement for the period to which the charge relates. The number of defined benefit pension plans in the Loihde Group is not significant.

3.5.2. Employee benefit expenses

EUR 1,000	2023	2022
Wages and salaries excluding share-based bonuses	-55,757	-52,730
Share-based bonus deferrals	-399	-534
Pension expenses, defined contribution plan	-9,821	-9,183
Pension expenses, defined benefit plans	42	39
Other indirect employee costs	-2,229	-1,996
Total	-68,164	-64,403

Average number of employees	2023	2022
Digital development	330	346
Security	493	432
Other	40	33
Total, continuing operations and discontinued operations	863	812
Total, continuing operations	863	812

Information on management's employee benefits is presented in Note 29. Related party transactions. Information on share-based incentive schemes is presented in section 3.5.3. Share-based payments.

3.5.3. Share-based payments

Accounting policies

Share-based incentive schemes are measured at the fair value on the vesting date based on the gross number of shares issued and recognised as an expense in the income statement during the period in which the conditions are met (vesting period) and an equivalent adjustment to equity (retained earnings). The withholding tax is partly paid by the company, and the participants will therefore receive the shares free of tax in this respect. The net payment feature is applied and share-based payments are fully classified as equity-settled share-based transactions as they would have been without the net payment feature. The bonuses under the incentive schemes are primarily paid in a combination of company shares and cash, where the cash component is intended to cover the taxes and tax-like charges arising from the bonus.

On each reporting date, the Group reviews its estimate of share-based payments to be realised. The impact of the revision of previous estimates is recognised as personnel expenses and in equity.

The dilution effect of outstanding share bonuses is shown as an additional share dilution in the calculation of earnings per share adjusted by the dilutive effect.

Description of share-based payment plans

More detailed information on the share-based plans is presented in a table after the text section.

Share-based incentive scheme for the personnel 2018–2023

In the financial year 2018, Loihde launched a long-term share-based incentive scheme for its employees.

The incentive scheme includes an additional share scheme offered to all employees of the Group's core businesses as well as a performance-based bonus scheme for the senior management and selected key employees. After a vesting period of just over two years, they will receive additional shares free of charge at a rate of one quarter of the number of shares subscribed. To receive additional shares, the employee must hold the shares purchased and be employed by the Loihde Group in accordance with the terms of the scheme. The criteria for the performance-based bonus scheme are the Group's EBITDA and total shareholder return (TSR).

Share-based incentive scheme for the personnel 2021

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 the personnel of Loihde Group, including the management.

The incentive scheme consists of one vesting period, 1 June 2021 to 31 December 2023. After the vesting period, participants who have subscribed for shares in the share issue that lasted from 18 to 24 June 2021 will receive one additional share free of charge for each three shares they have subscribed for and still hold at the time of the payment of the bonus. To be eligible to receive the additional shares, the participant must still be employed by the Group at the end of the vesting period. Bonuses based on the earning of additional shares will be paid to the eligible participants after the vesting period, tentatively in early 2024. The bonuses under the incentive scheme will primarily be paid in a combination of company shares and cash, where the cash component is intended to cover the taxes and tax-like charges arising from the bonus. The Board of Directors also has the right to decide that the bonus be paid fully in shares or fully in cash.

Share-based incentive scheme for the personnel 2022

On 6 June 2022, the Board of Directors of Loihde Plc launched a new share-based incentive scheme for all personnel (Employee Matching Share Plan 2022). The incentive scheme consists of an employee share issue from 14 to 22 June 2022 and a related matching share scheme.

After the vesting period ending at the end of 2024, the participants in the scheme will receive matching shares as a bonus. The gross number of matching shares is one share for each three shares subscribed for in the share issue. The matching shares will be paid to the employees primarily on a net basis and the amount equivalent to the proportion of withholding tax is paid in cash. To receive additional shares, the employee must hold the shares purchased in the employee share issue until the end of the commitment period and also be employed by the Loihde Group at the end of the vesting period.

Long-term incentive scheme (LTI) for the management and key personnel 2021–2023

On 3 March 2021, the company's Board of Directors decided on a performance-based long-term incentive scheme aimed at the Group's Leadership Team and selected key employees. The scheme consists of three-year vesting periods (2021–2023, 2022–2024 and 2023–2025) starting annually, each of which requires separate approval by the Board of Directors. The criteria for the payment of the bonus are revenue and EBITDA targets set by the Board of Directors for the vesting period in question. A prerequisite of the bonus is that the key employee's employment or service relationship has not been terminated or ended by the employee in question or by the company before the end of the vesting period. The potential share bonuses to be paid based on the first vesting period, 2021–2023, will be paid in spring 2024.

On 25 November 2021, the Board of Directors of Loihde Plc decided to continue the share-based long-term incentive scheme (LTI) for the Group's senior management and selected key employees with a new vesting period for 2022–2024. During the vesting period 2022–2024, a maximum of 25 people is covered by the incentive scheme. Potential bonuses for the vesting period 2022–2024 will be paid in spring 2025.

On 29 November 2022, the Board of Directors of Loihde Plc decided to continue the share-based long-term incentive scheme (LTI) for the Group's senior management and selected key employees with a new vesting period for 2023–2025. During the vesting period 2023–2025, a maximum of 27 people is covered by the incentive scheme. Potential bonuses for the vesting period 2023–2025 will be paid in spring 2026.

Share-based incentive schemes for the Board of Directors 2020–2023

In 2020–2023, the Annual General Meeting (AGM) has decided on long-term share-based incentive schemes for the members of the Board of Directors and related share issues. The subscription price is based on the volume-weighted average share price over a predetermined period, with a 10% discount applied. Details of outstanding shares and changes during the financial year are set out in the table below.

Employee Share Savings Plan (ESSP) 2023

On 25 May 2023, Loihde's Board of Directors decided to establish an Employee Share Savings Plan (ESSP) for the employees of Loihde Plc and its subsidiaries.

The ESSP gives employees the opportunity to save a portion of their salaries and invest those savings in Loihde's shares. The ESSP consists of annually commencing plan periods, each one comprising of an approximately one-year savings period and a holding period following the savings period. The savings are used to buy shares in Loihde four times a year. 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 bonus.

EUR 1,000

Plan	Share-based incentive scheme for the personnel 2018–2023	Share-based incentive scheme for the personnel 2021	Share-based incentive scheme for the personnel 2022	Long-term incentive scheme			Share-based incentive scheme for the Board of Directors				Employee Share Savings Plan (ESSP) 2023		Total	
	Instrument	Matching, vesting period 2020–2022	Matching, vesting period 2021–2023	Matching, vesting period 2022–2024	LTI 2021–2023			2020–2027				2023		
					LTI 2021	LTI 2022	LTI 2023	Board's incentive scheme 2020–2022	Board's incentive scheme 2021–2023	Board's incentive scheme 2022–2024	Board's incentive scheme 2023–2025	ESSP 2023 Matching shares		ESSP 2023 performance-based matching shares
	20,286	27,614	16,736	48,000	63,864	102,000	240	685	916	960	~62500		343,801	
Maximum number of shares	18/12/2020	08/07/2021	06/07/2022	28/06/2021	05/07/2022	08/05/2023	14/07/2020	08/07/2021	22/06/2022	21/06/2023	21/09/2023	21/09/2023		
First date of issue	30/11/2020	01/06/2021	06/07/2022	01/01/2021	01/01/2022	01/01/2023	26/06/2020				01/07/2023	01/07/2023		
Vesting period begins	31/12/2022	31/12/2023	31/12/2024	31/12/2023	31/12/2024	31/12/2025	31/12/2022	31/12/2023	31/12/2024	31/12/2025	31/05/2023	31/05/2023		
Vesting period ends	30/04/2023	31/12/2023	31/12/2024	31/12/2023	31/12/2024	31/12/2025	30/06/2023	30/06/2024	30/06/2025	30/06/2026	31/05/2026	31/05/2026		
Release date				Revenue & EBITDA	Revenue & EBITDA	Revenue & EBITDA								
Performance criteria	Ownership and employment obligation	Ownership and employment obligation	Ownership and employment obligation	Employment obligation	Employment obligation	Employment obligation	Ownership and employment obligation	Ownership and employment obligation	Ownership and employment obligation	Ownership and employment obligation	Ownership and employment obligation	Ownership and employment obligation		
Maximum period of validity, years	2.4	2.6	2.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.9	2.9		
Remaining maturity, years	0.0	0.0	1.0	0.0	1.0	2.0	0.0	0.5	1.5	2.5	2.4	2.4		
Persons at the end of the financial year	0	241	123	13	18	26	0	4	4	6	143	143		
Implementation method	Share and cash	Share and cash	Share and cash	Share and cash	Share and cash	Share and cash	Share	Share	Share	Share	Share and cash	Share and cash		
Changes during the financial year	Matching, vesting period 2020–2022	Matching, vesting period 2021–2023	Matching, vesting period 2022–2024	LTI 2021	LTI 2022	LTI 2022	Board's incentive scheme 2020–2022	Board's incentive scheme 2021–2023	Board's incentive scheme 2022–2024	Board's incentive scheme 2023–2025			Total	
1 January	15,208	22,965	16,531	37,800	59,264		240	685	916				153,609	
Outstanding shares at the beginning of the financial year													0	
Changes during the financial year						102,000				960	7,702	7,702	118,364	
Granted during the period	980	2,901	1,629		6,891	2,800		107	143		99	99	15,649	
Lost during the period	14,228						240						14,468	
Paid during the period														
31 December	0	20,064	14,902	37,800	52,373	99,200	0	578	773	960	7,603	7,603	241,856	
Outstanding shares at the end of the financial year														

Determination of fair value

The key parameters of the fair value of share bonuses granted during the financial year are presented in the table below.

	2023	2022
Share price at the time of issue	14.67	11.32
Share price at the end of the financial year	12.05	13.15
Expected dividends *)	1.44	1.11
Fair value of the share bonus at the time of issue	13.23	10.21

*) The expected dividend includes the cumulative expected dividend for the entire vesting period.

Impact of share-based payment schemes on the result and financial situation

EUR 1,000	2023	2022
Costs for the financial year, share-based payments, result	-399	-534
Costs for the financial year, share-based payments, equity	-397	531
Liability arising from share-based payments *)	5	2

*) The liability arising from share-based payments includes an estimate of the indirect costs related to the share bonuses to be paid for Lohde Group's Swedish subsidiary. In Finland, no indirect costs are paid on share bonuses.

Key estimates and assumptions requiring management discretion

The number of shares to be issued is estimated in connection with each financial statement. The assessment considers changes in Lohde's earnings estimates, attrition of employees covered by share-based incentive schemes and other factors affecting the number of shares to be issued.

3.6. Finance income and expenses

3.6.1. Accounting policies

Finance income and expenses are recognised in the period in which they incurred.

3.6.2. Finance income and expenses

EUR 1,000	2023	2022
Finance income		
Income from assets recognised at amortised cost	37	15
Income from assets at fair value through profit or loss	1,221	618
Other interest income	169	51
Other finance income	26	53
Total	1,452	736
Finance expenses		
Expenses for liabilities recognised at amortised cost	-76	-104
Losses from liabilities recognised at fair value through profit or loss	-651	-2,676
Other interest expenses	-324	-234
Other finance expenses	-7	-4
Total	-1,058	-3,018
Net finance income and expenses	394	-2,282
Other exchange differences included in the income statement, by line		
Revenue	6	-1
Use of materials and services	13	-14
Other operating expenses	-6	-28
Total	13	-44

4. INCOME TAXES

4.1. Accounting policies

Tax based on the taxable income for the period

Income taxes consist of current income tax and deferred taxes. The tax based on current taxable income is calculated based on the regulations of each country and the applicable tax rate. The current income tax and deferred taxes are recognised through profit or loss, except in so far as it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity.

4.2. Income taxes in the income statement

EUR 1,000	2023	2022
Taxes on ordinary activities based on the taxable income for the financial year	-322	-1,335
Taxes from previous financial years	33	
Deferred taxes	177	295
Total	-112	-1,040
Effective tax rate -%	22.1 %	-23.6 %

4.3. Tax rate reconciliation

EUR 1,000	2023	2022
Profit before taxes	-507	4,402
Taxes calculated at the Finnish tax rate of 20% (2021: 20%)	101	-880
Deviating tax rates of foreign subsidiaries	2	1
Non-taxable income	1	63
Non-deductible expenses	-75	-220
Losses for the financial year not recognised in income taxes	-195	-36
Taxes from previous financial years	33	
Other taxes	21	33
Taxes in the income statement	-112	-1,040

4.4. Additional information related to taxes recognised through profit or loss

Income tax relating to all other comprehensive income items

EUR 1,000	2023	2022
Items not subsequently reclassified to profit or loss	-88	-75
Recognised deferred tax	18	15
Items that may be reclassified subsequently to profit or loss	-12	-3

Deferred tax assets and liabilities see Note 13

Deferred taxes recognised directly in equity, see Note 13.2

No deferred tax assets have been recognised for accumulated losses, see Note 13.2.

5. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

5.1. Accounting policies

A discontinued operation refers to a part of the company that has been transferred or classified as held for sale. In addition, it represents a separate core business area or geographical area, is part of a coordinated plan to divest a separate core business area, or is a subsidiary acquired exclusively for the purpose of resale. The result of discontinued operations is presented in a separate line in the consolidated income statement and the figures for the comparative period are duly adjusted.

Non-current assets and assets and liabilities related to discontinued operations are classified as held for sale if an amount corresponding to their book values is expected to be primarily accrued from sales rather than as a result of continuing use. Classification as held for sale is subject to the following conditions: the sale must be highly probable, the asset item must be available for immediate sale in its current shape and under normal conditions, the management must be committed to selling the asset and the sale can be expected to take place within one year of the classification.

Before an asset item or assets and liabilities belonging to a group of disposal items is classified as held for sale, their book values are determined based on applicable IFRS standards. From the date of classification, non-current assets held for sale are measured at book value or at fair value less the cost of disposal, whichever is lower. At the same time, depreciation and amortisation must stop. Assets held for sale are presented in the consolidated balance sheet in a separate line, without adjusting the figures for the comparative period.

5.2. Gains or losses from non-current assets held for sale

Loihde Group's subsidiary sold its fibre network business in the comparative year, i.e. in January 2022. The capital gain from the sale is presented in the comparative data in Note 3.1. Other operating income.

5.3. Basic information about discontinued operations

Loihde sold the entire share capital of Hibox Systems Oy Ab to the Swedish company Accedo AB in 2021. The result from discontinued operations for the comparative period 2022 of EUR 310,000 consists of the reversal of the allocation of the additional purchase price.

6. EARNINGS PER SHARE

6.1. Accounting policies

Basic (undiluted) earnings per share are calculated by dividing the profit or loss for the financial year belonging to the shareholders of the parent company by the weighted average number of outstanding shares during the financial year.

The company's treasury shares are deducted from the total number of outstanding shares when calculating the weighted average number of outstanding shares. The calculation of diluted earnings per share takes into account the impact of the share-based incentive schemes.

6.2. Earnings per share

EUR 1,000

	2023	2022
Profit for the financial year attributable to owners of the parent company	-620	3,359
Weighted average undiluted number of shares during the financial year, 1,000 shares	5,741	5,754
Earnings per share (EPS), EUR/share, basic (undiluted)	-0.11	0.58
Weighted average diluted number of shares during the financial year, 1,000 shares	5,801	5,794
Earnings per share, EUR/share, diluted	-0.11	0.58

NOTES TO THE BALANCE SHEET

Non-current assets

7. TANGIBLE ASSETS

7.1. Accounting policies

Tangible property, plant and equipment is valued at the original acquisition cost less accumulated depreciation and impairment. Land is not depreciated. The acquisition cost of other asset items is allocated as straight-line depreciation over the estimated useful life of the asset. The residual value and useful life of property, plant and equipment are reviewed at least at the end of each financial year and adjusted, if necessary, to reflect changes in the expected economic benefits. Capital gains and losses on the disposal of property, plant and equipment are included in other operating income or other operating expenses.

Depreciation times

Buildings and structures	15–25 years
Machinery and equipment	3–5 years
Other tangible assets and networks	3–10 years

7.2. Tangible assets

	Land areas in own use	Buildings and structures in own use	Machinery and equipment in own use	Other tangible assets and networks	Advance payments and procurement in progress	Total
2023						
EUR 1,000						
Acquisition cost, 1 Jan.	1,636	6,220	7,587	400	106	15,950
Acquisition of a subsidiary			466			466
Other increases		145	1,317	80	135	1,678
Other decreases and disposals			-21			-21
Transfers between items	-46	-265		-2		-313
Foreign exchange differences						
Acquisition cost, 31 Dec.	1,591	6,100	9,350	478	241	17,760
Accumulated depreciation and impairment, 1 Jan.		-4,438	-6,689	-178		-11,304
Change due to reclassification						
Accumulated depreciation from the acquisition of a subsidiary			-378			-378
Other decreases and disposals, accumulated depreciation						
Accumulated depreciation on transfers		256		1		257
Depreciation for the financial year		-257	-586	-88		-931
Foreign exchange differences						
Accumulated depreciation and impairment, 31 Dec.		-4,439	-7,653	-265		-12,356
Book value, 1 Jan.	1,636	1,783	898	223	106	4,646
Book value, 31 Dec.	1,591	1,661	1,697	213	241	5,404

2022	Land areas in own use	Buildings and structures in own use	Machinery and equipment in own use	Other tangible assets and networks	Advance payments and procurement in progress	Total
EUR 1,000						
Acquisition cost, 1 Jan.	1,636	6,148	6,998	307	76	15,165
Acquisition of a subsidiary			138	2		140
Other increases		72	455	91	30	649
Other decreases and disposals			-4	-1,365		-1,369
Transfers to asset items classified as held for sale				1,365		1,365
Acquisition cost, 31 Dec.	1,636	6,220	7,587	400	106	15,950
Accumulated depreciation and impairment, 1 Jan.		-4,188	-6,090	-116		-10,393
Accumulated depreciation from the acquisition of a subsidiary			-15			-15
Other decreases and disposals, accumulated depreciation				715		715
Accumulated depreciation for transfer to assets classified as held for sale				-715		-715
Depreciation for the financial year		-250	-542	-62		-853
Impairment			-43			-43
Accumulated depreciation and impairment, 31 Dec.		-4,438	-6,689	-178		-11,304
Book value, 1 Jan.	1,636	1,960	908	191	76	4,772
Book value, 31 Dec.	1,636	1,783	898	223	106	4,646

8. INVESTMENT PROPERTIES

8.1. Accounting policies

Investment properties are mainly office buildings that generate long-term rental income and are not used by the Group. Investment properties are valued at original acquisition cost less depreciation and possible impairment losses.

Rented plots of land have also been classified as investment properties, accounting for EUR 85,000 (2022: EUR 91,000) of the book value at the end of the financial year.

Depreciation times

Investment properties 15–25 years

Investment properties

EUR 1,000	2023	2022
Acquisition cost, 1 Jan.	8,705	8,676
Increases	16	29
Decreases		
Transfers between other asset items	311	
Acquisition cost, 31 Dec.	9,032	8,705
Accumulated depreciation and impairment, 1 Jan.	-6,170	-5,948
Depreciation for the financial year	-225	-222
Accumulated depreciation from decreases and transfers	-256	
Accumulated depreciation and impairment, 31 Dec.	-6,651	-6,170
Book value, 1 Jan.	2,534	2,728
Book value, 31 Dec.	2,381	2,534

8.2. Rental arrangements

Investment properties have been leased with operating lease agreements according to which the rent is paid monthly. Some contracts include increases based on the consumer price index, but there are no other variable rents depending on indices or prices. The Group may obtain bank guarantees for the lease period if it is considered necessary to reduce credit risk. Although the Group is exposed to changes in residual value as existing leases expire, it generally enters into new operational lease agreements and therefore does not realise the potential decrease in the residual value at the end of these agreements. The expected residual values are considered in the fair values of the properties.

Minimum rents from investment properties are as follows:

After 0–1 year	570
After 1–2 years	171
After 2–3 years	99

After 3–4 years	99
After 4–5 years	99
After more than 5 years	444

Notes on contractual obligations relating to the purchase, construction or development of investment properties, or their repairs, maintenance or improvements are disclosed in Note 28. Contingent liabilities and assets, and commitments.

8.3. Fair value of an investment property measured at acquisition cost

EUR 1,000	Book value		Fair value	
	2023	2022	2023	2022
Investment properties	2,381	2,534	3,005	3,733
31 Dec.	2,381	2,534	3,005	3,733

The estimate of the fair value is based on the market value used in the review of the fair value at the end of the financial year or the present value of future cash flows.

8.4. Amounts recognised through profit or loss on investment property

EUR 1,000	2023	2022
Rental income from operational leases	699	579
Direct management costs for properties generating rental income	-581	-430
Profit + or loss - from sale recognised through profit or loss		
Impact on profit or loss 31 Dec.	119	149

9. LEASE AGREEMENTS

9.1. Group as a lessee

9.1.2. Accounting policies

Loihde Group's leases consist mainly of premises, land, vehicles and IT equipment, as well as technical equipment included in business service contracts. Leases of premises are mainly contracts of indefinite duration and other contracts are fixed-term contracts. The lease term is defined as the period during which the lease cannot be cancelled. The lease term is extended to include the period included in any renewal or termination option if it is reasonably certain that the Group will exercise the renewal option and not exercise the termination option.

Loihde measures lease liabilities by discounting the cash flows of the lease agreements at the incremental borrowing rate on the inception date of the lease. Right-of-use assets are valued at the acquisition cost less accumulated depreciation and impairment. Depreciation on right-of-use assets is recognised as an expense in the income statement. In addition, the book value of a right-of-use asset is adjusted to reflect the value of the lease liability if the value of the lease liability is redefined during the lease term.

The initial nominal value of the lease liability is the present value of the payments to be made during the lease term. Lease payments include the amount of the fixed payment and the variable rental payments based on price changes and payments resulting from penalties for lease termination. Some leases on premises involve index terms that are not considered in the lease liabilities until they are realised. Loihde measures the lease liability in subsequent periods using the effective interest method. The lease liability is redefined if future lease payments change due to an index increase or price change or if rents payable under the residual value guarantee are subject to change. In addition, changes in the estimates of the option to buy, continue or terminate the underlying item may lead to reassessment of the lease liability. Lease payments are discounted using the Group's incremental borrowing rate as interest rates are not available for lease agreements. The Group's incremental borrowing rate is determined based on financial offers received and market conditions, and it is reviewed at least annually.

The maturity breakdown of lease liabilities is presented in Note 26. Management of financial risks and capital.

Loihde applies the exceptions of the standard concerning short-term and low-value leases. A short-term lease is a contract with a lease term of 12 months or less.

Low-value assets include IT equipment in own use and company bicycles. Low-value and short-term leases are not recognised in the balance sheet, but payments from these agreements are recognised as expenses on a straight-line basis.

In leases for premises, Loihde does not separate service components from lease components.

9.1.3. Key solutions based on discretion

The key management discretion relates to leases valid until further notice, in which Loihde's management assesses the length of the lease term, which can have a material effect on the recognised amount of the right-of-use asset and the lease liability, as well as the related depreciation and interest expenses.

Management discretion is also relevant for determining the incremental borrowing rate used to calculate the present value of lease payments.

9.1.4. Lessee's right-of-use assets

2023	Right-of-use land areas	Right-of-use buildings and structures	Right-of-use machinery and equipment	Total
EUR 1,000				
Acquisition cost, 1 Jan.	116	5,555	9,925	15,596
Increase/decrease due to revaluation	8	1,467	-146	1,329
Increases		1,638	3,571	5,209
Decreases		-1,242	-1,337	-2,579
Transfer to assets classified as held for sale				
Foreign exchange differences		-4		-4
Acquisition cost, 31 Dec.	124	7,414	12,014	19,552
Accumulated depreciation and impairment, 1 Jan.	-29	-3,353	-3,758	-7,140
Depreciation for the financial year	-17	-1,891	-3,183	-5,091
Accumulated depreciation from decreases and transfers		1,242	1,337	2,579
Foreign exchange differences		2		2
Accumulated depreciation and impairment, 31 Dec.	-46	-4,000	-5,604	-9,650
Book value, 1 Jan.	87	2,202	6,168	8,457
Book value, 31 Dec.	78	3,414	6,410	9,902

2022	Right-of-use land areas	Right-of-use buildings and structures	Right-of-use machinery and equipment	Total
EUR 1,000				
Acquisition cost, 1 Jan.	111	4,958	7,126	12,195
Increase/decrease due to revaluation	5	838	-81	763
Increases		28	4,265	4,293
Decreases		-259	-1,428	-1,687
Assets classified as held for sale			42	42
Foreign exchange differences		-9		-9
Acquisition cost, 31 Dec.	116	5,555	9,925	15,596
Accumulated depreciation and impairment, 1 Jan.	-14	-1,846	-2,389	-4,250
Depreciation for the financial year	-15	-1,770	-2,796	-4,581
Accumulated depreciation from decreases and transfers		259	1,428	1,687
Foreign exchange differences		4		4
Accumulated depreciation and impairment, 31 Dec.	-29	-3,353	-3,758	-7,140
Book value, 1 Jan.	96	3,111	4,737	7,945
Book value, 31 Dec.	87	2,202	6,168	8,457

9.1.5. Comprehensive income statement and cash flow statement items of the lessee

EUR 1,000	2023	2022
Interest expenses on lease liabilities	-221	-86
Rental expenses for short-term leases	-62	-177
Rental expenses for low-value leases	-464	-536
Total	-746	-799

Outgoing cash flow from leases for the financial year 2023 totalled EUR 5,027,000 (2022: EUR 4,610,000).

9.1.6. Liabilities recognised in the balance sheet from leases

Group as a lessee	2023	2022
EUR 1,000		
Non-current lease liabilities	5,429	4,795
Current lease liabilities	4,837	3,953
Total	10,266	8,748

9.2. Group as a lessor

9.2.1. Accounting policies

Loihde Group acts as a lessor through its real estate subsidiary. The Group leases properties it owns to enterprises. Leases in which the

Group acts as a lessor are classified as operating leases. Leased properties are included in the balance sheet under investment properties or tangible assets depending on their nature and are depreciated over their useful life. Properties where the Group own use is less than 5% of the area available for rent are considered investment properties. Rental income is recognised in the income statement on a straight-line basis over the lease term. The Group's role as a lessor is of minor importance.

9.2.2. Lessor's operating leases

Items recorded in the income statement

EUR 1,000	Fixed rental income	Variable rental income	2023 Total
Buildings and structures	556	144	700
Investment properties	571	129	699
Total	1,127	273	1,399

EUR 1,000	Fixed rental income	Variable rental income	2022 Total
Buildings and structures	649	194	843
Investment properties	484	95	579
Total	1,132	290	1,422

9.2.3. Receivables recognised in the balance sheet from leases

Group as a lessor EUR 1,000	2023	2022
Short-term lease receivables, operating leases	18	62
Total	18	62

10. GOODWILL AND OTHER INTANGIBLE ASSETS

10.1. Accounting policies

An intangible asset is initially recognised at acquisition cost when the cost can be measured reliably and it is expected that the intangible asset will generate economic benefits for the Group. Intangible assets with a known or estimated limited useful life are recognised on a straight-line basis as an expense in the income statement over their useful life.

Depreciation times

Development costs	3–5 years
Intangible rights	3–5 years
Other intangible assets	3–10 years
Customer relationships	3–5 years

10.1.1. Goodwill and other intangible assets acquired in a business combination

The accounting policies for goodwill acquired in a business combination are described in Note 27.

Other intangible assets acquired in connection with acquisitions are recognised in the balance sheet separately from goodwill if they meet the definition of an intangible asset; they are distinguishable or based on contracts or legal rights. Intangible assets recognised in connection with acquisitions consist of the value of customer contracts and related customer relationships, acquired technologies and brand. The value of customer agreements and related customer relationships is determined by the estimated cash flows based on the expected retention and duration of customer relationships.

10.1.2. R&D costs

Loihde records research-related costs as an expense for the research period. Development costs arising from the design of new products or services are generally recognised as an expense during the development period. The Group may receive development costs in connection with acquisitions that are related to projects launched before the acquisition, which are handled as intangible assets to be capitalised. They are capitalised as intangible assets for the duration of the project if the requirements of IAS 38 are met.

Depreciation is recognised on the capitalised asset from the moment it is ready for use. An asset that is not yet ready for use is tested annually for impairment. Capitalised development costs are after initial recognition measured at acquisition cost less accumulated depreciation and impairment. The useful life of capitalised development costs is 3–5 years, during which capitalised costs are recognised as straight-line costs.

10.1.3. Cloud computing arrangements

In April 2021, the IFRS Interpretations Committee (IFRIC) issued an agenda decision concerning so-called SaaS arrangements and their implementation, configuration and customisation and purchasing services. The accounting treatment of cloud computing arrangements is dependent on whether the cloud-based software is classified as an intangible asset or a service contract. Arrangements where the company does not control the software in question are treated as service contracts that give the company the right to use the application software of the cloud service provider during the contract period. The continuing licence fees for the application software, as well as the configuration or customisation costs related to the software, are recognised as other operating expenses when the services are received.

Any prepayments to the cloud service provider for customisation of software that are not distinguishable are recognised as an expense during the term of the contract.

Cloud computing arrangements are of minor importance to the Group.

10.1.4. Intangible rights and Other intangible assets

Intangible rights and other intangible assets mainly include software with a limited useful life.

10.2. Goodwill and intangible assets

2023	Develop- ment costs	Intan- gible rights	Other intangible assets without customer relation- ships	Customer relation- ships	Total intangible assets	Goodwill	Total
EUR 1,000							
Acquisition cost, 1 Jan.	551	1,552	2,966	2,342	7,410	62,819	70,229
Acquisition of a subsidiary			103	447	549	1,062	1,612
Other increases/decreases		-1			-1		-1
Transfers between other asset items			2		2		2
Acquisition cost, 31 Dec.	551	1,551	3,071	2,788	7,961	63,881	71,842
Accumulated depreciation 1 Jan.	-237	-1,535	-2,011	-711	-4,495		-4,495
Accumulated depreciation from the acquisition of a subsidiary							
Depreciation for the financial year	-131	-7	-470	-716	-1,325		-1,325
Impairment							
Accumulated depreciation from decreases and transfers			-1		-1		-1
Accumulated depreciation 31 Dec.	-369	-1,542	-2,483	-1,427	-5,820		-5,820
Book value, 1 Jan.	313	17	955	1,631	2,916	62,819	65,734
Book value, 31 Dec.	182	9	588	1,361	2,140	63,881	66,021

During the financial year, the Group recorded a total of EUR 1,692,000 in R&D expenditure.

2022	Develop- ment costs	Intan- gible rights	Other intangible assets without customer relation- ships	Customer relation- ships	Total intangible assets	Goodwill	Total
EUR 1,000							
Acquisition cost, 1 Jan.	272	1,554	2,495	1,178	5,499	53,481	58,979
Acquisition of a subsidiary	196		113	1,164	1,474	9,338	10,811
Divestment of a subsidiary							
Other increases	82	-2	365		446		446
Other decreases							
Transfers between other asset items			-7		-7		-7
Acquisition cost, 31 Dec.	551	1,552	2,966	2,342	7,410	62,819	70,229
Accumulated depreciation 1 Jan.	-164	-1,475	-1,299	-229	-3,168		-3,168
Accumulated depreciation from the acquisition of a subsidiary	-62		-23		-85		-85
Accumulated depreciation from the divestment of a subsidiary							
Depreciation for the financial year	-11	-60	-621	-482	-1,173		-1,173
Accumulated depreciation from decreases and transfers			7		7		7
Impairment			-76		-76		-76
Accumulated depreciation 31 Dec.	-237	-1,535	-2,011	-711	-4,495		-4,495
Book value, 1 Jan.	108	78	1,196	949	2,331	53,481	55,811
Book value, 31 Dec.	313	17	955	1,631	2,916	62,819	65,734

During the financial year, the Group recorded a total of EUR 1,784,000 in R&D expenditure.

10.3. Impairment of goodwill and tangible and intangible assets

On each reporting date, the Group assesses whether there are any indications that an asset item has been impaired.

If there are any such indications, the recoverable amount of the asset item is estimated.

In addition, the recoverable amount of goodwill and intangible assets in progress is estimated annually, regardless of whether there are indications of impairment. If the book value of an asset item is greater than its recoverable amount, it has been impaired. The recoverable amount is the fair value of the asset item less costs from selling or value in use, if higher. The value in use refers to the estimated future net cash flows from the asset or cash-generating that are discounted to their current value.

An impairment loss is recognised in the income statement. An impairment loss is only reversed if there has been a change in the estimates used to determine the recoverable amount of the asset after the last recorded impairment loss. However, the impairment loss may not be reversed in excess of what the asset's book value including depreciation would be without the recognition of the impairment loss. An impairment loss recognised for goodwill is not reversed in subsequent financial periods.

10.4. Allocation of goodwill acquired in Lohde Group's business combination to cash-generating units

Goodwill arising from business combinations is recognised and measured at the time of acquisition in accordance with the principles outlined above. Goodwill is not depreciated. Instead, it is tested for impairment at least annually and whenever there is any indication of impairment. In impairment testing, goodwill is allocated to two cash-generating units, the digital development business and the security business, corresponding to the Group's operating segments and being the lowest level at which management monitors goodwill for internal management purposes.

If the recoverable amount of a cash-generating unit is less than the book value of the unit, the impairment loss is first allocated to goodwill and then to other assets of the unit. If goodwill has been impaired, it will not be reversed in future periods. Goodwill is measured at acquisition cost less accumulated impairment.

Goodwill

	31 Dec. 2023	31 Dec. 2022
EUR 1,000		
Digital development	43,097	43,097
Security	20,784	19,722
Total	63,881	62,819

10.5. Impairment testing

The recoverable amount in impairment testing is the fair value of the asset item less the costs of disposal or value in use, if higher. For goodwill testing, Lohde has used the value-in-use method.

The key assumptions used in the value-in-use calculations are the EBITDA and the discount rate.

Impairment testing is carried out annually during the last quarter of the year, using the company's established practice.

Impairment testing is also performed immediately if there are indications of possible impairment.

The cash flow projections used in the testing of recoverable amounts are based on budgets and business plans approved by the Board of Directors for a period of 4 years, and for a period of 3 years in the comparative year. The budgets and business plans used are based on management's view of market and business development and historical performance.

The cash flow growth rate used after the budget and business plan period is 1.5% (31 Dec. 2022: 1.5%).

The company uses the weighted average cost of capital (WACC) as the discount rate for impairment testing.

The pre-tax WACC used in the calculations are shown below:

	Digital development	Security
31/12/2023	15.10%	13.30%
31/12/2022	13.02%	13.80%

The impairment test carried out showed that the recoverable amounts of the cash-generating units exceed their corresponding book values and that there is no need to write down goodwill. In 2023, the recoverable cash flow based on value-in-use calculations exceeded the book value by EUR 56.40 million in the security business and by EUR 15.60 million in the digital development business. The terminal period accounted for 76% of the accumulated cash in the security business and 68% in the digital development business.

Sensitivity

The recoverable amount of the cash-generating digital development business would equal its book value on 31 December 2023, if one of the key assumptions were to change as follows (all other assumptions remaining unchanged):

- The pre-tax WACC would increase from 15.10% to 19.5%.
- The long-term EBITDA margin (EBITDA %) would fall from 17.6% to 11.7%.

11. OTHER FINANCIAL ASSETS

EUR 1,000	2023	2022
<i>Non-current assets</i>		
Other shares and holdings	17	22
Total	17	22

12. NON-CURRENT RECEIVABLES

EUR 1,000	2023	2022
Long-term loan receivables	6	132
Other receivables	152	248
Total non-current assets	158	381

Non-current loan receivables consist of loans granted to employees under the share-based payment schemes. Share-based incentive schemes are described in Note 3.5.3 Share-based payments. Other receivables are paid security deposits, mainly rental deposits.

13. DEFERRED TAX ASSETS AND LIABILITIES**13.1. Accounting policies**

Deferred taxes are calculated on all temporary differences between the book value and the taxable value using valid tax rates sheet date. However, no deferred tax liability is recognised for taxable temporary differences where a deferred tax liability would at the balance arise from the initial recognition of goodwill, or if it arises from the initial recognition of an asset or liability, in the absence of a business combination and the transaction does not affect the accounting result or taxable profit (or loss) at the time of the transaction. A deferred tax asset is recognised up to the amount corresponding to the likely taxable income arising in the future against which the difference can be offset. The most significant temporary differences arise from customer contracts, business combinations, items measured at fair value through the income statement, property, plant and equipment and intangible assets.

The book value of deferred tax assets is reassessed on each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilise all or part of the deferred tax assets. Unrecognised deferred tax assets are reassessed on each reporting date and recognised to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recognised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off deferred tax assets and liabilities against each other based on taxable income for the period and the deferred taxes relate to the same taxable entity. Tax assets and tax liabilities based on current taxable income are offset when an enterprise has a legally enforceable right of set-off against each other and intends either to settle the liability on a net basis or to realise the asset and settle the liability simultaneously.

13.2. Deferred tax assets and liabilities

2023		Recognised in the income statement	Recognised in other compre- hensive income	Business combinations	31 Dec.
EUR 1,000	1 Jan.				
Deferred tax assets					159
On customer contracts	338	-179			
On depreciation not deducted for tax purposes	669	7			676
On cloud computing arrangements	108	280			388
On Group consolidation and elimination	231	26	-18	1	240
Total	1,347	134	-18	1	1,463
Deferred tax liabilities					
Measurement at fair value	412	-128		89	373
On items measured at fair value through the income statement	-48	92			44
On Group consolidation and elimination	48	-7			40
Total	412	-43		89	458
Deferred taxes, net	935	177	-18	-89	1,005

2022		Recognised in the income statement	Recognised in other compre- hensive income	Business combinations	31 Dec.
EUR 1,000	1 Jan.				
Deferred tax assets					
On customer contracts	445	-106			338
On depreciation not deducted for tax purposes	764	-95			669
On cloud computing arrangements	66	26		16	108
On Group consolidation and elimination	254	-38	15		231
Total	1,528	-213	15	16	1,347
Deferred tax liabilities					
Measurement at fair value	242	-63		233	412
On items measured at fair value through the income statement	438	-486			-48
On Group consolidation and elimination	6	42			48
Total	687	-507		233	412
Deferred taxes, net	842	295	15	-217	935

Deferred tax assets have not been recognised for the loss incurred EUR 967,000 (2022: EUR 179,000).

NOTES TO THE BALANCE SHEET

Current assets

14. INVENTORIES

14.1. Accounting policies

The acquisition cost of inventories is mainly determined using the FIFO method (first in-first out) or, for a small proportion of inventories, the weighted average price method.

Inventories are measured either at acquisition cost or a lower net realisable value, which is the estimated selling price in the ordinary course of business, less the estimated costs necessary to realise the sale.

The acquisition cost of materials and supplies includes the purchase price. Work in progress includes installation costs of the work in progress.

EUR 1,000	2023	2022
Materials and supplies, finished products	12,018	9,844
Work in progress	0	50
Advance payments	35	456
Total inventories	12,052	10,350

Inventories include advance payments to the principal related to the business. Inventories held by the principal and used for Loihde's deliveries are used as collateral. The advance payment will be repaid during the financial year 2024.

During the financial year, a EUR 472,000 (162,000) write-down was made in inventories. No write-downs were reversed during the financial year (2022: no reversals).

15. TRADE AND OTHER RECEIVABLES

15.1. Accounting policies

Receivables arising from products sold to or services produced for customers in the ordinary course of business are classified as trade receivables. They normally fall due within 30 days and are therefore classified as current. Trade receivables are initially measured at the amount of consideration to which the entity expects to be entitled in exchange for the delivery of the promised goods or services to the customer. Due to the nature of current trade receivables, their book value is assumed to be the same as their fair value.

EUR 1,000	2023	2022
Trade receivables	20,303	17,223
Expected credit losses	-62	-47
Loan receivables	128	574
Other receivables	234	185
Total trade and other receivables	20,603	17,936

The determination of expected credit losses is described in Note 26.1 Credit risk, which also presents the age distribution of trade receivables.

16. ASSETS BASED ON CUSTOMER CONTRACTS

16.1. Accounting policies

The invoicing schedule in the Loihde Group may differ from the schedule of income recognition. When income is recognised before the customer is invoiced, Loihde recognises an asset item based on contracts in the balance sheet.

EUR 1,000	2023	2022
Assets based on customer contracts	7,695	3,478

17. ACCRUED INCOME

Current

EUR 1,000

EUR 1,000	2023	2022
Accrued income on purchases	2,811	1,865
Receivables arising from employee benefits	44	107
Other accrued income	435	1,437
Total	3,290	3,409

18. CURRENT TAX ASSETS

EUR 1,000

EUR 1,000	2023	2022
Tax allocation based on the profit/loss for the financial year	291	254

19. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

EUR 1,000	2023 Fair value	Profit+/ Loss-	2022 Fair value	Profit+/ Loss-
Shares and holdings in listed companies	30	23	42	35
Shares in mutual funds	3,744	197	11,144	-275
Total	3,775	220	11,186	-240

The fair values of investments measured at fair value through profit or loss are based on price quoted in an active market (classified at level 1 of the fair value hierarchy).

Changes in fair value are recognised under financial income or expenses.

20. CASH AND CASH EQUIVALENTS

EUR 1,000	2023	2022
Cash and cash equivalents	12,436	21,173
Total	12,436	21,173

The cash and cash equivalents in the cash flow statement consist of the cash and cash equivalents in the balance sheet.

NOTES TO THE BALANCE SHEET

21. EQUITY

21.1. Basic information

Loihde Plc's shares are listed on Nasdaq First North Growth Market Finland.

Loihde Plc has one share class. All shares have equal voting rights, dividend rights and rights to company assets.

The shares do not have any par value. All issued shares have been paid for in full.

According to Loihde Plc's Articles of Association, the company has no minimum and maximum capital.

21.1.1. Shares and changes in equity

EUR 1,000	Share capital	Reserve for inves- ted un- restricted equity	Reserve fund	Translation differences	Retained earnings	Treasury shares	Total equity
1 Jan. 2023	1,504	50,189	8,132	-4	51,490		111,312
Comprehensive income for the financial year					-620		-620
Value remeasurements of defined benefit plans					70		70
Translation differences				-12			-12
Distribution of dividends, distribution of assets					-10,335		-10,335
Repurchase of shares		-287					-287
Profits from share-based payments					397		397
Share issue		249					249
Expired dividends of joint book-entry account shares					3		3
31 Dec. 2023	1,504	50,152	8,132	-4	40,993		100,778
1 Jan. 2022	1,504	49,320	8,132		51,734	-1,102	109,589
Comprehensive income for the financial year					3,359		3,359
Value remeasurements of defined benefit plans					-60		-60
Translation differences				-4	1		-3
Distribution of dividends, distribution of assets					-3,093		-3,093
Repurchase of shares		-420					-420
Cancellation of treasury shares					-1,102	1,102	
Profits from share-based payments					531		531
Share issue		1,288					1,288
Expired dividends of joint book-entry account shares					120		120
31 Dec. 2022	1,504	50,189	8,132	-4	51,490		111,312

	Number of shares, all shares	Number of shares outstanding from the parent company
1 Jan. 2023	5,729,709	5,729,709
Repurchase of shares	0	-23,194
Share issue	31,998	31,998
31 Dec. 2023	5,761,707	5,738,513
1 Jan. 2022	6,010,041	5,929,911
Repurchase of shares		-25,325
Transfer of shares in the joint book-entry account to treasury shares		-302,300
Cancellation of treasury shares	-407,755	
Share issue	127,423	127,423
31 Dec. 2022	5,729,709	5,729,709

21.1.2. Transactions related to shares

Transactions related to shares from 1 Jan. to 31 Dec. 2023

Share issues from 1 Jan. to 31 Dec. 2023

The Annual General Meeting (AGM) authorised the Board of Directors to decide on the 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 employees 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.

During the financial year, the company has issued a total of 31,998 new shares as follows:

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.

During the financial year 2023, two share issues have been carried out in connection with the new Employee Share Savings Plan (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, 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. 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.

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 incentive schemes and their terms and conditions are described in more detail in Note 3.5.3.

Transactions related to treasury shares from 1 Jan. to 31 Dec. 2023

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.

On 5 September 2023, Loihde Plc's Board of Directors decided to start the share buyback programme. 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.

On 31 December 2023, the subsidiaries held 400 shares in the parent company (0.0% of all shares). At the end of the financial year, on 31 December 2023, the parent company held 23,194 treasury shares.

Transactions related to shares from 1 Jan. to 31 Dec. 2022

Share issues from 1 Jan. to 31 Dec. 2022

The company has issued a total of 127,423 new shares, of which 77,423 shares as part of incentive schemes and 50,000 shares as part of the acquisition of Onrego Ltd.

Transactions related to treasury shares from 1 Jan. to 31 Dec. 2022

On 4 January 2022, Loihde Plc's Board of Directors decided to start a share buyback programme in accordance with the authorisation granted to them by the AGM on 6 May 2021. The repurchase of shares started on 10 January 2022 and ended on 4 May 2022. During that period, Loihde acquired 25,325 own shares at a total value of EUR 420,000 and an average price of EUR 16.57. The shares were acquired by public trading on Nasdaq First North Growth Market Finland at the market price quoted at the time of acquisition.

On 6 May 2021, Loihde Plc's AGM decided that the rights to shares in the company's joint book-entry account and the rights carried by those shares, such as dividends, would be forfeited. In the financial statements 31 December 2022, the portion of the lost dividend that was not transferred by 31 December 2021 due to the timing of the shareholder's claim was transferred to retained earnings. In 2022, the amount transferred to retained earnings was EUR 120,000.

During the review period, the Board of Directors decided to cancel a total of 407,755 treasury shares. Of these shares, 25,325 shares were acquired by the company in the share buyback programme, 302,300 shares were transferred from the joint book-entry account and 80,130 shares were already held by the company.

The parent company did not hold any treasury shares at the end of the review period. At the end of the review period, the subsidiaries held 400 shares in Loihde Plc, which represents 0.0% of the total share capital.

21.2. Reserve fund

The reserve fund contains the amount transferred from unrestricted equity in accordance with the Articles of Association or a decision by the General Meeting.

21.3. Reserve for invested unrestricted equity

The reserve for invested unrestricted equity includes the subscription price of investments made by the shareholders in the company under the Limited Liability Companies Act, unless the company has expressly decided otherwise.

21.4. Translation differences

Translation differences include the conversion of the financial statements of a foreign subsidiary into the functional currency of the parent company.

21.5. Dividends

The AGM decided 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. On 13 November 2023, the Board of Directors decided to distribute an additional dividend of EUR 1.00 per share in accordance with the authorisation granted to them by the AGM. The dividend record date was 21 November 2023 and the payment date 28 November 2023.

The Board of Directors' dividend proposal for the financial year 2023 is disclosed in the parent company's financial statements under Other notes.

NOTES TO THE BALANCE SHEET

Non-current liabilities

22. INTEREST-BEARING FINANCIAL LIABILITIES

EUR 1,000	2023	2022
Interest-bearing financial liabilities	4	18
Lease liabilities	5,429	4,795
Total interest-bearing liabilities	5,432	4,813

Interest-bearing financial liabilities consist of instalment liabilities and a State Treasury loan. Fair value is not presented because the book value of the company's interest-bearing loans is reasonably close to the fair value. Lease liabilities are presented in Note 9. Lease agreements.

23. INTEREST-FREE LIABILITIES

EUR 1,000	2023	2022
Liabilities from customer contracts	283	779
Accrued expenses and deferred income		
Liabilities arising from employee benefits	43	48
Pension liabilities, defined benefit plans	75	205
Deferred tax liability, detailed in Note 13.2.	458	412
Total interest-free liabilities	859	1,444
Total non-current liabilities	6,291	6,257

Contractual liabilities refer to the obligation to deliver goods or services to a customer from whom the Group has received consideration (or who is required to pay consideration).

A contractual liability is recognised when Loihde has received payment or the payment falls due but income has not yet been recognised. Contractual liabilities are recognised as revenue when the Group's performance is in accordance with the contract.

NOTES TO THE BALANCE SHEET

Current liabilities

24. INTEREST-BEARING FINANCIAL LIABILITIES

EUR 1,000	2023	2022
Interest-bearing financial liabilities	14	20
Lease liabilities	4,837	3,953
Total interest-bearing liabilities	4,852	3,973

Interest-bearing financial liabilities consist of instalment liabilities and a State Treasury loan.

Fair value is not presented because the book value of the company's interest-bearing loans is reasonably close to the fair value.

Lease liabilities are presented in Note 9. Lease agreements.

25. INTEREST-FREE LIABILITIES

EUR 1,000

	2023	2022
Trade and other payables		
Trade payables	9,894	6,800
Other current liabilities	4,642	5,355
Total	14,536	12,155
Liabilities from customer contracts	6,329	2,919
Current tax liabilities		
Tax allocation based on the profit/loss for the financial year	34	639
Accrued expenses and deferred income		
Liabilities arising from employee benefits	10,958	12,288
Accrued expenses and deferred income on purchases	1,652	1,230
Other accrued expenses and deferred income	60	131
Total accrued expenses and deferred income	12,670	13,649
Total interest-free liabilities	33,569	29,363
Total current liabilities	38,421	33,336

Trade payables are unsecured and usually payable within 30 days of being recorded. The book values of trade payables and other interest-free liabilities are assumed to correspond to their fair values due to their short-term nature.

Other current liabilities consist mainly of VAT liabilities and liabilities related to employer contributions.

Contractual liabilities refer to the obligation to deliver goods or services to a customer from whom the Group has received consideration (or who is required to pay consideration).

A contractual liability is recognised when Loihde has received payment or the payment falls due but income has not yet been recognised.

Contractual liabilities are recognised as revenue when the Group's performance is in accordance with the contract.

26. MANAGEMENT OF FINANCIAL RISK AND CAPITAL

The aim of Loihde's financial risk management is to reduce the impact of factors arising from changes in financial markets on the company's performance, operations and balance sheet structure. Financial risks are mainly caused by counterparty related credit risk, liquidity risk, and fluctuations in market interest rates and exchange rates.

The CEO, management and ultimately the Board of Directors are responsible for risk management.

Loihde Group's financial management assesses the Group's financial risks and the measures with which the Group intends to hedge against potential risks. The Group's financial management also supports the subsidiaries in managing financing and financial risks.

Subsidiaries provide the Group's financial management with up-to-date information on their financial position and credit risk.

26.1. Credit risk

Loihde's credit risk relates to customers with whom the Group has open receivables or with whom long-term agreements have been made.

A credit risk may occur if a customer is unable to meet its contractual obligations.

Loihde only deals with identified, creditworthy parties. Receivable balances are monitored and receivables are actively collected.

26.1.1. Expected credit losses

Loihde estimates the amount of trade receivables and the risk of credit loss quarterly in connection with reporting.

Loihde's credit losses have historically been limited, so the expected credit loss is assessed on a risk basis according to the general model.

The following factors are used in the assessment:

- Information on issues affecting the economy of the customer and industry
- The amount and duration of outstanding payments
- The customer's financial situation and payment behaviour
- Received individual guarantees

A credit loss provision is recognised for overdue payments based on the overall estimated risk, using case-by-case assessment.

In principle, if the trade receivable is more than 90 days overdue and there is no security for it, it is recognised as a credit loss provision.

Contractual assets relate to un invoiced work in progress and have the same risk characteristics as trade receivables arising from similar contracts. Therefore, Loihde's management has assumed that the expected loss rate of trade receivables not yet due is reasonably close to the loss rate of the contractual assets.

The recognised deductions for expected credit losses are presented in the balance sheet as a decrease in the gross book value of trade receivables. The amount of expected credit losses is recognised through profit or loss as a change in the credit loss provision in other operating expenses.

Loihde derecognises trade receivables as final credit losses when recovery has proved unsuccessful. For example, a final credit loss is recognised when the debt collection partner issues a credit loss recommendation, the debtor seeks bankruptcy or the company cannot reach an agreement on the payment plan with the customer with financial difficulties.

Below is the age distribution of trade receivables and the amount of the credit loss provision.

26.1.2. Breakdown of trade receivables by maturity

	2023	2022
EUR 1,000		
Not overdue	17,550	16,431
Matured 1–30 days ago	2,558	558
Matured 31–60 days ago	169	124
Matured 61–90 days ago	49	41
Matured more than 90 days ago	-24	70
Total	20,303	17,223
Reservations for credit losses	-62	-47
Total	20,241	17,177

26.1.3. Credit risk of other financial assets

Cash and cash equivalents are invested in financially sound banks and financial institutions and the company does not consider them to involve material credit risk. Funds invested in equity and fixed income funds are managed by reliable asset managers and are diversified across several market-quoted instruments so the company does not consider them to include material credit risk.

Loihde has granted credits to its employees for payment of the share subscription price related to the share-based incentive scheme for the personnel. They are secured by shares subscribed for in the share-based incentive scheme and the company does not consider them to include material credit risk.

26.2. Liquidity risk

Loihde's liquidity risk is related to material changes occurring in the operating environment with a significant impact on Loihde's profitability and cash flow. Loihde makes monthly business estimates related to profitability and reviews its financial situation through the cash flow statement.

The financing of Loihde's subsidiaries is mainly handled through intra-group loans. In addition, the parent company uses credit facilities for its short-term financing needs.

26.2.1. Sources of financing

	2023	2022
EUR 1,000		
Financial securities	3,775	11,186
Cash in hand and at bank	12,436	21,173
Total	16,210	32,358
Credit facilities		
1 000 euroa	2023	2022
Unused overdraft limits	7,000	20
Total	7,000	20

26.2.2. Maturity of financial liabilities

The following tables describe the agreement-based undiscounted maturity breakdown of remaining financial liabilities on the balance sheet date.

2023	Total agreement-based		2024	2025	2026	2027	Over 4 years
	Book value	cash flows					
EUR 1,000							
Interest-bearing financial liabilities *)	18	18	18				
Lease liabilities	10,266	10,707	5,115	3,221	1,427	739	205
Trade payables	9,894	9,894	9,894				
Total	20,179	20,619	15,027	3,221	1,427	739	205

*) Interest-bearing liabilities consist of hire-purchase debts and a State Treasury loan.

2022	Total agreement-based		2023	2024	2025	2026	over 4 years
	Book value	cash flows					
EUR 1,000							
Interest-bearing financial liabilities *)	38	38	20	18			
Lease liabilities	8,748	8,863	4,080	2,778	1,445	393	168
Trade payables	6,800	6,800	6,800				
Other financial liabilities **)	86	86	86				
Total	15,672	15,788	10,986	2,796	1,445	393	168

*) Interest-bearing liabilities consist of hire-purchase debts and a State Treasury loan.

***) Other financial liabilities consist of a net cash adjustment related to the acquisition of Loihde Cloudon Ltd (formerly Onrego Ltd) that was paid in January 2023.

26.3. Market risks

26.3.1. Foreign exchange rate risks

A significant part of the Group's purchases and sales and other monetary items are denominated in euros. Therefore, the Group is not significantly exposed to foreign exchange rate risk. Loihde has divested the business of its Swedish subsidiary during the financial year and hence there is no significant transaction or translation risk related to the Swedish krona.

26.3.2. Interest rate risk, equity and financial market risk

In its activities, Loihde is exposed to interest rate risks and equity and financial market risks through the valuation of its investment portfolio. Changes in the macroeconomic environment or the general situation on the financial markets may have a negative impact on the value of the portfolio. Loihde follows the principles of the asset management strategy adopted by the Board of Directors.

Loihde's interest-bearing financial liabilities amount to EUR 18,000 and are not subject to interest rate risk. Interest-bearing liabilities consist of instalment liabilities and State Treasury loan.

26.4. Capital management

The purpose of Loihde's capital management is to ensure return on the capital invested by the shareholders and to ensure normal business conditions and increase shareholder value in the long term.

The equity capital in the consolidated balance sheet is managed as capital and its structure can be affected by, e.g., income financing, dividend distributions and share issues. The Board of Directors monitors the Group's equity ratio and the development of the balance sheet on a quarterly basis.

On 31 December 2023, Loihde's equity ratio was 69.6% (2022: 73.8%).

26.5. Fair values of financial assets and liabilities

A financial instrument is any contract that generates financial assets for one party and a financial liability or equity instrument for the other party. The book values and fair values of financial assets and liabilities are estimated to be equivalent.

26.5.1. Financial assets

Financial assets are derecognised when the right to cash flows of a financial asset ceases to exist or an item included in financial assets has been transferred out of the Group and the associated risks have been transferred out of the Group.

The expected credit loss on trade receivables is recognised in accordance with IFRS 9. The amount of the expected credit loss is updated quarterly to reflect the change in the credit risk. Loihde's credit losses relative to the amount of trade receivables have historically been minor, so the expected credit loss is assessed on a risk basis according to the general model. Credit losses are presented under other operating expenses in the income statement.

The credit risk of financial assets, the management of credit risk and the determination of the expected credit loss from trade receivables are described in Note 26.1 Credit risk.

Financial assets are initially recognised at fair value. Trade receivables are initially recognised at transaction price and subsequently at amortised cost less expected credit losses.

Investments in quoted shares and equity and fixed income funds are measured at fair value through profit or loss.

They are recognised at fair value in the balance sheet and net changes in fair value are recognised in the income statement.

26.5.2. Financial liabilities

Financial liabilities are initially recognised at fair value less transaction costs.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method.

A financial liability is classified as current when it will be settled within 12 months of the balance sheet date, or if the Group has no unconditional right to defer the payment of the liability over 12 months from the balance sheet date.

A financial liability is derecognised from the balance sheet when it is settled, cancelled or it expires.

26.5.3. Financial assets and liabilities by valuation group

EUR 1,000

Financial assets		Fair value hierarchy	2023	2022
Financial assets recognised at amortised cost				
Non-current				
Other financial assets	2		17	22
Non-current interest-bearing receivables	2		6	132
Other non-current receivables	2		152	248
Current				
Trade receivables			20,241	17,177
Current interest-bearing receivables	2		128	574
Other current receivables	2		234	185
Cash and cash equivalents			12,436	21,173
Total			33,215	39,511
Financial assets recognised at fair value through profit or loss				
Investments	1		3,775	11,186
Total			3,775	11,186
Total financial assets			36,989	50,696

Financial liabilities

Financial liabilities recognised at amortised cost

Non-current				
Interest-bearing financial liabilities	2		4	18
Lease liabilities			5,429	4,795
Current financial liabilities				
Interest-bearing financial liabilities	2		14	20
Lease liabilities			4,837	3,953
Trade payables			9,894	6,800
Other financial liabilities				86
Total			20,179	15,672
Total financial liabilities			20,179	15,672

The book values and fair values of financial assets and liabilities are estimated to be equivalent.

26.6. Financial assets and liabilities

26.6.1. Trade and other receivables

Trade and other receivables are recognised at amortised cost.

The original book value of the receivables corresponds to their fair value, since the effect of discounting is not material considering the maturity of the receivables.

26.6.2. Financial assets recognised at fair value through profit or loss

Loihde measures its investments in quoted shares and equity and fixed income funds at fair value through profit or loss. They are recognised at fair value in the balance sheet and net changes in fair value are recognised in the income statement.

26.6.3. Trade and other payables

Trade and other payables are recognised at amortised cost.

The original book value of trade and other payables corresponds to their fair value, since the effect of discounting is not material considering the maturity of the liabilities.

26.6.4. Hierarchy levels

The levels of the fair value hierarchy reflect the extent to which the valuation technique is based on observable data. Level 1: Fair values are based on quoted (unadjusted) prices of identical assets or liabilities in an active market.

Level 2: The fair values of level 2 instruments are substantially based on inputs other than quoted prices, but nevertheless on information that can be observed, directly or indirectly, for the asset or liability in question.

Level 3: If one or more of the significant factors are not based on observable market data, the instrument is included in level 3.

27. BUSINESS COMBINATIONS

27.1. Accounting policies

Acquired subsidiaries are consolidated in the consolidated financial statements from the date when Loihde acquires control of the company. Business combinations are treated using the acquisition method in accordance with IFRS 3. The consideration given in business combinations is measured at fair value determined at the acquisition date as the sum of the fair values of the assets transferred from the Group and the liabilities arising for the earlier owners of the acquired target considering the possible non-controlling interests in the acquisition target. Goodwill is recognised in the amount by which the acquisition cost exceeds the net value of the acquired assets and liabilities at the time of acquisition. Goodwill is considered to include acquired labour, future customers, a wider range of products and services, and a strengthened market position.

The determination of the fair value of acquired net assets is based on the fair value of a similar asset item, the estimated expected cash flows from the acquired asset items, or an estimate of the payments needed to meet the obligation. The determination of the fair value of the additional purchase price is based on estimates concerning the parameters of the additional purchase price's terms over a period of time specified in the terms. Deferred taxes are measured in accordance with the principles of IAS 12.

Acquisition-related expenses are recognised in other operating expenses in the income statement.

After initial recognition, goodwill is measured at acquisition cost less any accumulated impairment losses. For impairment testing, goodwill acquired in a business combination is allocated from the acquisition date to the Group's cash-generating unit, which is expected to benefit from the business combination, regardless of whether other assets or liabilities of the acquisition target are allocated to this unit. For more information on goodwill and impairment testing, see Note 10.5 Impairment testing.

Contingent considerations from business combinations are measured at fair value and included in the total consideration. They are subsequently measured in accordance with the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. Changes in the fair value of contingent consideration that do not arise within one year of the acquisition and relate to facts and circumstances that existed at the time of acquisition are recognised in the income statement.

27.2. Key estimates and assumptions requiring management discretion

Net assets acquired in a business combination are measured at fair value, determined based on an estimate of the market value of similar assets or the expected future cash flows of the intangible assets. Valuation at fair value has required estimates by management. Management believes that the estimates and assumptions used are sufficiently reliable for determining the fair value.

27.3. Basic information about subsidiary acquisitions

Acquisitions 2023

In April 2023, Loihde Plc acquired the entire share capital of Hämeen Lukko Oy. Hämeen Lukko Oy produces locking and electronic security technology services in the Hämeenlinna and Salo areas. Therefore, it is an excellent supplement to Loihde Trust's regional service capability, especially in the Kanta-Häme region, where Loihde did not have any offices from before. In addition, Hämeen Lukko functions as a reseller of Loihde Trust's alarm transmission service, and combining this business area with Loihde enables significant synergies considering the size of the acquisition. The acquisition also supports Loihde's strategy to focus on continuous services in security technology.

Hämeen Lukko Oy has been consolidated into the Group's figures from 3 April 2023, when control was transferred to Loihde Plc. The debt-free purchase price of the share capital acquired on 3 April 2023 was EUR 2.4 million, which was paid in full in cash.

Considering net debt and net working capital adjustments, the financial impact was EUR 2.0 million.

The Group has recorded EUR 95,000 in transaction costs related to the acquisition. The transaction costs are included in other operating expenses in the income statement.

Acquisitions 2022

In May 2022, Loihde Plc acquired the entire share capital of Turvakolmio Group Oy. Turvakolmio has had a strong position in the Helsinki metropolitan area and in fire safety services, and thus is a good complement to Loihde's offering and service capability. Through the acquisition, Loihde Trust, in our estimation, took on the role as Finland's largest provider of electronic security technology services. Turvakolmio also introduced interesting digital solutions that have been developed for process automation in the circular economy to Loihde's offering.

Turvakolmio Group Oy has been consolidated into the Group's figures from 1 June 2022, when control was transferred to Loihde Plc. The debt-free purchase price of the share capital acquired on 1 June 2022 was EUR 6.85 million, which was paid in full in cash.

Considering net debt and net working capital adjustments, the financial impact was EUR 4.0 million.

In connection with the transaction, Loihde paid the seller the portion of the subordinated loan that came with the transaction EUR 2.2 million. The Group has recorded EUR 182,000 in transaction costs related to the acquisition. The transaction costs are included in other operating expenses in the income statement.

In November 2022, Loihde Plc acquired the entire share capital of Onrego Ltd (now Loihde Cloudon Ltd). Onrego Ltd is a Finnish company specialising in cloud platforms and cloud technologies that offers services for the deployment of cloud services, management and security of cloud environments, and utilising automation. The purpose of the acquisition is to strengthen Loihde's cloud expertise, which is important in the production of both digital services and security solutions, and to expand the service offering with managed cloud services.

Onrego Ltd has been consolidated into the Group's figures from 1 December 2022, when control was transferred to Loihde Plc. The debt-free purchase price of the share capital acquired on 1 December 2022 was EUR 4.3 million, which was paid in full in cash.

Considering net debt and net working capital adjustments, the financial impact was EUR 5.1 million.

The Group has recorded EUR 176,000 in transaction costs related to the acquisition. The transaction costs are included in other operating expenses in the income statement.

27.4. Consideration paid and cash flow effect of the acquisition

EUR 1,000	2023	2022
Cash consideration	2,042	9,124
Subtract: amounts acquired		
Cash assets	217	991
Net cash flow - investments	1,825	8,133

Acquisition-related expenses are included in other operating expenses in the comprehensive income statement and in cash flow from investments in the cash flow statement.

EUR 1,000	2023	2022
Administrative expenses	63	212
Asset transfer tax	33	146
Total	95	358

Fair values of the acquired assets and liabilities on the day of acquisition

EUR 1,000	2023	2022
Assets		
Intangible assets		
Customer relationships	447	1,164
Other intangible assets		221
Total intangible assets	447	1,385
Tangible assets		
Inventories	648	1,188
Trade receivables	364	2,037
Deferred tax receivable	1	16
Other assets	77	853
Cash and cash equivalents	217	991
Total assets	1,842	6,598
Liabilities		
Interest-bearing liabilities	29	2,710
Deferred tax liability	89	233
Interest-free liabilities	744	3,869
Total liabilities	862	6,812
Acquired identifiable net assets	980	-213
Goodwill	1,062	9,338
Acquired net assets = total consideration	2,042	9,124

27.5. Impact of the acquisition on revenue and profit

The revenue of acquired businesses consolidated into the Group was EUR 2,572,000 (2022: EUR 8,847,000) and they accumulated losses of EUR -73,000 (2022: loss of EUR -108,000).

If the acquisitions had taken place on 1 January, the pro-forma revenue of the Group for the financial year would have been EUR 133,737,000 (2022: EUR 132,769,000) and the loss EUR -1,029,000 (2022: profit EUR 3,398,000).

28. CONTINGENT LIABILITIES AND ASSETS, AND COMMITMENTS

28.1. Contingent liabilities

28.1.1. Accounting policies

A contingent liability is a possible obligation resulting from previous events, the existence of which will only be ascertained once an uncertain event that is beyond the Group's control materialises. An existing obligation that is unlikely to require the fulfilment of a payment obligation or the amount of which cannot be reliably determined is also deemed to constitute a contingent liability. The contingent liability is presented in the notes to the financial statements.

28.1.2. 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.

28.2. Commitments, guarantees and contingent liabilities

EUR 1,000	2023	2022
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
Total	9,214	2,288

EUR 1,000	2023	2022
VAT liability on real estate investments	85	67
TOTAL GUARANTEES AND CONTINGENT LIABILITIES	9,299	2,355

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.

28.3. Disputes and litigation

Loihde Group has no open disputes or litigations.

29. RELATED PARTY TRANSACTIONS

The subsidiaries, key management personnel (the members of the Board of Directors, the Group CEO and the members of the Leadership Team) and their close family members and entities in which these persons have either control or joint control constitute Loihde Plc's related parties.

For a list of subsidiaries, see Note 1. Accounting policies.

29.1. Salaries and remuneration paid to management

The key employees of Loihde Group consist of the members of the Board of Directors, the Group CEO and the members of the Group Leadership Team. The remuneration of the Nomination Board is also presented in the salaries and remuneration of the management. The amounts shown in the tables are the compensation paid to management during the reporting period.

29.2. Salaries and remuneration of the Board of Directors

EUR 1,000	Monetary salary 2023	Monetary salary 2022	Share-based payments 2023	Share-based payments 2022
Timo Kotilainen (Chair of the Board)	66	56	4	2
Jussi Hattula (until 5 May 2022)		22		
Kaj Hagros	33	31	1	1
Juha Murtopuro (since 4 May 2023)	21		1	
Eliina Piispanen (until 4 May 2023)	13	32	2	1
Matti Piri	34	33		1
Anni Ronkainen (since 4 May 2023)	21		1	
Matti Vikkula (since 4 May 2023)	21			
Stefan Wikman	36	29	1	1
Total	242	204	10	6

The share-based payments included in the salaries and remuneration paid to the Board of Directors derive from the 10% discount on shares sold under the incentive scheme.

29.3. Salaries and remuneration paid to other governing bodies

EUR 1,000	2023	2022
Nomination Board	19	14
Total	19	14

Salaries and remuneration of the Group CEO

EUR 1,000	2023	2022
Samu Konttinen		
Salaries and remuneration	360	387
Share-based payments		38
Total	360	425

Salaries and remuneration of the Group Leadership Team (excluding the CEO)

EUR 1,000	2023	2022
Salaries and remuneration	1,291	1,137
Share-based payments	7	37
Total	1,298	1,174

Loans granted to members of the Group Leadership Team

EUR 1,000	2023	2022
At the beginning of the financial year	85	48
Loan repayments	-66	-39
Withdrawals of new loans		76
At the end of the financial year	19	85
Interest payments received during the financial year	1	

In addition to the above, the Group did not have any material related party transactions other than intra-Group related party transactions.

29.4. Management's pension commitments

The members of the Group's Leadership Team have a statutory retirement age.
The members of the Leadership Team are not involved in defined-benefit pension plans.

30. EVENTS AFTER THE FINANCIAL YEAR

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

Parent company's income statement (FAS)

EUR 1,000	Note	1/1/2023- 31/12/2023	1/1/2022- 31/12/2022
REVENUE	3	3,529	2,831
Other operating income	5	20	318
Personnel expenses	6	-3,707	-3,183
Depreciation, amortisation and impairment	7	-77	-274
Other operating expenses		-3,671	-2,889
OPERATING PROFIT/LOSS (EBIT)		-3,906	-3,196
Finance income and expenses	9	4,566	-187
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES		660	-3,382
Appropriations	10	3,694	3,621
Income taxes	11	27	-182
PROFIT/LOSS FOR THE PERIOD		4,382	57

Parent company's balance sheet (FAS)

EUR 1,000

	Note	31/12/2023	31/12/2022
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	12	44	82
Tangible assets		239	272
Investments		101,950	99,812
TOTAL NON-CURRENT ASSETS		102,233	100,165
CURRENT ASSETS			
Non-current receivables	14	1,081	632
Current receivables	15	6,937	7,747
Financial securities	16	3,535	10,647
Cash in hand and at bank		5,730	6,356
TOTAL CURRENT ASSETS		17,284	25,382
TOTAL ASSETS		119,516	125,547
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	1,504	1,504
Reserve fund		8,132	8,132
Reserve for invested unrestricted equity		50,152	50,189
Retained earnings		50,360	60,636
Profit/loss for the period		4,382	57
TOTAL EQUITY		114,530	120,518
LIABILITIES			
Non-current liabilities	18	2,494	3,042
Current liabilities	19	2,492	1,987
TOTAL LIABILITIES		4,986	5,028
TOTAL EQUITY AND LIABILITIES		119,516	125,547

Parent company's cash flow statement (FAS)

	1/1/2023- 31/12/2023	1/1/2022- 31/12/2022
Cash flow from operating activities		
Profit/loss for the period	4,382	57
Adjustments to the profit for the period	-8,211	-3,289
Cash flow from operating activities before the change in working capital	-3,829	-3,232
Change in working capital:		
Current receivables increase -/ decrease +	90	129
Current liabilities decrease -/ increase +	-159	137
Cash flow from operating activities before financial items and taxes	-3,898	-2,966
Dividends received	3,522	51
Interests and other finance income	281	172
Finance expenses	-129	-57
Taxes	-154	-40
Change in consolidated account receivable/liability	-548	451
Cash flow from operating activities	-925	-2,389
Cash flow from investing activities		
Purchase of shares	-2,295	-11,825
Investments in tangible and intangible assets	-27	
Proceeds from sale of tangible and intangible assets	21	
Sale of shares and repayment of capital	869	667
Loans granted	-2,175	-1,000
Repayment of loan receivables	1,965	3,300
Cash flow from investing activities	-1,642	-8,858
Cash flow from financing activities		
Share issue against payment	828	1,902
Proceeds from short-term loans	1,000	
Group contributions received and paid	3,616	3,000
Repurchase of shares	-281	-420
Dividends paid and other profit distribution	-10,333	-3,186
Cash flow from financing activities	-5,170	1,297
Change in cash and cash equivalents according to the statement	-7,737	-9,950
Cash and cash equivalents 1 Jan.	17,003	26,953
Cash and cash equivalents 31 Dec.*	9,266	17,003
Change in cash and cash equivalents	-7,737	-9,950

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

Accounting policies for the parent company's financial statements 2023

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

1. Accounting policies for the financial statements

The financial statements have been prepared in accordance with the Finnish Accounting Standards (FAS).

2. Valuation policies

2.1. Valuation of non-current assets

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

Planned depreciation and amortisation periods are:

Intangible rights	5 years
Other expenses with long-term effects	3–10 years
Buildings and structures	15–25 years
Machinery and equipment	3–5 years

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

2.2. Items denominated in foreign currency

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

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

2.3. Valuation of financial securities

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

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

2.4. Pensions

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

2.5. Comparability of the information of the previous financial year

The figures for the financial years are comparable with each other.

2.6. Deferred tax assets and liabilities

Deferred taxes are not included in the income statement, nor in the balance sheet. In 2023, the total deferred tax asset not recognised in the balance sheet due to allocation differences amounted to EUR 23,497.98.

Notes to the parent company's income statement (FAS)

	Parent company 2023	Parent company 2022
3. REVENUE		
By business area		
Management services	3,529	2,831
Total revenue	3,529	2,831
By market		
Finland	3,500	2,818
Rest of Europe	30	13
Total revenue	3,529	2,831
4. TRANSACTIONS BETWEEN GROUP COMPANIES		
Transactions between Group companies are based on the Group's internal transfer pricing guidelines, in which the starting point is the arm's length principle.		
Services and products sold to Group companies	3,529	2,831
Services, products and rents purchased from Group companies during the period	758	631
Interest income from Group companies	140	140
Interest expenses to Group companies	80	9
Dividend income from Group companies	3,500	
Group contributions from Group companies	3,694	3,616
5. OTHER OPERATING INCOME		
Gains from the disposal of fixed assets		310
Other income	11	
Rental income	8	8
Total other operating income	20	318
6. PERSONNEL EXPENSES		
Wages, salaries and remuneration	-3,139	-2,752
Pension expenses	-494	-374
Other indirect employee costs	-74	-57
Total personnel expenses	-3,707	-3,183
Management's salaries and remuneration		
Total CEO and governing bodies	-630	-649
CEO	-360	-425
Governing bodies	-270	-224
Average number of parent company employees during the period	40	35
of whom white-collar employees	40	35
Average number of employees taking into account part-time employment	40	35
of whom white-collar employees	40	35

7. DEPRECIATION, AMORTISATION AND IMPAIRMENT

Depreciation and amortisation on tangible and intangible assets	-77	-274
Total depreciation and amortisation	-77	-274

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

8. AUDITOR'S FEES

Audit firms		
Auditing fees, current audit firm	-60	
Auditing fees, previous audit firm	-34	-59
Other fees, current audit firm	-6	
Other fees, previous audit firm	-82	-97
Total auditor's fees	-182	-156

9. FINANCE INCOME AND EXPENSES

Dividend income		
From companies in the same Group	3,500	
From others	22	51
Total other interest and finance income	3,522	51
Impairment and reversal of impairment of financial securities		
From companies in the same Group	140	140
From others	928	664
Total other interest and finance income	1,068	804
Impairment and reversal of impairment of financial securities	760	-739
Interest expenses and other finance expenses		
To companies in the same Group	-80	-9
To others	-704	-293
Total interest expenses and other finance expenses	-784	-302
Total finance income and expenses	4,566	-187

10. APPROPRIATIONS

Group contributions received	4,000	3,925
Group contributions made	-306	-309
Difference between planned depreciation and depreciation in taxation		5
Total appropriations	3,694	3,621

11. INCOME TAXES

Income taxes from the previous financial year	28	
Income taxes from the financial year	-1	-182
Total income taxes	27	-182

Notes to the parent company's balance sheet

ASSETS

12. NON-CURRENT ASSETS

Intangible assets	Intangible rights	Other intangible assets	Advance	Total
			payments and procurement in progress	
Acquisition cost 1 Jan. 2023	298	734		1,032
Increases		25		25
Acquisition cost 31 Dec. 2023	298	759		1,057
Cumulative depreciation and impairment 1 Jan. 2023	295	655		950
Depreciation for the financial year	2	61		63
Cumulative depreciation 31 Dec. 2023	297	716		1,013
Book value 31 Dec. 2023	1	43		44

Tangible assets	Land	Buildings and structures	Machinery and equipment	Total
Acquisition cost 1 Jan. 2023	87	204	60	351
Increases			2	2
Decreases			21	21
Acquisition cost 31 Dec. 2023	87	204	41	333
Cumulative depreciation and impairment 1 Jan. 2023		47	33	80
Depreciation for the financial year		8	6	14
Cumulative depreciation 31 Dec. 2023		55	39	94
Book value 31 Dec. 2023	87	149	3	239

Investments	Shares	Shares	Shares	Receivables	Total
	Group companies	associated companies		others	
Book value 1 Jan. 2023	99,598	214			99,812
Increases	2,138				2,138
Book value 31 Dec. 2023	101,736	214			101,950

13. GROUP AND PARENT COMPANY OWNERSHIP PERCENTAGES 31 DEC. 2023

Group companies	Group's ownership,	Parent company's ownership,	
	%	%	
Loihde Trust Ltd, Vaasa	100.00	100.00	
Loihde Advance Ltd, Helsinki (formerly Loihde Analytics Ltd)	100.00	100.00	
Loihde Factor Ltd, Oulu	100.00	100.00	
Loihde Properties Ltd, Vaasa	100.00	100.00	
Loihde Advisory Ltd, Espoo*	0.00	0.00	*Has merged with Loihde Advance Ltd on 31 May 2023
Loihde Advisory AB, Sweden (through Loihde Advance Ltd)	100.00	0.00	
Loihde Cloudon Ltd, Espoo (formerly Onrego Ltd)	100.00	100.00	
Hämeen Lukko Oy, Hämeenlinna	100.00	100.00	
Associated companies			
Fast. Ab Jakobstads Bottenvikvägen 31, Pietarsaari	25.62	25.62	

CURRENT ASSETS	Parent company	Parent company
14. NON-CURRENT RECEIVABLES	2023	2022
Loan receivables	6	132
Loan receivables from Group companies	1,075	500
Total non-current receivables	1,081	632

ASSETS	Parent company	Parent company
15. CURRENT RECEIVABLES	2023	2022
Trade receivables	5	4
Trade receivables from Group companies	45	77
Loan receivables	128	574
Loan receivables from Group companies	2,535	2,900
Other receivables	4	50
Other receivables from Group companies	4,000	3,925
Prepayments and accrued income	178	200
Prepayments and accrued income from Group companies	41	17
Total current receivables	6,937	7,747
Breakdown of prepayments and accrued income:		
Prepayments and accrued income from trade	168	181
Other	11	19
Total prepayments and accrued income	178	200

16. FINANCIAL SECURITIES

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

Replacement cost	3,775	11,186
Book value	3,535	10,647
Difference	239	539

EQUITY AND LIABILITIES

17. EQUITY

	Parent company	Parent company
	2023	2022
Share capital 1 Jan.	1,504	1,504
Share capital 31 Dec.	1,504	1,504
Reserve fund 1 Jan.	8,132	8,132
Reserve fund 31 Dec.	8,132	8,132
Reserve for invested unrestricted equity 1 Jan.	50,189	49,320
Transfer from share issue		
Share issue	249	1,288
Repurchase/sale of shares	-287	-420
Distribution of assets		
Reserve for invested unrestricted equity 31 Dec.	50,152	50,189
Retained earnings 1 Jan.	60,693	63,609
Profit distribution	-10,336	-3,094
Other changes in equity	3	120
Retained earnings 31 Dec.	50,360	60,636
Profit/loss for the period	4,382	57
Total equity	114,530	120,518

CALCULATION OF DISTRIBUTABLE FUNDS 31 DEC.

Reserve for invested unrestricted equity	50,152	50,189
Retained earnings	50,360	60,636
Profit/loss for the period	4,382	57
Total distributable funds	104,893	110,882

Changes in equity, company shares and treasury shares are described in more detail in Notes 21.1.1.–21.1.2 to the consolidated financial statements.

EQUITY AND LIABILITIES**LIABILITIES****18. NON-CURRENT LIABILITIES**

	Parent company 2023	Parent company 2022
Consolidated account liabilities to Group companies	2,494	3,042
Total non-current liabilities	2,494	3,042

19. CURRENT LIABILITIES

Trade payables	291	445
Trade payables to Group companies	70	91
Other payables	145	111
Other payables to Group companies	306	309
Loans from Group companies	1,000	
Accrued expenses and deferred income	667	1,016
Accrued expenses and deferred income to Group companies	13	15
Total current liabilities	2,492	1,987
Breakdown of accrued expenses and deferred income:		
Accrual of personnel expenses	625	658
Unpaid income taxes	1	182
Other	41	176
Total	667	1,016

Notes to the Report of the Board of Directors

Material events during the financial year

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

Other notes	Parent company 2023	Parent company 2022
Collateral		
Debts with a business or property mortgage put up as collateral		
Loans from financial institutions		
Overdraft facilities		
Overdraft facilities granted	7,000	0
Drawn	0	0
Business and property mortgages		
Business and property mortgages put up as collateral	7,000	
Collateral and guarantees granted on behalf of Group companies		
Amount drawn	1,755	1,482
Maximum amount granted	2,312	2,312
Contingent liabilities		
Rental and lease commitments		
Payable in the next 12 months	366	275
Payable later	1,037	1,100
Total	1,402	1,375
Other commitments and collateral		
Total collateral amount granted	81	82
Drawn	81	82
Total commitments, guarantees and contingent liabilities	10,238	2,939

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 dividend is paid on treasury shares. The dividend is paid to shareholders who on the dividend record date 10 May 2024 are registered in the company's shareholder register held by Euroclear Finland Oy. The Board of Directors proposes that the dividend be paid on 17 May 2024.

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

Events after the financial year

There have been no significant events after the end of the financial year.

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

Vaasa, on the date of the electronic signature

Timo Kotilainen
Chair

Juha Murtopuro

Anna-Maria Ronkainen

Matti Piri

Stefan Wikman

Matti Vikkula

Kaj Hagros

Samu Kontinen
CEO

Auditor's report

The Auditor's report has been issued on the date indicated by the electronic signature.

Helsinki

Ernst & Young Oy
Audit firm

Maria Onniselkä
Auditor approved by the Finnish Central Chamber of Commerce

Auditor's report

(Translation of the Finnish original)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Loihde Plc (business identity code 0747682-9) for the year ended 31 December, 2023. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including material accounting policy information, as well as the parent company's balance sheet, income statement, statement of cash flows and notes.

In our opinion

- The consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with IFRS Accounting Standards as adopted by the EU.
- The financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

Other Reporting Requirements

Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information that we have obtained prior to the date of this auditor's report is the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

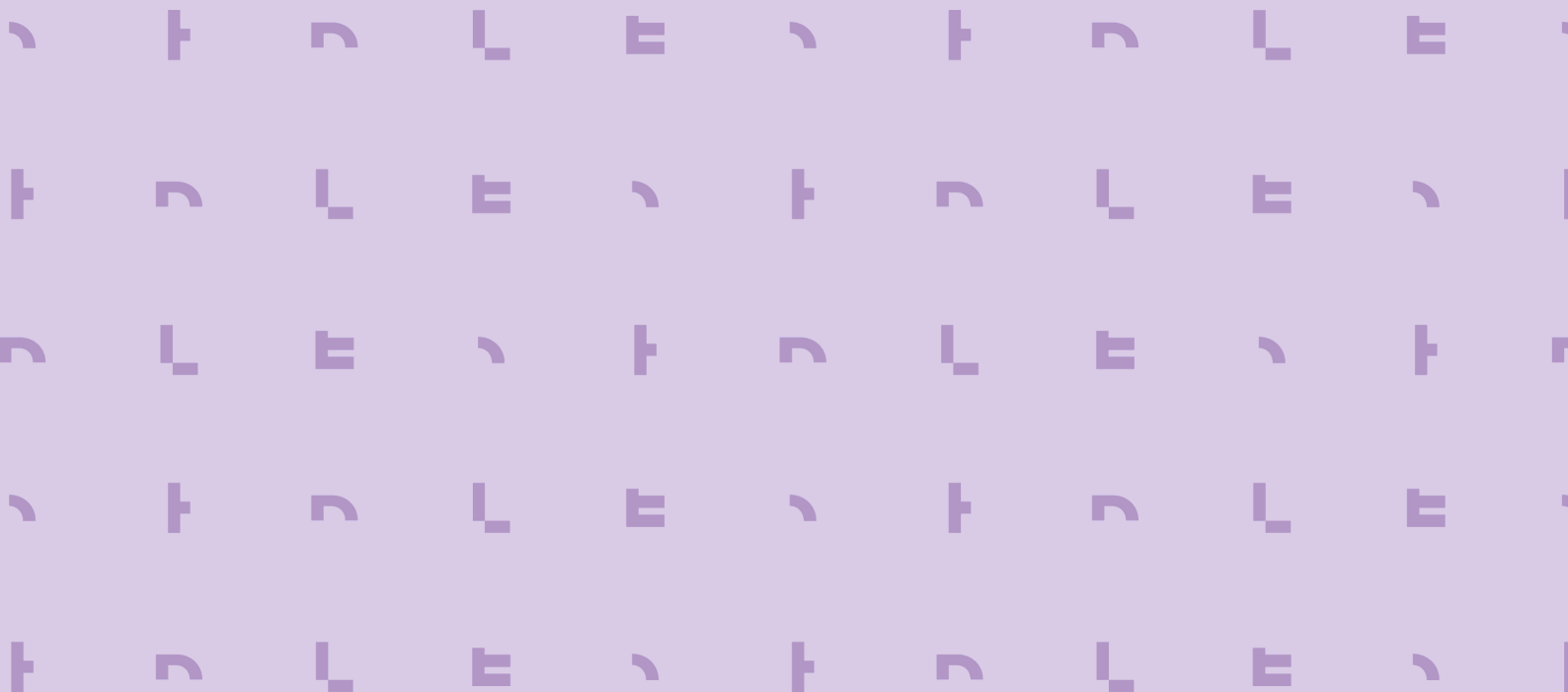
Helsinki 29.2.2024

Ernst & Young Oy
Authorized Public Accountant Firm

Maria Onniselkä
Authorized Public Accountant



Corporate Governance Statement



Loihde Plc's Corporate Governance Statement

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

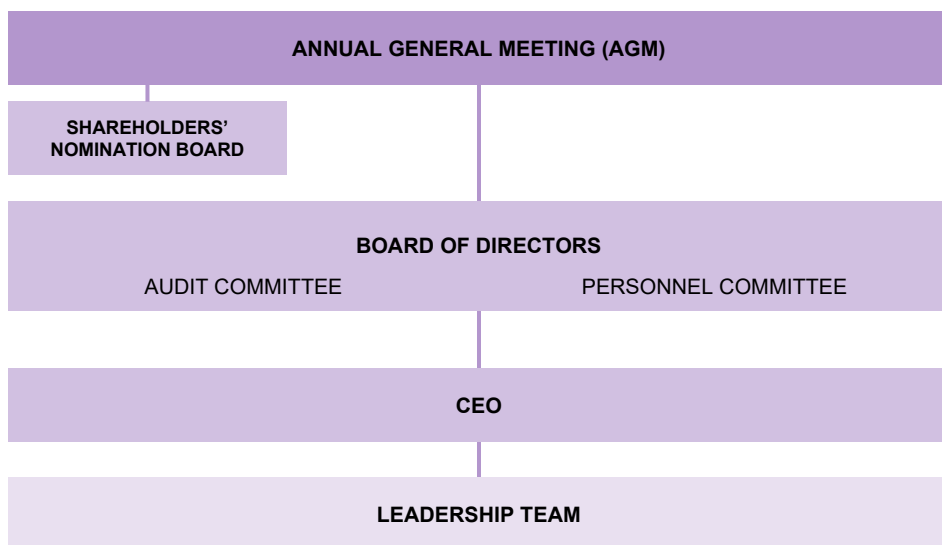
Loihde complies with the Finnish Corporate Governance Code 2020 for listed companies in its entirety as formulated by the Finnish Securities Market Association. The Finnish Corporate Governance Code is publicly available on the Securities Market Association's website cgfinland.fi/en.

Even though compliance with the Finnish Corporate Governance Code is not required of First North companies, Loihde wants to promote good corporate governance and transparency for shareholders and other stakeholders by complying with its recommendations.

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

Loihde's corporate governance structure

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



General Meeting

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

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

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

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

Annual General Meeting 2023

Loihde Plc's AGM was held on 4 May 2023 in Seinäjoki. 2,467,547 shares, or approximately 42% of all shares, were represented at the meeting. The members of the Board of Directors, the CEO and the auditor were present at the AGM, either in person or through remote access.

Board of Directors

The Board of Directors has overall responsibility for the management of the company and for the proper organisation of its operations. The Board of Directors has adopted written rules of procedure for the management, which define the matters to be dealt with by the Board, its meeting practices and decision-making procedures.

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

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

The Board of Directors regularly assesses their operations and working methods through self-evaluation once a year.

Main duties of the Board of Directors

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

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

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

Diversity of the Board of Directors

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

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

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

Members and meetings of the Board of Directors in 2023

In 2023, Loihde'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. All members were independent of Loihde and its major shareholders.

The Board of Directors convened 17 times during the year. In 2023, the work of the Board of Directors centred on further developing the company's strategy and strategic market position, improving profitability and addressing the impaired market development.

Secretaries of the Board of Directors were the company's General Counsel Juri Viitaniemi and CFO Pirjo Suhonen.

Members of the Board of Directors in 2023

Name	Year of birth	Education	Main occupation	Ownership 31 December 2023	Member since
Timo Kotilainen (Chair)	1959	M.Sc.Eng.	Founding Partner, KASIN Consulting Oy, Board professional	6,839	2019
Kaj Hagros	1970	M.Sc.Eng., MBA	Equity investor, Managing Partner of Redstone Nordics Oy	8,200	2021
Juha Murtopuro²	1972	M.Sc.Econ.	CEO, Alltime Oy	557	2023
Elina Piispanen¹ (Vice-Chair)	1963	M.Sc.Econ.	Board professional, CEO of Fit Advice Oy	1,701	2019
Matti Piri	1969	M.Sc.Econ.	CFO, Accountor Group	1,280	2021
Anni Ronkainen²	1966	M.Sc.Econ.	Board professional	557	2023
Matti Vikkula²	1960	M.Sc.Econ.	CEO, Biokraft	1,000	2023
Stefan Wikman (Vice-Chair)	1956	LLM (with court training)	Senior Advisor, Stewicon Ltd	1,658	2021

¹ Member of the Board of Directors until 4 May 2023

² Member of the Board of Directors as of 4 May 2023

Committees of the Board of Directors

In 2023, the Audit Committee and the Personnel Committee, working under the Board of Directors, have prepared matters that fall under the responsibility of the company's Board of Directors.

Audit Committee

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

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

In 2023, the Audit Committee consisted of Matti Piri (Chair), Stefan Wikman, Timo Kotilainen and Matti Vikkula. The committee convened a total of six times during the year. Each member's attendance at meetings is shown in the table below. Secretary of the Audit Committee was Group CFO Pirjo Suhonen.

Personnel Committee

It is the duty of the Personnel Committee to among other things prepare proposals for Loihde's Board of Directors on the appointment of the CEO and other Directors that are members of Loihde Group's Leadership Team and to chart their successors when required. Additionally, the Personnel Committee prepares proposals on the principles of remuneration and compensation of the personnel and the

Leadership Team and on share-based incentive schemes. The committee prepares the remuneration policy and remuneration report of Loihde's governing bodies.

The Personnel Committee consists of members that are elected by the Board of Directors. In 2023, the Personnel Committee consisted of Elina Piispanen (Chair) until 4 May 2023, Kaj Hagros (Chair as of 4 May 2023), Timo Kotilainen until 4 May 2023 and as of 4 May 2023, Juha Murtopuro and Anni Ronkainen. The committee convened a total of six times during the year. Secretary of the Personnel Committee was Kristiina Aaltonen, Head of People and Culture.

Participation in meetings

Name	Position	Board of Directors	%	Audit Committee	%	Personnel Committee	%
Timo Kotilainen	Chair of the Board of Directors	17	100	6	100	3	100
Kaj Hagros	Member, Chair of the Personnel Committee as of 4 May 2023	17	100			6	100
Juha Murtopuro²	Member	12	100			4	100
Elina Piispanen¹	Vice Chair of the Board of Directors and Chair of the Personnel Committee until 4 May 2023	4	80			2	100
Matti Piri	Chair of the Audit Committee	17	100	6	100		
Anni Ronkainen²	Member	12	100			4	100
Matti Vikkula²	Member	12	100	4	100		
Stefan Wikman	Member, Vice-Chair of the Board of Directors as of 4 May 2023	17	100	6	100		

¹ Member of the Board of Directors until 4 May 2023

² Member of the Board of Directors as of 4 May 2023

Shareholders' Nomination Board

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

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

According to the rules of procedure of the Nomination Board, during the first two terms of office, the members of the Nomination Board are appointed so that the association Virian pienosakkaat ry has the

right to appoint three members, Finnish Industry Investment Ltd (“Tesi”) has the right to appoint one member, LocalTapiola Mutual Life Insurance Company and LocalTapiola General Mutual Insurance Company (jointly “LocalTapiola”) have the right to jointly appoint one member and Katja Ahola and Janne Tuomikoski have the right to jointly appoint one member. From the third term of office of the Nomination Board (autumn 2023), the members of the Nomination Board are appointed by the five largest shareholders of the company, who each are entitled to appoint one member. The largest shareholders are determined based on the company's shareholder register on the last day of August each year. When determining the largest shareholders, so-called proxy shareholders who are entitled to represent one or more other shareholders of the company at the company's general meetings and who have submitted a written request to this effect to the Chair of the Board of Directors by the end of August are also taken into account in this context. The term of office of the Nomination Board ends annually when new members have been appointed to the Nomination Board.

In September 2022, the following members were appointed to the Shareholders' Nomination Board:

- Tuulia Holkkola, Matti Kulmakorpi and Christian Wetterstrand, appointed by Virian Pienosakkaat ry,
- Jussi Hattula, appointed by Tesi,
- Juha Malm, appointed by LocalTapiola, and
- Juha Koivisto, appointed by Katja Ahola and Janne Tuomikoski.

Chair of the Nomination Board was Christian Wetterstrand.

In September 2023, the following members were appointed to the Shareholders' Nomination Board:

- Jussi Hattula, appointed by Tesi,
- Matti Kulmakorpi, appointed by Tuulia Holkkola,
- Tuulia Holkkola, appointed by Matti Kulmakorpi,
- Vesa Puttonen, appointed by Vesa Puttonen, and
- Petri Tuutti, appointed by Petri Tuutti.

Chair of the Nomination Board was Vesa Puttonen.

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

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

CEO

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

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

Leadership Team

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

Members of the Leadership Team 31 December 2023

Name	Year of birth	Education	Role	Ownership 31 December 2023	Member since
Samu Konttinen	1973	MBA	CEO	19,165	2021
Katja Ahola	1976	MA	EVP, Business Development	213,331 ¹	2017
Tomi Bergman	1974	M.Sc.Econ.	Managing Director of Loihde Advance Ltd	35,429	2021
Marko Järvinen	1970	M.Sc.Eng., eMBA	Managing Director of Loihde Trust Ltd	8,066	2014
Juha Meronen	1972	M.Sc.Pol.	Managing Director of Loihde Factor Ltd	1,529	2021
Pirjo Suhonen	1965	M.Sc.Econ.	Chief Financial Officer	6,736	2018
Jere Teutari	1972	BBA	Chief Marketing Officer	590	2021
Kristiina Aaltonen	1966	Business college graduate, eMBA	Head of People and Culture	237	2022
Jarno Mäki	1978	M.Sc.Eng.	Managing Director of Loihde Clouidon Ltd	492 ²	2022

¹ Directly owned shares 2,755; shares through Bellurum Oy 210,576

² Mäki owns 31.9% of Roaring Aspen Hill Ltd that has 50,000 Loihde shares.

Internal control and risk management

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

Risk management

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

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

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

In the annual risk assessment, risks are assessed based on the probability of fulfilment and the impact they would have.

From the point of view of reaching the targets, risks seen as particularly significant are defined as key risks and these are reviewed and approved annually by Loihde's Board of Directors, and the resources and actions of the risk management are primarily aimed at these. For key risks, a risk owner is appointed. The key risk owner plans and organises adequate actions for controlling the risk and is responsible for the implementation and reporting of these.

The most significant risks

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

Internal control

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

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

The ultimate responsibility for the Group's internal control lies with the CEO of Loihde Plc and on a business or company level with the Business Director or the Managing Director of the company. They take responsibility for ensuring that adequate internal control procedures are in place to control risks and prevent adverse events. Operational management is responsible for risks and controls relating to them as well as for implementing corrective measures relating to controls.

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

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

Internal audit

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

Insider management

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

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

this and of the obligations resulting from this, as well as of the consequences applicable to insider trading and illegally disclosing inside information.

The management of Loihde must schedule its trading in the company's financial instruments so as not to reduce public confidence in the securities market. Management refers to members of Loihde's Board of Directors and Leadership Team. Management cannot trade during a closed window of 30 days preceding the publication of the financial statements release, business report or half-year report, nor can they trade on the day of publication. The restriction on trading also includes persons who participate in the preparation of profit reports or receive information of their forthcoming content before the information is published.

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

Loihde's General Counsel is responsible for the coordination and supervision of matters related to inside information.

Transactions of related parties

In accordance with the IAS 24 standard, Loihde assesses and monitors transactions made by its defined related parties. The company's related parties consist of its subsidiaries, the Board of Directors, the CEO and the Group's Leadership Team, their family members and legal entities over which the persons mentioned exercise a controlling interest. Loihde maintains a list of parties that belong to the company's related parties and regularly monitors, processes and assesses transactions with its related parties in accordance with principles and regulations approved by the Board of Directors.

The company's financial management monitors and supervises transactions of related parties as a part of the company's normal reporting and supervisory praxis and reports transactions of related parties to the Audit Committee on a regular basis. The company's Board of Directors decides on transactions of related parties that are not part of the company's normal business or are not carried out on ordinary commercial terms. Members of the company's Board of Directors and Leadership Team and persons and parties that belong to their related parties are obligated to report potential transactions of related parties to the company. Transactions of related parties that have been entered into on terms differing from normal commercial terms are reported in the notes to the financial statements.

Audit

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

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

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

The company's auditor is the audit firm Ernst & Young Oy, with Maria Onnisekka, auditor approved by the Finnish Central Chamber of Commerce, as the principal auditor.

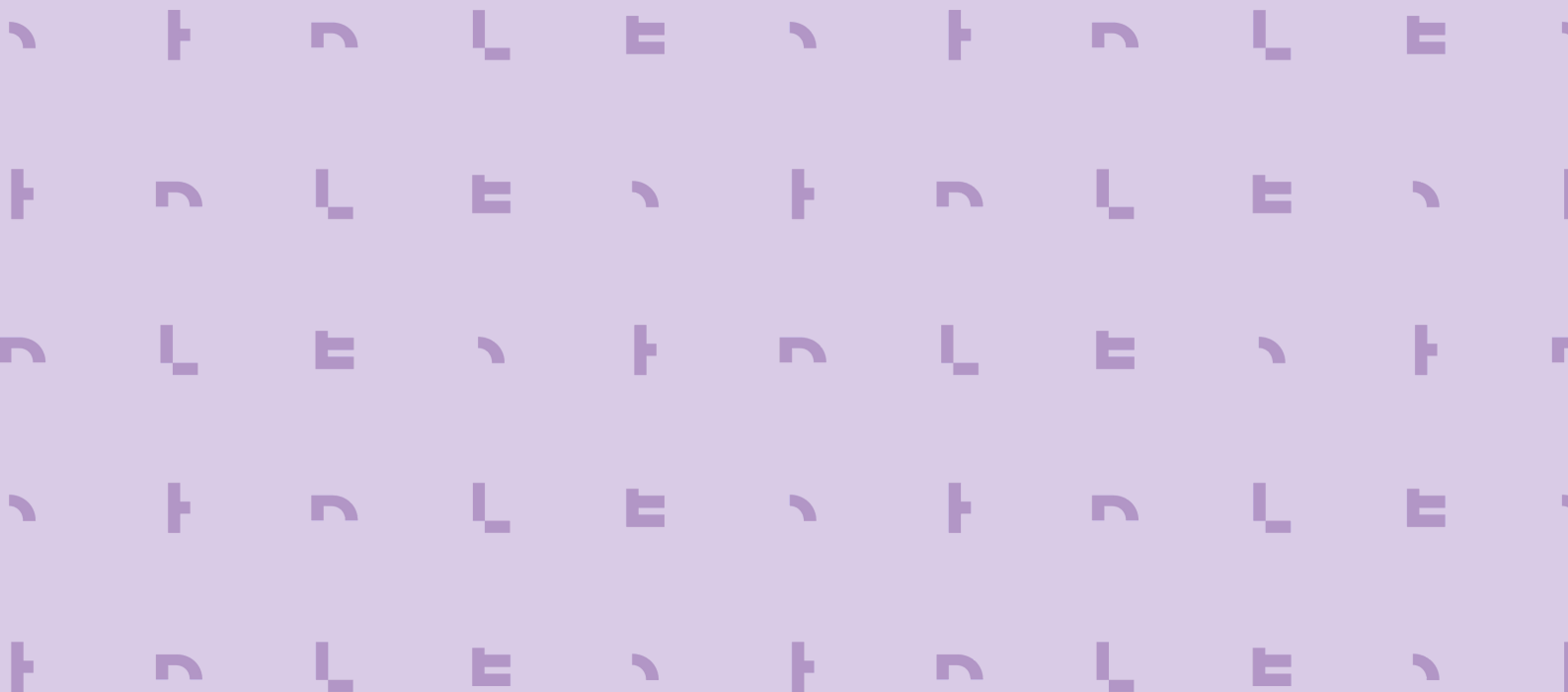
In accordance with the decision of the General Meeting, the auditor's fee is paid according to the auditor's invoice approved by the company. In 2023, the total fees paid to the auditor amounted to EUR 312,000, of which EUR 100,000 was paid for services not related to the audit.

Certified adviser

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



Remuneration report



Loihde Plc's remuneration report 2023

Introduction

The remuneration of the governing bodies of Loihde Plc (below Loihde) is based on the Remuneration Policy that the Annual General Meeting (below AGM) approved on 5 May 2022. It is the objective of the Remuneration Policy to promote Loihde's business strategy, long-term growth and profitability, and sustainable growth of shareholder value.

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

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

Loihde Plc has transitioned to IFRS-compliant reporting starting from the financial year 2022, with 2021 being the comparative period. For this reason, all figures from the above-mentioned years are not entirely comparable to those of previous years.

(EUR 1,000)	2019 FAS	2020 FAS	2021 ³ IFRS	2022 ³ IFRS	2023 IFRS
Revenue	103,104	106,823	104,418	122,987	132,690
Change compared to the previous year, %	-2%	4%	N/A ⁴	18%	8%
Adjusted EBITDA	5,492	6,160	7,236	10,290	7,569
Change compared to the previous year, %	-13%	12%	N/A ⁴	42%	-26%
(EUR 1,000)	2019	2020	2021	2022	2023
Remuneration of the Board of Directors¹	159	179	215	204	246
Change compared to the previous year, %	-3%	12%	N/A ⁴	-5%	20%
(EUR 1,000)	2019	2020	2021	2022	2023
Base + benefits of the Group CEO	258	273	291	300	303
Change compared to the previous year, %	6%	6%	7%	3%	1%
Total remuneration of the Group CEO	331	307	340	425	360
Change compared to the previous year, %	-4%	-7%	N/A ⁴	25%	-15%
(EUR 1,000)	2019	2020	2021	2022	2023
Average wages and salaries of the employees²	61	61	67	65	65
Change compared to the previous year, %	6%	1%	N/A ⁴	-3%	0%

¹The remuneration of the Board of Directors includes meeting fees for the members of the Board of Directors when they have participated in the meetings of committees and the Nomination Board and meeting fees for the members of the Board of Directors when they have participated in the meetings of the Supervisory Board in 2019–2021.

²The average wages and salaries of the employees include cash wages and salaries without add-on costs, divided by the average number of employees (FTE) during the year. The wages, salaries and remuneration information shows the wages, salaries and remuneration paid during each financial year. The remuneration paid as part of the short-term and long-term incentive schemes is paid during the year following the end of the vesting period.

³Continuing operations without Hibox Systems Oy Ab

⁴Not all percentage changes for 2021 can be calculated, since it was the first year reported in accordance with IFRS.

Remuneration of the Shareholders' Nomination Board and the Board of Directors for the financial year 2023

Shareholders' Nomination Board

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

The remuneration earned by the Nomination Board in 2023 was as follows:

	Meeting fees, EUR 1,000
Chair	4
Others, in total	13

The remuneration of the Nomination Board also includes the remuneration paid to the members of the Board of Directors for attending the meetings of the Nomination Board.

Board of Directors

The amount of remuneration of the Board of Directors has been decided at the AGM on 4 May 2023.

It was 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. Each member of the Board of Directors shall be paid an annual fee of EUR 16,500 and a meeting fee of EUR 600 per meeting. It was also decided that the Chair of a committee shall be paid a meeting fee of EUR 700 and the members of a committee a meeting fee of EUR 600 per meeting.

The company's AGM held on 25 June 2020 resolved to adopt a long-term share-based incentive scheme for the members of the Board of Directors. Under the incentive scheme, the members of the Board of Directors can subscribe for company shares at an amount corresponding to half of their annual fee at a maximum. In 2023, there was a 10% discount on the price of the shares subscribed for. The sum of the discount has been added to the taxable income of the members of the Board of Directors. The General Meeting may resolve on issuing commitment shares to the participants in the scheme based on their share ownership after a specified vesting period. Eligibility for the commitment shares is conditional on the participant still being a member of the company's Board of Directors.

The remuneration paid to the members of the Board of Directors and its committees in 2023 was as follows:

	Annual fees, ¹ EUR 1,000	Meeting fees, ¹ EUR 1,000	Total, EUR 1,000	Number of bonus shares received in 2023 in the share-based incentive scheme	Number of shares subscribed for in 2023 in the share-based incentive scheme	Committee memberships
Timo Kotilainen	47	19	66	120	1,336	Audit Committee, member
Kaj Hagros	18	15	33	-	557	Personnel Committee, member/chair
Juha Murtopuro³	11	10	21	-	557	Personnel Committee, member
Elina Piispanen²	8	5	13	120	-	Personnel Committee, Chair
Matti Piri	18	16	34	-	279	Audit Committee, Chair
Anni Ronkainen³	11	10	21	-	557	Personnel Committee, member
Matti Vikkula³	11	10	21	-		Audit Committee, member
Stefan Wikman	21	15	36	-	557	Audit Committee, member

The remuneration of the Board of Directors does not include the remuneration paid to the members of the Board of Directors for attending the meetings of the Nomination Board, since it is included under the remuneration of the Nomination Board.

¹The annual fees and meeting fees of the Board of Directors and the remuneration of the Nomination Board are paid retrospectively. Therefore, in 2023, the Chair of the Board of Directors has received fees of EUR 8,000 earned in 2022 and the members of the Board of Directors have received fees of EUR 13,000 earned in 2022. The fees earned in 2023 have been paid in 2023.

²Member of the Board of Directors until 4 May 2023

³Member of the Board of Directors as of 4 May 2023

Remuneration of the CEO for the financial year 2023

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

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

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

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

The remuneration earned by Samu Konttinen in 2023 was:

Paid in 2023	EUR 1,000	Per cent of the maximum amount
Fixed annual salary, including holiday pay and holiday bonus	303	
Short-term incentive (STI) for 2022	56	28%
Paid in 2024		
Short-term incentive (STI) for 2023	0	0%
	Shares	Per cent of the maximum amount
Long-term incentive scheme (LTI), the vesting period that started in 2021 and ended in 2023	3,119 ¹	33.9%

¹Gross number of shares before deduction of taxes. The actual number of shares delivered is lower, because a portion of the shares (corresponding to the tax liability) is withheld to cover income tax.

Short-term incentive (STI) bonus for 2023:

The revenue and adjusted EBITDA targets set for the payment of the short-term incentive (STI) for the financial year 2023 were not met, so no STI will be paid for this financial year.

Long-term share-based incentive scheme (LTI), the 2021–2023 vesting period

The criteria for the payment of the bonus were the revenue and EBITDA targets set by the Board of Directors for the vesting period.

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