Loihde Plc ANNUAL REPORT 2024

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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 2024

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 line with the updated strategy, Loihde has been organised into the following four business areas since the beginning of 2024: Security Solutions; Cyber, Cloud & Connect; Data & AI; and Digital Services. Having business areas built around customer needs provides a focused set of competences and services, and the offering of total solutions to customers through collaboration between several business areas is increasing. Loihde has harmonised its operating models to eliminate overlaps and increase cost efficiency. All support functions have been centralised at the beginning of the year. The transfer to a one Loihde brand has clarified the company's overall offering, customer communications and employer brand.

The Security Solutions business area has continued to grow well, both in terms of continuous services and project deliveries. Growth services included video surveillance, access control and nurse call systems. The delivery of security solutions as a service rather than an investment in equipment is increasing continuously, while security technologies are becoming more digital and the distinction between the physical and digital world is blurred. One of Loihde's competitive advantages is the solid information security and network expertise, and the ability to deliver total security solutions.

Continuous network and information security services, such as our 24/7/365 Cyber Security Operations Centre (CSOC) and Network Operations Centre (NOC), also have grown well, and Identity and Access Management (IAM) consulting and cloud transformation consulting have continued to show positive development as well.

The IT consulting market has been difficult throughout the year, resulting in lower year-on-year revenue in these service areas, and we have implemented efficiency measures to adjust cost levels to market demand. Many customers were cautious about starting new digital projects, and the oversupply in the sector was reflected in increased price competition. However, Loihde's position as a partner to key customers has been strengthened, particularly in the financial and industrial manufacturing sectors.

Loihde's profitability has improved significantly during the financial year, and continuous services have grown as planned.

Financial performance

Loihde Group’s revenue amounted to EUR 139.7 (132.7) million. Revenue saw a year-on-year increase of 5%.

Revenue from the Security Solutions business increased by 14% and amounted to EUR 76.8 (67.6) million. Revenue from the Cyber, Cloud & Connect business increased by 8% to EUR 31.3 (29.0) million. Revenue from the Data & AI business decreased by 14% and amounted to EUR 15.9 (18.5) million. Revenue from the Digital Services business decreased by 12% to EUR 16.0 (18.1) million.

Revenue from continuous services increased by 14% to EUR 36.9 (32.6) million, which corresponds to 26.4% (24.5%) of the company's revenue. At the end of the financial year, the annualised order book for continuous services was EUR 38.7 (34.7) million.

EBITDA was EUR 9.9 (6.7) million, or 7.1% (5.0%) of revenue. Adjusted EBITDA was EUR 11.0 (7.6) million, or 7.9% (5.7%) of revenue.

Operating profit (EBIT) was EUR -7.8 (-0.9) million, or -5.6% (-0.7%) of revenue, and adjusted operating profit (EBIT) was EUR 3.1 (-0.0) million, or 2.2% (0.0%) of revenue. The operating profit was reduced by a goodwill impairment of EUR 9.9 million.

Personnel expenses totalled EUR 66.4 (68.2) million, or 47.5% (51.4%) of revenue.

Other operating expenses amounted to EUR 15.3 (16.6) million, or 11.0% (12.5%) of revenue.

The Group's planned depreciation, amortisation and impairment totalled EUR 7.9 (7.6) million. In December, the company recognised an impairment of EUR 9.9 million on goodwill related to IT consulting.

The Group's profit for the period was EUR -8.1 (-0.6) million and adjusted profit EUR 2.7 (0.1) million. Basic earnings per share (EPS) were EUR -1.41 (-0.11) and diluted EPS were EUR -1.41 (-0.11).

Key Figures

JANUARY–DECEMBER, EUR 1,000	1–12 2024	1–12 2023	Change in %
Revenue, EUR 1,000	139,702	132,690	5%
- Security Solutions	76,766	67,552	14%
- Cyber, Cloud & Connect	31,335	28,978	8%
- Data & AI	15,919	18,462	-14%
- Digital Services	15,964	18,128	-12%
- Other (incl. eliminations)	-282	-430	34%
EBITDA	9,923	6,669	49%
Adjusted EBITDA, EUR 1,000[1]	10,986	7,569	45%
Adjusted EBITDA, %	7.9%	5.7%	
EBITA, EUR 1,000	2,999	422	611%
Adjusted EBITA, EUR 1,000[1]	4,062	1,322	207%
Adjusted EBITA, %	2.9%	1.0%	
Operating profit (EBIT), EUR 1,000	-7,837	-901	-769%
Adjusted operating profit (EBIT), EUR 1,000[1]	3,125	-1	217,408%
Profit/loss for the period, EUR 1,000	-8,083	-620	-1,205%
Adjusted profit/loss for the period, EUR 1,000[1]	2,667	121	2,111%
Equity-to-assets ratio, %	66.7%	69.6%	
Earnings per share (EPS), EUR, basic[2]	-1.41	-0.11	-1,207%
Earnings per share (EPS), EUR, diluted[2]	-1.41	-0.11	-1,207%
Return on investment (ROI), %	-6.9%	0.5%	
Adjusted return on investment (ROI), %[1]	3.6%	1.3%	
Net debt / EBITDA	0.09	-0.91	
Net debt / adjusted EBITDA	0.09	-0.80	
Average number of employees	826	863	-4%

[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, impairments and other adjustments from the respective reported figure.

[2] The parent company's treasury shares (25,846 shares on average in January–December 2024 and 4,014 shares on average in January–December 2023) 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 130.1 (145.5) million. Goodwill on the balance sheet amounted to EUR 54.0 (63.9) million. The balance sheet total decreased mainly due to the dividend paid and the impairment of goodwill related to IT consulting.

The equity-to-assets ratio at the end of the financial year was 66.7% (69.6%). Return on investment (ROI) was -6.9% (0.5%) and adjusted ROI was 3.6% (1.3%). The Group’s return on equity was -8.6% (-0.6%).

Cash flow from operating activities was EUR 8.0 (1.9) million.

The Group's investments totalled EUR 8.6 (8.0) million. The most significant investments were in right-of-use assets, which included equipment used for continuous services and leased premises. In the comparative period, investments also included the effects of an acquisition.

Loihde Plc paid a dividend of EUR 1.00 per share for 2023 in accordance with the resolution of the Annual General Meeting (AGM). The dividend record date was 10 May 2024 and the payment date 17 May 2024. The total amount of dividends was approximately EUR 5.7 (10.3) million.

Research and development

The Group’s direct costs related to R&D and product development totalled EUR 1.0 (1.9) million. This corresponds to 0.7% (1.5%) of revenue.

Shares and shareholders

The number of shares outstanding from the parent company Loihde Plc was 5,723,427 at the end of the financial year and 5,729,953 on average from January to December (5,738,513 at the end of the financial year 2023 and 5,741,198 on average from January to December 2023). The average number of outstanding shares from July to December was 5,727,501 (July to December 2023: 5,743,707). Each share entitles its holder to one vote at the AGM.

	31 Dec. 2024	31 Dec. 2023
Number of shares	5,760,383	5,761,707
Treasury shares held by the parent company	36,956	23,194
Treasury shares held by subsidiaries	400	400
Shares outstanding from the Group	5,723,027	5,738,113
Market value, EUR million	68.7	69.1
Number of shareholders	24,096	24,918
Number of nominee-registered shares	4,295	10,158

Overview of trading on Nasdaq First North Growth Market Helsinki 1 January–31 December 2024

	Number of shares exchanged	Total value, EUR	Highest, EUR	Lowest, EUR	Weighted average price, EUR	Latest, EUR
LOIHDE	499,757	6,203,476	14.95	10.30	12.41	12.00

The share buyback programme initiated by the company on 5 September 2023 ended on 19 April 2024. During the programme, the company acquired 59,123 treasury shares, which have been cancelled on 7 May 2024, in accordance with the decision of the company's Board of Directors on 29 April 2024.

On 27 June 2024, 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 7 May 2024. The repurchase of Loihde shares started on 1 July 2024, and by 31 December 2024, Loihde had acquired 36,956 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.

Major shareholders

	Shareholder	Number of shares	% of the share capital
1	Finnish Industry Investment Ltd	275,000	4.77
2	Bellurum Oy	210,576	3.66
3	Lakiasiaintoimisto Asiakasturva Oy	124,669	2.16
4	Sijoitusrahasto Visio Allocator	100,000	1.74
5	Tenendum Oy	79,000	1.37
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 Olavi	68,480	1.19
10	Hotcom Ltd	67,800	1.18
	10 largest shareholders, in total	**1,145,925**	**19.89%**

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

Share-based incentive schemes

During the financial year, the company has issued a total of 57,799 new shares in relation to share-based incentive schemes.

Bonus shares under the 2021–2023 share-based incentive scheme for the personnel

In March, Loihde carried out a directed share issue without payment in relation to the payment of matching shares and bonus shares for the personnel incentive scheme vesting period that began in 2021. A total of 12,987 new shares were transferred to incentive scheme participants in the share issue.

Bonus shares under the long-term incentive scheme (LTI) for the management and key personnel 2021–2023

In March, Loihde also carried out a directed share issue without payment to pay the bonuses of the incentive scheme for management and key employees that began in 2021. A total of 7,762 shares were transferred in the share issue in accordance with the terms and conditions and performance criteria of the incentive scheme.

Savings shares under the Employee Share Savings Plan (ESSP) 2023

For savings shares subscriptions under the ESSP that began in 2023, the company issued 8,470 new shares in March and 8,043 new shares in June. The new shares were savings shares subscribed for with the savings accumulated by ESSP participants between 1 December 2023 and 30 May 2024.

Employee Share Savings Plan (ESSP) 2024

On 29 April 2024, the Board of Directors of Loihde Plc decided to continue the ESSP that started the year before with a new savings plan. The aim of the ESSP is 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.

During the financial year 2024, 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 accumulated between 1 June and 30 November 2024. In September and December, the company issued 9,670 and 10,289 shares, respectively, for savings shares subscriptions.

Share-based incentive scheme for the CEO

On 26 February 2024, Loihde Plc's Board of Directors decided to launch a new long-term Restricted Share Plan (RSP) for the CEO. It is the purpose of the RSP to align the objectives of the owners and the CEO in order to increase Loihde's value and implement the company's business strategy in the long term as well as to commit the CEO to the company.

The RSP for the CEO has one three-year vesting period, covering the years 2024–2026. The main terms of the RSP include the continued employment of the CEO, subject to certain conditions, at the time of payment of the bonus. The number of bonus shares to be transferred is also affected by the number of shares acquired by the CEO at market conditions.

Share-based incentive scheme for the Board of Directors

On 7 May 2024, the AGM decided on a directed share issue without payment to pay the bonus shares relating to the vesting period that started in 2021 of the long-term share-based incentive scheme for the company's Board of Directors. In the share issue, the company transferred a total of 578 shares to those who participated in the vesting period.

Loihde Plc's share-based incentive schemes are described on the company's website at https://www.loihde.com/en/investors/governance/remuneration/.

General Meeting

Loihde Plc's AGM was held in Vaasa on 7 May 2024. The AGM confirmed the company's financial statements for the financial year 2023 and discharged the persons responsible for the accounts and operations from liability.

The AGM resolved to distribute a dividend of EUR 1.00 per share based on the profit for 2023. The dividend record date was 10 May 2024 and the payment date 17 May 2024.

The AGM adopted the Remuneration Report 2023 for governing bodies.

The AGM confirmed the number of Board members as six, re-elected the current Board members Juha Murtopuro, Anni Ronkainen and Matti Vikkula, and elected Marko Kauppi, Jari Niska and Christian Wetterstrand as new Board members. Marko Kauppi was elected Chair of the Board and Jari Niska Vice-Chair.

The AGM decided that the Chair of the Board will be paid an annual fee of EUR 55,000, the Vice-Chair an annual fee of EUR 40,000 and the members an annual fee of EUR 27,400. Also, the AGM decided that the Chair of a committee will be paid an annual fee of EUR 7,000 and the members an annual fee of EUR 3,500. No separate meeting fees will be paid. The AGM decided on a directed share issue without payment in order to pay the commitment shares earned in the second vesting period of the share-based incentive scheme for the Board of Directors, which began on 7 May 2021 and ended on 31 December 2023.

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 that the annual fee of the Chair of the Shareholders' Nomination Board will be EUR 4,000 and that the annual fee of the members will be EUR 2,500.

Board's authorisations

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 2025 at the latest.

The AGM authorised the Board of Directors to decide on a share issue of a maximum of 583,000 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 483,000 shares, and 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 2025 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 6 May 2021, 5 May 2022 and 4 May 2023 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.

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 has four business areas: Data & AI; Digital Services; Cyber, Cloud & Connect; and Security Solutions. The four business areas form one reportable operating segment.

The legal structure of the Group does not fully reflect the operational business structure. Loihde Group consists of:

- the parent company Loihde Plc,

- Loihde Advance Ltd,
- Loihde Factor Ltd,
- Loihde Cloudon Ltd,
- Loihde Trust Ltd and
- Loihde Properties Ltd.

Changes in Group structure

Hämeen Lukko Oy has merged with Loihde Trust Ltd on 29 February 2024.

Loihde Trust Ltd has acquired the alarm transmission business of Vakka-Suomen Puhelin Oy on 31 May 2024.

On 22 November 2024, Loihde sold the entire share capital of its subsidiary Loihde Advisory AB, registered in Sweden, for the purpose of dissolution. Loihde Advisory AB had previously, in August 2023, sold its entire business operations to Witted Megacorp Ltd and did not engage in any business activities in the financial year 2024.

Personnel

The number of employees converted into full-time equivalents (FTE) averaged 826 during the financial year (863 in 2023) and stood at 819 (841) at the end of the financial year. Potential part-time employment has also been taken into account when calculating the average number of employees.

As skilled and committed personnel is one of the key factors enabling Loihde's success, the company focuses on fostering positive corporate culture and employee satisfaction, sustainable modes of operation and continuous competence development. Job satisfaction is assessed by continuously collecting feedback through pulse surveys and discussions.

Board of Directors and management

Until 7 May 2024, the Board of Directors of Loihde Plc consisted of Timo Kotilainen (Chair), Kaj Hagros, Juha Murtopuro, Matti Piri, Anni Ronkainen, Matti Vikkula and Stefan Wikman, and from 7 May 2024, the Board consisted of Marko Kauppi (Chair), Juha Murtopuro, Jari Niska, Anni Ronkainen, Matti Vikkula and Christian Wetterstrand.

During the financial year, the members of the Group's Leadership Team were Group CEO Samu Konttinen; EVP, Security Solutions Marko Järvinen; EVP, Data & AI Tomi Bergman until 31 October 2024; EVP, Digital Services Juha Meronen; EVP, Cyber, Cloud & Connect Jarno Mäki; EVP, Business Development Katja Ahola; CFO Pirjo Suhonen; CMO Jere Teutari; CPO Kristiina Aaltonen until 30 June 2024; and CPO Tuuli Stenbäck from 1 November 2024.

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 1.1 million at the end of the financial year. The loan period is a maximum of three years. The loans are repaid according to plan and the interest is paid once a year of 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 2024, these loans totalled EUR 7,000, of which the share belonging to the members of the Group's Leadership Team was EUR 4,000. The interest rate is 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.

Significant legal matters

In December 2021, Loihde Trust Ltd won a public tender organised by Finnish Customs. During the delivery project, a disagreement arose between Loihde and Customs regarding the functionalities included in the agreement, and Customs terminated the delivery agreement in October 2023. In Loihde's view, the termination of the contract by Customs is unfounded, and on 21 March 2024, Loihde Trust Ltd brought legal action against Customs, claiming approximately EUR 1.9 million in damages from Customs. Customs has filed a counterclaim against Loihde Trust Ltd, in which they are seeking damages of approximately EUR 2.2 million from Loihde. Loihde considers the counterclaim to be unfounded and has not made any provisions in relation to it. The dispute is still pending.

Market review

Uncertainty in the Finnish economy is reflected in a weakened willingness of companies 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. At the same time, the oversupply of IT consulting relative to demand has increased price competition. 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. Therefore, we do not see this as a longer-term market change but believe that the positive digitalisation trend will continue.

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 threats and other security threats. The slowdown in the construction sector has reduced the demand for locking solutions, which has increased price competition 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 and secure network connections are also increasingly linked to 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 and digital worlds 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 address the security threats related to these.

The most significant megatrend in IT today is artificial intelligence (AI), and its use is growing rapidly, especially with the emergence of large language models. In addition to AI solutions delivered to customers, AI plays an important role in IT industry work itself, such as programming, analytics and cyber security. The interest in AI is also reflected in data solutions, as high-quality data and data management are prerequisites for effective AI solutions.

Cloud transformation, i.e. organisations transferring from using their own servers to using cloud or hybrid environments, has been underway for several years and continues to be strong. The benefits of cloud technologies, such as cost-efficiency, information security and scalability, are driving this major transition.

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

Strategy

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 companies are seeking the benefits of cloud technologies. Developing and deploying digital services is 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. The common mission of everyone at Loihde is to enable the continuity of the customers' business.

During the strategy period 2024–2027, 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 is now using a single, common Loihde brand, instead of the previous network model with several sub-brands. Synergies will also be sought through jointly produced support functions.

Risks and uncertainties

Market uncertainty may reduce companies’ ability and willingness to make investments or lead to such investments being postponed. It may also have negative effects on customers' ability to pay. Increased costs may affect Loihde's profitability. Russia's war of aggression in 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 and physical 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 over their contents may have an adverse effect 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 their 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. In Loihde's business segments, the competition for skilled employees has eased as the market situation has changed, but there is still competition for experienced professionals, particularly in certain service areas, 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 adverse effects.

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

Events after the financial year

On 15 January 2025, Loihde announced that it would initiate change negotiations to improve the company's business competitiveness and profitability. The negotiations have ended on 6 March 2025, resulting in 35 redundancies and 10 temporary layoffs. The company has also decided to change its business structure by combining the business areas Data & AI and Digital Services into a single business area on 1 April 2025.

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 2025

In 2025, Loihde expects the Group's revenue to grow or to be on par with the previous year.

The Group’s adjusted EBITDA is estimated to improve compared to 2024, when it was EUR 11.0 million.

Proposal on the use of the profit for the period

The Board of Directors proposes to the AGM that in accordance with the dividend policy a dividend of EUR 0.23 per share and an additional dividend of EUR 0.52 per share, i.e. a total of EUR 0.75 per share, be paid from the parent company’s distributable funds (EUR 82,818,276.42), of which the loss for the period is EUR 15,880,926.49. Based on the situation at the time of signing the financial statements, the dividend and additional dividend would correspond to EUR 4,280,705.25 in total.

In addition to this, the Board of Directors proposes to the AGM that the AGM authorises the Board to decide on the distribution of a potential additional dividend in one or more instalments in such a way that the total amount of the additional dividend to be distributed does not exceed EUR 0.75 per share. The company would publish such a decision separately and would at the same time confirm the final record and payment dates. The authorisation would be valid until 31 December 2025.

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):

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

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

Return on investment % (ROI):

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

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

Equity-to-assets ratio:

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

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

Investments:

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

Reconciliation calculations for alternative performance measures

Loihde Plc discloses alternative performance measures to provide a better picture of the operational development of business operations and to improve comparability between reporting periods. The alternative performance measures used by Loihde Plc are EBITDA, adjusted EBITDA, adjusted EBITA, adjusted operating profit (EBIT) and adjusted profit for the period.

Alternative performance measures published quarterly

EBITDA AND ADJUSTED EBITDA

EUR 1,000	10–12 2024	10–12 2023	1–12 2024	1–12 2023
Operating profit (EBIT)	-8,403	1,540	-7,837	-901
Depreciation, amortisation and impairment	2,009	1,972	7,860	7,571
Impairment of goodwill	9,900	-	9,900	-
EBITDA	**3,506**	**3,512**	**9,923**	**6,669**
Gains from the disposal of fixed assets	-47	232	-48	-78
Restructuring expenses	283	179	726	617
Other non-recurring operating expenses	158	80	385	362
Foreign exchange differences	0	0	-1	-1
ADJUSTED EBITDA	**3,899**	**3,771**	**10,986**	**7,569**

Alternative performance measures published twice a year

ADJUSTED EBITA

EUR 1,000	1–12 2024	1–12 2023
Operating profit (EBIT)	-7,837	-901
Amortisation and impairment of intangible assets	936	1,323
Impairment of goodwill	9,900	-
EBITA	2,999	422
Gains from the disposal of fixed assets	-48	-78
Restructuring expenses	726	617
Other non-recurring operating expenses	385	362
Foreign exchange differences	-1	-1
ADJUSTED EBITA	**4,062**	**1,322**

ADJUSTED OPERATING PROFIT (EBIT)

EUR 1,000	1–12 2024	1–12 2023
Operating profit (EBIT)	-7,837	-901
Gains from the disposal of fixed assets	-48	-78
Impairment of goodwill	9,900	-
Restructuring expenses	726	617
Other non-recurring operating expenses	385	362
Foreign exchange differences	-1	-1
ADJUSTED OPERATING PROFIT (EBIT)	**3,125**	**-1**

ADJUSTED PROFIT/LOSS FOR THE PERIOD

EUR 1,000	1–12 2024	1–12 2023
Profit/loss for the period	-8,083	-620
Gains from the disposal of fixed assets	-48	-78
Impairment of goodwill	9,900	-
Restructuring expenses	726	617
Other non-recurring operating expenses	385	362
Tax effects of adjustment items	-212	-160
Foreign exchange differences	0	0
ADJUSTED PROFIT/LOSS FOR THE PERIOD	**2,667**	**121**

Consolidated comprehensive income statement

EUR 1,000	Note	1/1/2024 - 31/12/2024	1/1/2023 - 31/12/2023
REVENUE	2.	139,702	132,690
Other operating income	3.1.	257	586
Change in inventories of finished goods and work in progress			-50
Production for own use		47	76
Use of materials and services	3.2.	-48,416	-41,915
Employee benefit expenses	3.5.	-66,354	-68,164
Depreciation, amortisation and impairment	6.-9.	-7,860	-7,571
Impairment of goodwill	9.3.-9.5.	-9,900	
Other operating expenses	3.3.	-15,312	-16,554
OPERATING PROFIT (EBIT)		**-7,837**	**-901**
Finance income and expenses			
Finance income	3.6.	608	1,452
Finance expenses	3.6.	-537	-1,058
Total finance income and expenses		**71**	**394**
PROFIT/LOSS BEFORE TAXES		**-7,766**	**-507**
Income taxes	4.	-317	-112
Profit/loss		**-8,083**	**-620**
PROFIT/LOSS FOR THE PERIOD		**-8,083**	**-620**
Other comprehensive income:		**1/1/2024 - 31/12/2024**	**1/1/2023 - 31/12/2023**
Items not subsequently reclassified to profit or loss			
Revaluation of defined benefit plans		47	70
		47	**70**
Items that may subsequently be reclassified to profit or loss			
Translation differences from foreign units		14	-12
		14	**-12**
Other comprehensive income		**61**	**58**
TOTAL COMPREHENSIVE INCOME		**-8,022**	**-561**
Profit/loss attributable to:			
Owners of the parent company		-8,083	-620
Non-controlling interests			
		-8,083	**-620**
Total comprehensive income attributable to:			
Owners of the parent company		-8,022	-561
Non-controlling interests			
		-8,022	**-561**
EUR			
Earnings per share			
Earnings per share, basic	5.	-1.41	-0.11
Earnings per share, diluted	5.	-1.41	-0.11

Consolidated balance sheet

EUR 1,000

ASSETS

	Note	31/12/2024	31/12/2023
NON-CURRENT ASSETS			
Tangible property, plant and equipment	6.	4,721	5,404
Investment property	7.	3,007	2,381
Right-of-use assets	8.	12,013	9,902
Goodwill	9.	53,970	63,881
Intangible assets	9.	1,416	2,140
Other financial assets	10.	17	17
Receivables	11.	126	158
Deferred tax assets	12.	1,426	1,463
NON-CURRENT ASSETS		**76,697**	**85,348**
CURRENT ASSETS			
Inventories	13.	14,120	12,052
Trade and other receivables	14.	16,065	20,603
Assets based on customer contracts	15.	6,425	7,695
Prepayments and accrued income	16.	4,954	3,290
Current tax assets	17.	290	291
Financial assets at fair value through profit or loss	18.	4,099	3,775
Cash and cash equivalents	19.	7,479	12,436
CURRENT ASSETS		**53,432**	**60,142**
ASSETS		**130,129**	**145,490**

EUR 1,000

EQUITY AND LIABILITIES

	Note	31/12/2024	31/12/2023
Owners of the parent company			
Share capital	20.	1,504	1,504
Reserve fund	20.	8,132	8,132
Reserve for invested unrestricted equity	20.	49,689	50,152
Translation differences	20.		-4
Retained earnings	20.	27,393	40,993
Owners of the parent company		**86,719**	**100,778**
Non-controlling interests	20.		
EQUITY		**86,719**	**100,778**
NON-CURRENT LIABILITIES			
Interest-bearing financial liabilities	21.		4
Lease liabilities	21.	7,651	5,429
Contract liabilities	22.	67	283
Accrued expenses and deferred income	22.		43
Pension liabilities	22.	14	75
Deferred tax liabilities	12.	444	458
NON-CURRENT LIABILITIES		**8,175**	**6,291**
CURRENT LIABILITIES			
Interest-bearing financial liabilities	23.		14
Lease liabilities	23.	4,874	4,837
Trade and other payables	24.	11,018	14,536
Contract liabilities	24.	5,221	6,329
Current tax liabilities	24.	362	34
Accrued expenses and deferred income	24.	13,761	12,670
CURRENT LIABILITIES		**35,235**	**38,421**
LIABILITIES		**43,411**	**44,712**
EQUITY AND LIABILITIES		**130,129**	**145,490**

Consolidated statement of changes in equity

EUR 1,000	Share capital	Reserve for invested un-restricted equity	Reserve fund	Translation differences	Retained earnings	Treasury shares	Retained earnings (loss)	Total	Non-controlling interests	Total equity
EQUITY 1 JAN. 2024	**1,504**	**50,152**	**8,132**	**-4**	**40,993**		**40,993**	**100,778**		**100,778**
Comprehensive income										
Profit/loss for the period					-8,083		-8,083	-8,083		-8,083
Other comprehensive income:										
Revaluation of defined benefit plans					47		47	47		47
Translation differences				4	10		10	14		14
TOTAL COMPREHENSIVE INCOME				**4**	**-8,026**		**-8,026**	**-8,022**		**-8,022**
Sale of shares and interests, at fair value permanently through other comprehensive income										
Transactions with owners										
Distribution of dividends, distribution of assets					-5,731		-5,731	-5,731		-5,731
Repurchase of shares		-900						-900		-900
Cancellation of shares										
Share-based payments					158		158	158		158
Share issue		437						437		437
Transfer of expired dividends of joint book-entry account shares										
Total transactions with owners		**-463**			**-5,574**		**-5,574**	**-6,037**		**-6,037**
TOTAL EQUITY 31 DEC. 2024	**1,504**	**49,689**	**8,132**		**27,393**		**27,393**	**86,719**		**86,719**

EUR 1,000	Share capital	Reserve for invested un-restricted equity	Reserve fund	Translation differences	Retained earnings	Treasury shares	Retained earnings (loss)	Total	Non-controlling interests	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:										
Revaluation of defined benefit plans					70		70	70		70
Translation differences				0	-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**

Consolidated cash flow statement, indirect

EUR 1,000	Note	1/1/2024 - 31/12/2024	1/1/2023 - 31/12/2023
Cash flow from operating activities			
PROFIT/LOSS FOR THE PERIOD		**-8,083**	**-620**
Adjustments:			
Depreciation	6.-9.	17,760	7,571
Unrealised changes in value and exchange gains and losses		-297	-466
Capital gains or losses from tangible and intangible assets and companies		-2	-78
Finance income and expenses		226	72
Income taxes	4.2.-4.3.	317	112
Other adjustments*		156	492
Total adjustments		**18,160**	**7,703**
Change in working capital			
Change in inventories		-2,068	-1,054
Increase/decrease in current interest-free receivables		4,036	-6,692
Increase/decrease in current interest-free liabilities		-3,748	3,758
Change in provisions		-3	-42
Total change in working capital		**-1,782**	**-4,031**
Interest and other financial items paid		-431	-314
Interest and other financial items received		201	206
Dividends received		12	24
Other financial items		-63	-92
Taxes paid		-12	-974
Cash flow from operating activities		**8,002**	**1,902**
Cash flow from investing activities			
Investments in tangible and intangible assets		-1,489	-1,787
Proceeds from sale of tangible and intangible assets		138	99
Acquisition of subsidiary, net of cash acquired		-60	-2,078
Disposal of subsidiary, net of cash disposed			
Proceeds from sale of other investments		61	7,981
Cash flow from investing activities		**-1,351**	**4,215**
Cash flow from financing activities			
Share issue against payment		589	828
Repurchase of shares		-900	-281
Repayments of short-term loans		-14	-6
Proceeds from long-term loans			1
Repayments of long-term loans		-4	-44
Repayments of lease liabilities		-5,541	-5,027
Dividends paid	20.1.1.	-5,731	-10,332
Cash flow from financing activities		**-11,601**	**-14,862**
Change in cash and cash equivalents		**-4,950**	**-8,745**
Cash and cash equivalents, opening balance		12,436	21,173
Change in cash and cash equivalents		-4,950	-8,745
Foreign exchange differences on cash and cash equivalents		-7	8
Impact of currency exchange rate changes		-7	8
Cash and cash equivalents		7,479	12,436

*) 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 2024

1.1. General information on the group

Loihde Group is an expert organisation specialising in digital development and security solutions that enables business continuity for its customers. The group has four business areas: Data & AI; Digital Services; Cyber, Cloud & Connect; and Security Solutions. The four business areas form one reportable operating segment.

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 25 March 2025. A copy of the consolidated financial statements can be obtained from Loihde’s website at www.loihde.com/en/investors/.

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 28.

Group structure	**31/12/2024 Group ownership, %**	**31/12/2024 Parent company ownership, %**	**31/12/2023 Group ownership, %**	**31/12/2023 Parent company ownership, %**
Group companies				
Loihde Trust Ltd, Vaasa	100.00	100.00	100.00	100.00
Loihde Advance Ltd, Helsinki	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 Cloudon Ltd, Espoo	100.00	100.00	100.00	100.00
Loihde Advisory AB, Sweden	0.00	0.00	100.00	0.00
Hämeen Lukko Oy, Hämeenlinna *)	0.00	0.00	100.00	100.00

*) Hämeen Lukko Oy has merged with Loihde Trust Ltd on 29 February 2024.

1.2. Significant changes during the financial year

Changes in group structure

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

Hämeen Lukko Oy has merged with its sister company Loihde Trust Ltd on 29 February 2024.

Loihde Trust Ltd has acquired the alarm transmission business of Vakka-Suomen Puhelin Oy on 31 May 2024.

On 22 November 2024, Loihde Advance Ltd has sold the entire share capital of its subsidiary Loihde Advisory AB, registered in Sweden, for the purpose of dissolution. Loihde Advisory AB had previously, in August 2023, sold its entire business operations to Witted Megacorp Ltd and did not engage in any business activities in the financial year 2024.

During the comparative period 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.

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 2024 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 2024 are Loihde Plc's third 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 2024 include comparative data for the financial year that ended on 31 December 2023.

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 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

Market uncertainty may reduce companies' willingness to invest and ability to pay. Increased costs may affect Loihde's profitability. Russia's war of aggression in Ukraine has increased the risk level through the above-mentioned indirect effects. The uncertain global political situation also increases the need for cyber security and physical security services. 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

The 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 9.5.)
- Deferred tax assets and liabilities (Note 12.1.)
- Expected credit losses (Note 25.1.1.)
- Business combinations (Note 26.2.)

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 2025 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 for financial years beginning on 1 January 2025 or later. Only the most relevant changes for Loihde Group are included in the summary below.

New and amended standards applicable in future financial periods
* = This regulation has not been adopted for application in the EU by 31 December 2024.

Presentation and Disclosure in Financial Statements - New IFRS 18*
(Applicable for financial periods beginning on or after 1 January 2027, earlier application is allowed)
The standard replaces the current IAS 1 Presentation of Financial Statements and amends several other international financial reporting standards, such as IAS 7 Statement of Cash Flows and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The standard includes:

- new required totals, subtotals and line items in the statement of profit or loss (income statement);
- new requirements for the disclosure of management-defined performance measures; and
- new principles for aggregation and disaggregation of the information to be presented.

The company is examining the impact of the new standard on financial reporting.

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 Group has four business areas: Data & AI; Digital Services; Cyber, Cloud & Connect; and Security Solutions.
The four business areas form one reportable operating segment that provides business continuity services for customers.
The presentation of a single operating segment is based on Loihde's business model, nature of operations, product portfolio and governance structure. The figures for the reportable segment are consistent with those of the group.
Management has reassessed the definition of operating segments, since Loihde's business areas changed at the beginning of 2024.

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

Sales revenue from one customer group exceeds 10% of the group's total revenue and amounted to approximately EUR 15.5 million for the financial year 2024 (EUR 15.9 million in the financial year 2023).

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, for 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 recognised separately 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 a 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	2024	2023
Security Solutions	76,766	67,552
Cyber, Cloud & Connect	31,335	28,978
Data & AI	15,919	18,462
Digital Services	15,964	18,128
Other (incl. eliminations)	-282	-430
Total	**139,702**	**132,690**

Revenue by market

EUR 1,000	2024	2023
Finland	138,459	131,320
Other countries	1,243	1,370
Total	**139,702**	**132,690**

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	2024	2023
Trade receivables, Note 14	16,025	20,303
Assets based on customer contracts (current), Note 15	6,425	7,695
Total	**22,450**	**27,997**

2.3.2. *Contractual liabilities recorded in the balance sheet*

EUR 1,000	2024	2023
Liabilities based on customer contracts (non-current), Note 22	67	283
Liabilities based on customer contracts (current), Note 24	5,221	6,329
Total	**5,287**	**6,612**

2.4. Unfulfilled long-term customer contracts

Transaction price allocated to outstanding performance obligations
EUR 1,000

	2024	2023
Transaction price allocated to partly or fully outstanding long-term fixed-price contracts	7,630	7,384

Management expects that 88% (EUR 6,721,000) of the transaction price allocated to outstanding performance obligations on 31 December 2024 will be recognised as income in the next financial year and the remaining 12% (EUR 910,000) 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 2024, Loihde Group's subsidiaries have received funding from Business Finland.

EUR 1,000	2024	2023
Gains from disposal of property, plant and equipment and from business transactions	3	78
Grants received	60	268
Rental income	9	8
Other income	184	232
Total	**257**	**586**

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

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 13. Inventories.

EUR 1,000	2024	2023
Purchases during the financial year	-42,619	-36,901
Change in inventories	2,068	1,702
External services	-7,865	-6,716
Total	**-48,416**	**-41,915**

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	2024	2023
Voluntary indirect employee costs	-2,085	-1,857
Rents and other office costs 1)	-1,927	-2,000
IT hardware and software costs 1)	-3,347	-4,304
Vehicle costs 1)	-1,608	-1,702
Travel and representation expenses	-2,007	-1,722
Administrative expenses	-2,591	-3,356
Acquisition-related costs		-95
Change in expected credit losses (ECL)	-60	-71
Other fixed costs	-1,688	-1,446
Total	**-15,312**	**-16,554**

Other operating expenses include amounts recognised for expected credit losses. Further information on expected credit losses is presented in Note 25.1. Credit risk.
1) The lessee's expenses are specified in Note 8.1. Lease agreements, lessee's income statement items.

3.4. Auditor's fees

EUR 1,000	2024	2023
Audit services, current audit firm	-136	-120
Audit services, previous audit firm		-92
Tax advice services, current audit firm		-4
Other services, current audit firm	-15	-14
Other services, previous audit firm		-82
Total	**-151**	**-312**

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 group is not significant.

3.5.2. *Employee benefit expenses*

EUR 1,000	2024	2023
Wages and salaries excluding share-based bonuses	-55,170	-55,757
Share-based bonus deferrals	-153	-399
Pension expenses, defined contribution plan	-9,677	-9,821
Pension expenses, defined benefit plans	3	42
Other indirect employee costs	-1,356	-2,229
Total	**-66,354**	**-68,164**

Average number of employees	2024	2023
Security Solutions	367	366
Cyber, Cloud & Connect	158	154
Data & AI	123	159
Digital Services	113	137
Other	65	47
Total	**826**	**863**

Information on the 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 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 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 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.

Long-term incentive scheme (LTI) for the management and key personnel 2024
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. 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). 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. Potential bonuses for the vesting period 2024–2026 will be paid in spring 2027.

Share-based incentive schemes for the Board of Directors
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.

Employee Share Savings Plan (ESSP) 2024
On 29 April 2024, the Board of Directors of Loihde Plc decided to continue the ESSP that started the year before with a new savings plan. The ESSP consists of a one-year savings period and a holding period following the savings period. The ESSP is offered to all Loihde employees. The employees will have the opportunity to save a portion of their salaries and invest those savings in Loihde's shares. The savings will be 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 for the financial years 2024–2026. Continuity of employment and holding of acquired savings shares for the duration of the holding period are the prerequisites for receiving the bonus.

Share-based incentive scheme for the CEO 2024
On 26 February 2024, Loihde Plc's Board of Directors decided to launch a new long-term Restricted Share Plan (RSP) for the CEO. It is the purpose of the RSP to align the objectives of the owners and the CEO in order to increase Loihde's value and implement the company's business strategy in the long term as well as to commit the CEO to the company. The RSP for the CEO has one three-year vesting period, covering the years 2024–2026. The main terms of the RSP include the continued employment of the CEO, subject to certain conditions, at the time of payment of the bonus. The number of bonus shares to be transferred is also affected by the number of shares acquired by the CEO at market conditions.

EUR 1,000

Plan	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)				Restricted Share Plan (RSP) for the CEO 2024		
Instrument	**Matching trapping-Section 2021-2023**	**Matching trapping-Section 2022-2024**	**LTI 2021**	**LTI 2022**	**LTI 2023**	**LTI 2024**	**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**	**ESSP 2024 Matching shares**	**ESSP 2024 Performance-based matching shares**	**CEO bonus 1.**	**CEO bonus 2.**	**Total**
Maximum number of shares	27,614	16,736	48,000	63,864	102,000	107,600	685	916	960	~62,500		~71,500		12,000		514,375
First date of issue	08/07/2021	06/07/2022	28/06/2021	05/07/2022	08/05/2023	31/05/2024	08/07/2021	22/06/2022	21/06/2023	21/09/2023	21/09/2023	12/09/2024	12/09/2024	26/02/2024	26/02/2024	
Vesting period begins	01/06/2021	06/07/2022	01/01/2021	01/01/2022	01/01/2023	01/01/2024				01/07/2023	01/07/2023	01/07/2024	01/07/2024	26/02/2024	26/02/2024	
Vesting period ends	31/12/2023	31/12/2024	31/12/2023	31/12/2024	31/12/2025	31/12/2026	31/12/2023	31/12/2024	31/12/2025	31/05/2024	31/05/2024	31/05/2025	31/05/2025			
Release date	31/12/2023	31/12/2024	31/12/2023	31/12/2024	31/12/2025	31/12/2026	30/06/2024	30/06/2025	30/06/2026	31/05/2026	31/05/2026	31/05/2027	31/05/2027	15/12/2024	16/12/2025	
Performance criteria			Revenue & EBITDA	Revenue & EBITDA	Revenue & EBITDA	TSR & EBITDA					EBITDA		EBITDA			
	Ownership and employment obligation	Ownership and employment obligation	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	Ownership and employment obligation	Ownership and employment obligation	Ownership and employment obligation	
Maximum period of validity, years	2.6	2.5	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.9	2.9	2.9	2.9	0.8	1.8	
Remaining maturity, years	0.0	0.0	0.0	0.0	1.0	2.0	0.0	0.5	1.5	1.4	1.4	2.4	2.4	0.0	1.0	
Persons at the end of the financial year	0	115	0	17	21	29	0	0	2	133	133	156	156	1	1	
Implementation method	Share and cash	Share and cash	Share and cash	Share and cash	Share and cash	Share and cash	Share	Share	Share	Share and cash	Share and cash	Share and cash	Share and cash	Share and cash	Share and cash	

Changes during the financial year	**Matching, vesting period 2021–2023**	**Matching, vesting period 2022–2024**	**LTI 2021**	**LTI 2022**	**LTI 2023**	**LTI 2024**	**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**	**ESSP 2024 Matching shares**	**ESSP 2024 Performance-based matching shares**	**CEO bonus 1.**	**CEO bonus 2.**	**Total**
1 January Shares outstanding at the beginning of the financial year	20,064	14,902	37,800	52,373	99,200		578	773	960	7,603	7,603					241,855
Changes during the financial year																
Granted during the period						102,274				8,197	8,197	9,980	9,980	6,000	6,000	150,626
Lost during the period	956	1,061	24,985	2,000	14,900		0	773	682	774	774	39	39			46,983
Paid during the period	19,108		12,815				578									32,501
31 December Shares outstanding at the end of the financial year	0	13,841	0	50,373	84,300	102,274	0	0	278	15,025	15,025	9,941	9,941	6,000	6,000	312,997

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.

	2024	2023
Share price at the time of issue	12.39	14.67
Share price at the end of the financial year	12.00	12.05
Expected dividends *)	0.81	1.44
Fair value of the share bonus at the time of issue	11.58	13.23

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

Impact of share-based payment schemes on performance and financial position

EUR 1,000	2024	2023
Costs for the financial year, share-based payments, result	-153	-399
Costs for the financial year, share-based payments, equity	158	397
Liability arising from share-based payments *)		5

*) The liability arising from share-based payments in the comparative period includes an estimate of the indirect costs related to the share bonuses to be paid for Loihde 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 Loihde'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	2024	2023
Finance income		
Income from assets recognised at amortised cost	21	37
Income from assets at fair value through profit or loss	390	1,221
Other interest income	181	169
Other finance income	17	26
Total	**608**	**1,452**
Finance expenses		
Expenses for liabilities recognised at amortised cost	-36	-76
Losses from liabilities recognised at fair value through profit or loss	-5	-651
Other interest expenses	-465	-324
Other finance expenses	-31	-7
Total	**-537**	**-1,058**
Net finance income and expenses	**71**	**394**
Other exchange differences included in the income statement, by line		
Revenue	5	6
Use of materials and services	-8	13
Other operating expenses	-1	-6
Total	**-3**	**13**

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	2024	2023
Taxes on ordinary activities based on the taxable income for the financial year	-472	-322
Taxes from previous financial years	130	33
Deferred taxes	25	177
Total	**-317**	**-112**
Effective tax rate -%	4.1 %	22.1 %

4.3. Tax rate reconciliation

EUR 1,000	2024	2023
Profit before taxes	**-7,766**	**-507**
Taxes calculated at the Finnish tax rate of 20% (2023:20%)	1,553	101
Deviating tax rates of foreign subsidiaries	0	2
Non-taxable income	4	1
Non-deductible expenses	-46	-75
Losses for the financial year not recognised in income taxes	-6	-195
Taxes from previous financial years	130	33
Impairment of goodwill	-1,980	
Other taxes	28	21
Taxes in the income statement	**-317**	**-112**

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

Income tax relating to all other comprehensive income items

EUR 1,000	2024	2023
Items not subsequently reclassified to profit or loss	-59	-88
Recognised deferred tax	12	18
Items that may subsequently be reclassified to profit or loss	14	-12

Deferred tax assets and liabilities, see Note 12.
Deferred taxes recognised directly in equity, see Note 12.2.
No deferred tax assets have been recognised for accumulated losses, see Note 12.2.

5. EARNINGS PER SHARE

5.1. Accounting policies

Basic earnings per share is calculated by dividing the profit or loss for the financial year attributable to the shareholders of the parent company by the weighted average number of shares outstanding 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.

5.2. Earnings per share

EUR 1,000

	2024	2023
Profit for the financial year attributable to owners of the parent company	-8,083	-620
Weighted average undiluted number of shares during the financial year, 1,000 shares	5,730	5,741
Earnings per share (EPS), EUR/share, basic	**-1.41**	**-0.11**
Weighted average diluted number of shares during the financial year, 1,000 shares	5,730	5,801
Earnings per share, EUR/share, diluted	**-1.41**	**-0.11**

NOTES TO THE BALANCE SHEET
Non-current assets

6. TANGIBLE ASSETS

6.1. 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

6.2. Tangible assets

2024 EUR 1,000	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 procure-ment in progress	Total
Acquisition cost, 1 Jan.	1,591	6,100	9,350	478	241	**17,760**
Acquisition of a subsidiary						
Other increases	7	174	933	121	32	**1,268**
Other decreases and disposals			-19		-122	**-140**
Transfers between items	-784	-1,220		24		**-1,980**
Foreign exchange differences						
Acquisition cost, 31 Dec.	**815**	**5,054**	**10,265**	**623**	**151**	**16,907**
Accumulated depreciation and impairment, 1 Jan.		-4,439	-7,653	-265		**-12,356**
Change due to reclassification						
Accumulated depreciation from the acquisition of a subsidiary						
Other decreases and disposals, accumulated depreciation			4			**4**
Accumulated depreciation on transfers		1,105		-1		**1,104**
Depreciation for the financial year		-157	-684	-90		**-932**
Impairment			-7			**-7**
Foreign exchange differences						
Accumulated depreciation and impairment, 31 Dec.		**-3,491**	**-8,339**	**-356**		**-12,187**
Book value, 1 Jan.	1,591	1,661	1,697	213	241	**5,404**
Book value, 31 Dec.	**815**	**1,563**	**1,925**	**267**	**151**	**4,721**

2023 EUR 1,000	Land areas in own use	Buildings and structures in own use	Machinery and equipment in own use	Other tangible assets and networks	Advance payments procure-ment in progress	Total
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**
Disposal of a subsidiary						
Other decreases and disposals			-21			**-21**
Transfers between items	-46	-265		-2		**-313**
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**
Accumulated depreciation on transfers		256		1		**257**
Depreciation for the financial year		-257	-586	-88		**-931**
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**

7. INVESTMENT PROPERTIES

7.1. 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.

Leased plots of land have also been classified as investment properties, accounting for EUR 73,000 (2023: EUR 85,000) of the book value at the end of the financial year.

Depreciation times

Investment properties	15–25 years

Investment properties

EUR 1,000	2024	2023
Acquisition cost, 1 Jan.	9,032	8,705
Increases	24	16
Decreases		
Transfers between other asset items	2,004	311
Acquisition cost, 31 Dec.	**11,061**	**9,032**
Accumulated depreciation and impairment, 1 Jan.	-6,651	-6,170
Depreciation for the financial year	-298	-225
Accumulated depreciation from decreases and transfers	-1,105	-256
Accumulated depreciation and impairment, 31 Dec.	**-8,054**	**-6,651**
Book value, 1 Jan.	2,381	2,534
Book value, 31 Dec.	**3,007**	**2,381**

7.2. 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.

The minimum rents for investment properties are as follows:

After 0–1 year	701
After 1–2 years	128
After 2–3 years	104
After 3–4 years	104
After 4–5 years	104
After more than 5 years	364

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.

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

	Book value		Fair value	
EUR 1,000	**2024**	**2023**	**2024**	**2023**
Investment properties	3,007	2,381	4,397	3,005
31.12.	**3,007**	**2,381**	**4,397**	**3,005**

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.

7.4. Amounts recognised through profit or loss on investment property

EUR 1,000	2024	2023
Rental income from operational leases	825	699
Direct management costs for properties generating rental income	-684	-581
Profit + or loss - from sale recognised through profit or loss		
Impact on profit or loss 31 Dec.	**140**	**119**

8. LEASE AGREEMENTS

8.1. Group as a lessee

8.1.2. *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 contracts of indefinite duration or fixed-term contracts 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 25. 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.

8.1.3. *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.

8.1.4. *Lessee's right-of-use assets*

2024 **EUR 1,000**	**Right-of-use land areas**	**Right-of-use buildings and structures**	**Right-of-use machinery and equipment**	**Total**
Acquisition cost, 1 Jan.	124	7,414	12,014	**19,552**
Increase/decrease due to revaluation	3	841	-68	**776**
Increases		1,540	5,482	**7,022**
Decreases		-1,533	-2,859	**-4,391**
Transfers between items		-1		**-1**
Foreign exchange differences				
Acquisition cost, 31 Dec.	**126**	**8,262**	**14,570**	**22,958**
Accumulated depreciation and impairment, 1 Jan.	-46	-4,000	-5,604	**-9,650**
Depreciation for the financial year	-17	-1,939	-3,731	**-5,687**
Accumulated depreciation from decreases and transfers		1,533	2,859	**4,391**
Foreign exchange differences				
Accumulated depreciation and impairment, 31 Dec.	**-63**	**-4,406**	**-6,476**	**-10,945**
Book value, 1 Jan.	78	3,414	6,410	**9,902**
Book value, 31 Dec.	**63**	**3,856**	**8,093**	**12,013**

2023 EUR 1,000	Right-of-use land areas	Right-of-use buildings and structures	Right-of-use machinery and equipment	Total
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**
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**

8.1.5. *Comprehensive income statement and cash flow statement items of the lessee*

EUR 1,000	2024	2023
Interest expenses on lease liabilities	-391	-221
Rental expenses for short-term leases		-62
Rental expenses for low-value leases	-355	-464
Total	**-746**	**-746**

Outgoing cash flow from leases for the financial year 2024 totalled EUR 5,541,000 (2023: EUR 5,027,000).

8.1.6. *Liabilities recognised in the balance sheet from leases*

Group as a lessee

EUR 1,000	2024	2023
Non-current lease liabilities	7,651	5,429
Current lease liabilities	4,874	4,837
Total	**12,525**	**10,266**

8.2. Group as lessor

8.2.1. *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's 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.

8.2.2. *Lessor's operating leases*

Items recorded in the income statement

EUR 1,000	Fixed rental income	Variable rental income	2024 Total
Buildings and structures	540	144	**684**
Investment properties	692	133	**825**
Total	**1,231**	**277**	**1,509**

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

8.2.3. *Receivables recognised in the balance sheet from leases*

Group as a lessor

EUR 1,000	**2024**	**2023**
Short-term lease receivables, operating leases	62	18
Total	**62**	**18**

9. GOODWILL AND OTHER INTANGIBLE ASSETS

9.1. 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

9.1.1. *Goodwill and other intangible assets acquired in a business combination*

The accounting policies for goodwill acquired in a business combination are described in Note 26.

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.

9.1.2. *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.

9.1.3. *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.

9.1.4. *Intangible rights and other intangible assets*

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

9.2. Goodwill and intangible assets

2024 EUR 1,000	Develop-ment costs	Intan-gible rights	Other intangible assets without customer relation-ships	Customer relation-ships	Total intangible assets	Goodwill	Total
Acquisition cost, 1 Jan.	551	1,551	3,071	2,788	7,961	63,881	**71,842**
Acquisition of a subsidiary						-14	**-14**
Other increases/decreases	47		5	184	236		**236**
Transfers between other asset items			-24		-24		**-24**
Acquisition cost, 31 Dec.	**597**	**1,551**	**3,052**	**2,972**	**8,173**	**63,867**	**72,039**
Accumulated depreciation, 1 Jan.	-369	-1,542	-2,483	-1,427	-5,820		**-5,820**
Accumulated depreciation from the acquisition of a subsidiary						5	**5**
Depreciation for the financial year	-129	-5	-268	-534	-936		**-936**
Impairment						-9,900	**-9,900**
Accumulated depreciation from decreases and transfers			1		1	-1	
Accumulated depreciation, 31 Dec.	**-498**	**-1,547**	**-2,750**	**-1,962**	**-6,756**	**-9,896**	**-16,652**
Book value, 1 Jan.	182	9	588	1,361	2,140	63,881	**66,021**
Book value, 31 Dec.	**100**	**4**	**303**	**1,010**	**1,416**	**53,970**	**55,387**

During the financial year, the group recorded a total of EUR 990,000 in R&D expenditure.

2023 EUR 1,000	Develop-ment costs	Intan-gible rights	Other intangible assets without customer relation-ships	Customer relation-ships	Total intangible assets	Goodwill	Total
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**
Accumulated depreciation from decreases and transfers			-1		-1		**-1**
Impairment							
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.

9.3. 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 unit 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.

9.4. Allocation of goodwill acquired in Loihde 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. For the purpose of impairment testing, goodwill is allocated to two cash-generating units, which are:
- IT consulting, covering the business areas Data & AI and Digital Services, and
- Security and corporate network services, covering the business areas Security Solutions and Cyber, Cloud & Connect.

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

EUR 1,000	31 Dec. 2024
IT consulting	28,877
Security and corporate network services	25,093
Total	**53,970**

EUR 1,000	31 Dec. 2023
Digital development	43,097
Security	20,784
Total	**63,881**

9.5. 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, Loihde 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. A 4 -year scenario has been used for the cash flow projections. 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. 2023: 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 is shown below:

	IT consulting	Security and corporate network services
31/12/2024	12.82%	11.13%

	Digital development	Security
31/12/2023	15.10%	13.30%

The impairment test carried out showed that the recoverable amounts of the Security and corporate network services exceed the corresponding book values and that there is no need to write down goodwill. For the security and corporate network services, in 2024, the recoverable cash flow based on value-in-use calculations exceeded the book value by EUR 69.63 million. The recovable amounts of IT consulting, on the other hand, were 9.9 million below the corresponding book values. Therefore, Loihde recognised an impairment of goodwill of EUR 9.9 million. The terminal period accounted for 75% of the accumulated cash in Security and corporate network services and 71% in IT consulting.

Sensitivity

As a result of the recognised impairment, impairment testing for IT consulting remains sensitive to changes in the discount rate and EBITDA, and further impairment could arise if:
- the pre-tax WACC would increase from the current level of 12.82%
- the long-term EBITDA margin (EBITDA %) would fall from 12.5%.

10. OTHER FINANCIAL ASSETS

EUR 1,000	2024	2023
Non-current assets		
Other shares and holdings	17	17
Total	**17**	**17**

11. NON-CURRENT RECEIVABLES

EUR 1,000	2024	2023
Long-term loans receivable		6
Other receivables	126	152
Total non-current assets	**126**	**158**

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.

12. DEFERRED TAX ASSETS AND LIABILITIES

12.1. Accounting policies

Deferred taxes are calculated on all temporary differences between the book value and the taxable value using valid tax rates at the balance 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.

12.2. Deferred tax assets and liabilities

2024 EUR 1,000 **Deferred tax assets**	1 Jan.	Recognised in the income statement	Recognised in other compre-hensive income	Business combinations	31 Dec.
On customer contracts	159	-102			**57**
On depreciation not deducted for tax purposes	676	28			**704**
On cloud computing arrangements	388	71			**459**
On group consolidation and elimination	240	-22	-12		**207**
Total	**1,463**	**-25**	**-12**		**1,426**
Deferred tax liabilities					
Measurement at fair value	373	-54			**319**
On items measured at fair value through the income statement	44	60			**104**
On group consolidation and elimination	40	-20			**20**
Total	**458**	**-14**			**444**
Deferred taxes, net	**1,005**	**-11**	**-12**		**982**

2023 EUR 1,000 **Deferred tax assets**	1 Jan.	Recognised in the income statement	Recognised in other compre-hensive income	Business combinations	31 Dec.
On customer contracts	338	-179			**159**
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**

Deferred tax assets have not been recognised for the incurred loss of EUR 27,000 (2023: EUR 967,000).

NOTES TO THE BALANCE SHEET
Current assets

13. INVENTORIES

13.1. 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	2024	2023
Materials and supplies, finished products	14,120	12,018
Advance payments	0	35
Total inventories	**14,120**	**12,052**

Inventories include advance payments to a principal related to the business. Inventories held by the principal and used for Loihde's deliveries are used as collateral. The advance payment has been repaid during the financial year 2024.
During the financial year, a EUR 184,000 (472,000) write-down was recognised on inventories. No write-downs were reversed during the financial year (2023: no reversals).

14. TRADE AND OTHER RECEIVABLES

14.1. 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	2024	2023
Trade receivables	16,025	20,303
Expected credit losses	-57	-62
Loan receivables	7	128
Other receivables	90	234
Total trade and other receivables	**16,065**	**20,603**

The determination of expected credit losses is described in Note 25.1 Credit risk, which also presents the age distribution of trade receivables.

15. ASSETS BASED ON CUSTOMER CONTRACTS

15.1. Accounting policies

The invoicing schedule in 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	2024	2023
Assets based on customer contracts	6,425	7,695

16. ACCRUED INCOME

Current

EUR 1,000	2024	2023
Accrued income on purchases	4,716	2,811
Receivables arising from employee benefits	1	44
Other accrued income	237	435
Total	**4,954**	**3,290**

17. CURRENT TAX ASSETS

EUR 1,000	2024	2023
Tax allocation based on the profit/loss for the financial year	290	291

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

EUR 1,000	2024		2023	
	Fair value	Profit+/ Loss-	Fair value	Profit+/ Loss-
Shares and holdings in listed companies	31	23	30	23
Shares in mutual funds	4,068	498	3,744	197
Total	**4,099**	**522**	**3,775**	**220**

The fair values of investments measured at fair value through profit or loss are based on the 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.

19. CASH AND CASH EQUIVALENTS

EUR 1,000	2024	2023
Cash and cash equivalents	7,479	12,436
Total	**7,479**	**12,436**

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

20. EQUITY

20.1. 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.

20.1.1. *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. 2024	1,504	50,152	8,132	-4	40,993		**100,778**
Comprehensive income for the financial year					-8,083		**-8,083**
Revaluation of defined benefit plans					47		**47**
Translation differences				4	10		**14**
Distribution of dividends, distribution of assets					-5,731		**-5,731**
Repurchase of shares		-900					**-900**
Profits from share-based payments					158		**158**
Share issue		437					**437**
31 Dec. 2024	**1,504**	**49,689**	**8,132**		**27,393**		**86,719**

1 Jan. 2023	1,504	50,189	8,132	-4	51,490		**111,312**
Comprehensive income for the financial year					-620		**-620**
Revaluation 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**

	Number of shares, all shares	Number of shares, outstanding from the parent company
1 Jan. 2024	5,761,707	5,738,513
Repurchase of shares	0	-72,885
Cancellation of treasury shares	-59,123	0
Share issue	57,799	57,799
31 Dec. 2024	**5,760,383**	**5,723,427**
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**

20.1.2. *Transactions related to shares*

Transactions related to shares from 1 January to 31 December 2024

Share issues from 1 January to 31 December 2024

The Annual General Meeting (AGM) authorised the Board of Directors to decide on the issue of a maximum of 583,000 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 483,000 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 2025 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 6 May 2021, 5 May 2022 and 4 May 2023 to the extent that the previous authorisations concern shares issued as part of the personnel incentive schemes.

<u>During the financial year, the company has issued a total of 57,799 new shares as follows:</u>

In March, Loihde carried out a directed share issue without payment in relation to the payment of matching shares and bonus shares for the personnel incentive scheme vesting period that began in 2021. A total of 12,987 new shares were transferred to participants in the share issue.

In March, Loihde also carried out a directed share issue without payment to pay the bonuses of the incentive scheme for management and key employees that began in 2021. A total of 7,762 shares were transferred in the share issue in accordance with the terms and conditions and performance criteria of the incentive scheme.

For savings shares subscriptions under the Employee Share Savings Plan (ESSP) that began in 2023, the company issued 8,470 new shares in March and 8,043 new shares in June. The new shares were savings shares subscribed for with the savings accumulated by ESSP participants between 1 December 2023 and 30 May 2024.

In connection with the ESSP that began during the financial year 2024, two share issues have been carried out, in which the company has transferred shares to the participants corresponding to their savings accumulated between 1 June and 30 November 2024. In September and December, the company issued 9,670 and 10,289 shares, respectively, for savings shares subscriptions.

On 7 May 2024, the AGM decided on a directed share issue without payment to pay the bonus shares relating to the vesting period that started in 2021 of the long-term share-based incentive scheme for the company's Board of Directors. In the share issue, the company transferred a total of 578 shares to those who participated in the vesting period.

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 January to 31 December 2024

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 2025 at the latest.

The share buyback programme initiated by the company on 5 September 2023 ended on 19 April 2024. During the programme, the company acquired 59,123 treasury shares, which have been cancelled on 7 May 2024, in accordance with the decision of the company's Board of Directors on 29 April 2024.

On 27 June 2024, 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 7 May 2024. The repurchase of Loihde shares started on 1 July 2024 and by 31 December 2024, Loihde had acquired 36,956 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.

On 31 December 2024, the subsidiaries held 400 shares in the parent company (0.0% of all shares). At the end of the financial year, on 31 December 2024, the parent company held 36,956 treasury shares.

Transactions related to shares from 1 January to 31 December 2023

Share issues from 1 January to 31 December 2023

The company has issued 31,998 shares as part of incentive schemes, by authorisation of the AGM.

Transactions related to treasury shares from 1 January to 31 December 2023

The company has repurchased a total of 23,194 treasury shares, by authorisation of the AGM.
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.

20.2. Reserve fund

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.

20.3. Reserve for invested unrestricted equity

In accordance with the Companies Act, the reserve for invested unrestricted equity includes the following items of shareholders' investments in the company the subscription price, unless the company has expressly decided otherwise.

20.4. Translation differences

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

20.5. Dividends

The AGM resolved to distribute a dividend of EUR 1.00 per share based on the profit for 2023. The dividend record date was 10 May 2024 and the payment date 17 May 2024.

The Board of Directors' dividend proposal for the financial year 2024 is disclosed in the parent company's financial statements under Other notes

NOTES TO THE BALANCE SHEET
Non-current liabilities

21. INTEREST-BEARING FINANCIAL LIABILITIES

EUR 1,000	2024	2023
Interest-bearing financial liabilities		4
Lease liabilities	7,651	5,429
Total interest-bearing liabilities	**7,651**	**5,432**

In the comparative period, interest-bearing financial liabilities consisted 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 8. Lease agreements.

22. INTEREST-FREE LIABILITIES

EUR 1,000	2024	2023
Liabilities from customer contracts	67	283
Accrued expenses and deferred income		
Liabilities arising from employee benefits		43
Pension liabilities, defined benefit plans	14	75
Deferred tax liability, *detailed in Note 12.2.*	444	458
Total interest-free liabilities	**524**	**859**
Total non-current liabilities	**8,175**	**6,291**

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

23. INTEREST-BEARING FINANCIAL LIABILITIES

EUR 1,000	2024	2023
Interest-bearing financial liabilities		14
Lease liabilities	4,874	4,837
Total interest-bearing liabilities	**4,874**	**4,852**

In the comparative period, interest-bearing financial liabilities consisted 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 disclosed in Note 8. Leases.

24. INTEREST-FREE LIABILITIES

EUR 1,000

	2024	2023
Trade and other payables		
Trade payables	6,527	9,894
Other current liabilities	4,490	4,642
Total	**11,018**	**14,536**
Liabilities from customer contracts	5,221	6,329
Current tax liabilities		
Tax allocation based on the profit/loss for the financial year	362	34
Accrued expenses and deferred income		
Liabilities arising from employee benefits	11,838	10,958
Accrued expenses and deferred income on purchases	1,923	1,652
Other accrued expenses and deferred income		60
Total accrued expenses and deferred income	**13,761**	**12,670**
Total interest-free liabilities	**30,362**	**33,569**
Total current liabilities	**35,235**	**38,421**

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.

25. 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.

25.1. 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 materialise 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.

25.1.1. *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 the 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 uninvoiced 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 are the age distribution of trade receivables and the amount of the credit loss provision.

25.1.2. *Breakdown of trade receivables by maturity*

EUR 1,000	2024	2023
Not overdue	15,274	17,550
Matured 1–30 days ago	699	2,558
Matured 31–60 days ago	73	169
Matured 61–90 days ago	-3	49
Matured more than 90 days ago	-18	-24
Total	16,025	20,303
Reservations for credit losses	-57	-62
Total	**15,968**	**20,241**

25.1.3. *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.

25.2. Liquidity risks

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.

25.2.1. *Sources of financing*

EUR 1,000	2024	2023
Financial securities	4,099	3,775
Cash in hand and at bank	7,479	12,436
Total	**11,578**	**16,210**

Credit facilities

EUR 1,000	2024	2023
Unused overdraft limits	7,000	7,000
Total	**7,000**	**7,000**

25.2.2. *Maturities of financial liabilities*

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

2024 EUR 1,000	Book value	Total agreement-based cash flows	2025	2026	2027	2028	Over 4 years
Lease liabilities	12,525	13,342	5,316	3,798	2,457	1,276	496
Trade payables	6,527	6,527	6,527				
Total	**19,052**	**19,869**	**11,843**	**3,798**	**2,457**	**1,276**	**496**

2023 EUR 1 000	Book value	Total agreement-based cash flows	2024	2025	2026	2027	Over 4 years
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 financial liabilities consist of instalment liabilities and a State Treasury loan.

25.3. Market risks

25.3.1. *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 in the comparative period and the shares in the financial period. Hence, there is no significant transaction or translation risk related to the Swedish krona.

25.3.2. *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 has no interest-bearing financial liabilities on the balance sheet date (2023: EUR 18,000). In the comparative period, interest-bearing financial liabilities consisted of instalment liabilities and a State Treasury loan

25.4. 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 2024, Loihde's equity ratio was 66.7% (2023: 69.6%).

25.5. 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.

25.5.1. *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 25.1. 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.

25.5.2. *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.

25.5.3. *Financial assets and liabilities by valuation group*

EUR 1,000				
Financial assets		**Fair value hierarchy**		
Financial assets recognised at amortised cost			**2024**	**2023**
Non-current				
	Other financial assets	2	17	17
	Non-current interest-bearing receivables	2		6
	Other non-current receivables	2	126	152
Current				
	Trade receivables		15,968	20,241
	Current interest-bearing receivables	2	7	128
	Other current receivables	2	90	234
	Cash and cash equivalents		7,479	12,436
Total			**23,688**	**33,215**
Financial assets recognised at fair value through profit or loss				
	Investments	1	4,099	3,775
Total			**4,099**	**3,775**
Total financial assets			**27,787**	**36,989**
Financial liabilities				
Financial liabilities recognised at amortised cost				
Non-current				
	Interest-bearing financial liabilities	2		4
	Lease liabilities		7,651	5,429
Current				
	Interest-bearing financial liabilities	2		14
	Lease liabilities		4,874	4,837
	Trade payables		6,527	9,894
	Other financial liabilities			
Total			**19,052**	**20,179**
Total financial liabilities			**19,052**	**20,179**

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

25.6. Financial assets and liabilities

25.6.1. *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.

25.6.2. *Financial assets 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.

25.6.3. *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.

25.6.4. *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.

26. BUSINESS COMBINATIONS

26.1. 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 9.5 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.

26.2. 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.

26.3. Basic information about subsidiary acquisitions

Acquisitions 2024

Loihde Trust Ltd has acquired the alarm transmission business of Vakka-Suomen Puhelin Oy on 31 May 2024. No subsidiaries were acquired during the financial year.

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.

26.4. Consideration paid and cash flow effect of the acquisition

EUR 1,000	2024	2023
Cash consideration	147	2,042
Less: amounts aquired		
Cash assets		217
Net cash flow - investments	**147**	**1,825**

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	2024	2023
Administrative expenses		63
Asset transfer tax		33
Total		**95**

Fair values of the acquired assets and liabilities on the day of acquisition
EUR 1,000

	2024	2023
Assets		
Intangible assets		
Customer relationships	147	447
Other intangible assets		
Total intangible assets	**147**	**447**
Tangible assets		88
Inventories		648
Trade receivables		364
Deferred tax assets		1
Other assets		77
Cash and cash equivalents		217
Total assets	**147**	**1,842**
Liabilities		
Interest-bearing liabilities		29
Deferred tax liability		89
Interest-free liabilities		744
Total liabilities		**862**
Acquired identifiable net assets	**147**	**980**
Goodwill		1,062
Acquired net assets = total consideration	**147**	**2,042**

26.5. Impact of the acquisition on revenue and profit

The impact of the acquisition made during the financial year on the group's financial position and the result for the financial year 2024 is not significant. The revenue of acquired businesses consolidated into the group for the comparative period 2023 was EUR 2,572,000 and they accumulated losses of EUR -73,000.

If the acquisitions in the comparative year had taken place on 1 January, the pro-forma revenue of the group for the comparative year 2023 would have been EUR 133,737,000 and the loss EUR -1,029,000.

27. CONTINGENT LIABILITIES AND ASSETS, AND COMMITMENTS

27.1. Contingent liabilities

27.1.1. *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.

27.1.2. *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.

27.2. Commitments, guarantees and contingent liabilities

EUR 1,000	2024	2023
Business mortgages	7,084	7,084
Lease guarantees	357	328
Performance and warranty guarantees, drawn	1,507	1,143
Bank guarantees	612	612
Other commitments	68	47
Total	**9,628**	**9,214**

EUR 1,000	2024	2023
VAT liability on real estate investments	83	85
TOTAL GUARANTEES AND CONTINGENT LIABILITIES	**9,711**	**9,299**

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.

27.3. Disputes and litigation

In December 2021, Loihde Trust Ltd won a public tender organised by Finnish Customs. During the delivery project, a disagreement arose between Loihde and Customs regarding the functionalities included in the agreement, and Customs terminated the delivery agreement in October 2023. In Loihde's view, the termination of the contract by Customs is unfounded, and on 21 March 2024, Loihde Trust Ltd brought legal action against Customs, claiming approximately EUR 1.9 million in damages from Customs. Customs has filed a counterclaim against Loihde Trust Ltd, in which they are seeking damages of approximately EUR 2.2 million from Loihde. Loihde considers the counterclaim to be unfounded and has not made any provisions in relation to it. The dispute is still pending.

Loihde Group has no other significant open disputes or litigations

28. 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.

28.1. 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.

28.2. Salaries and remuneration of the Board of Directors

EUR 1,000	Monetary salary 2024	Monetary salary 2023	Share-based payments 2024	Share-based payments 2023
Kauppi Marko (Chair of the Board since 7 May 2024)	39			
Kotilainen Timo (Chair of the Board until 7 May 2024)	22	66	3	4
Hagros Kaj (until 7 May 2024)	12	33	1	1
Murtopuro Juha (since 4 May 2023)	31	21		1
Niska Jari (since 7 May 2024)	29			
Piispanen Elina (until 4 May 2023)		13		2
Piri Veli-Matti (until 7 May 2024)	11	34	1	
Ronkainen Anni (since 4 May 2023)	33	21		1
Vikkula Matti (since 4 May 2023)	33	21		
Wetterstrand Christian (since 7 May 2024)	21			
Wikman Stefan (until 7 May 2024)	11	36	1	1
Total	**242**	**242**	**7**	**10**

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.

28.3. Salaries and remuneration paid to other governing bodies

EUR 1,000	2024	2023
Nomination Board	8	19
Total	**8**	**19**

Salaries and remuneration of the Group CEO

EUR 1,000	2024	2023
Samu Konttinen		
Salaries and remuneration	328	360
Share-based payments	54	
Total	**382**	**360**

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

EUR 1,000	2024	2023
Salaries and remuneration	1,175	1,291
Share-based payments	100	7
Total	**1,275**	**1,298**

Loans granted to members of the Group Leadership Team

EUR 1,000	2024	2023
At the beginning of the financial year	19	85
Loan repayments	-15	-66
Withdrawals of new loans		
At the end of the financial year	**4**	**19**
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.

28.4. 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.

29. EVENTS AFTER THE FINANCIAL YEAR

On 15 January 2025, Loihde announced that it would initiate change negotiations to improve the company's business competitiveness and profitability. The negotiations have ended on 6 March 2025, resulting in 35 redundancies and 10 temporary layoffs. The company has also decided to change its business structure by combining the business areas Data & AI and Digital Services into a single business area on 1 April 2025.

Parent company's income statement (FAS)

EUR 1,000	Note	1/1/2024-31/12/2024	1/1/2023-31/12/2023
REVENUE	3	**11,815**	**3,529**
Other operating income	5	18	20
Materials and services	6	-5,363	
Personnel expenses	7	-6,315	-3,707
Depreciation, amortisation and impairment	8	-24	-77
Other operating expenses		-3,597	-3,671
OPERATING PROFIT/LOSS (EBIT)		**-3,466**	**-3,906**
Finance income and expenses	10	-16,885	4,566
PROFIT/LOSS BEFORE APPROPRIATIONS AND TAXES		**-20,351**	**661**
Appropriations	11	4,780	3,694
Income taxes	12	-310	27
PROFIT/LOSS FOR THE PERIOD		**-15,881**	**4,382**

Parent company's balance sheet (FAS)

EUR 1,000

	Note	31/12/2024	31/12/2023
ASSETS			
NON-CURRENT ASSETS	13		
Intangible assets		34	44
Tangible fixed assets		240	239
Investments		84,849	101,950
TOTAL NON-CURRENT ASSETS		**85,123**	**102,233**
CURRENT ASSETS			
Non-current receivables	14	883	1,081
Current receivables	16	10,524	6,937
Financial securities	17	3,559	3,535
Cash in hand and at bank		4,831	5,730
TOTAL CURRENT ASSETS		**19,798**	**17,284**
TOTAL ASSETS		**104,922**	**119,516**

EQUITY AND LIABILITIES	Note	**31/12/2024**	**31/12/2023**
EQUITY	18		
Share capital		1,504	1,504
Reserve fund		8,132	8,132
Reserve for invested unrestricted equity		49,689	50,152
Retained earnings		49,010	50,360
Profit/loss for the period		-15,881	4,382
TOTAL EQUITY		**92,455**	**114,530**
LIABILITIES			
Non-current liabilities	19	5,389	2,494
Current liabilities	20	7,078	2,492
TOTAL LIABILITIES		**12,467**	**4,986**
TOTAL EQUITY AND LIABILITIES		**104,922**	**119,516**

Parent company's cash flow statement (FAS)

		1/1/2024- 31/12/2024	1/1/2023- 31/12/2023
Cash flow from operating activities			
Profit/loss for the period		-15,881	4,382
Adjustments to the profit for the period		12,438	-8,211
Cash flow from operating activities before the change in working capital		**-3,443**	**-3,829**
Change in working capital:			
Current receivables	increase -/ decrease +	-3,279	90
Current liabilities	decrease -/ increase +	3,840	-159
Cash flow from operating activities before financial items and taxes		-2,882	-3,898
Dividends received		12	3,522
Interests and other finance income		352	281
Finance expenses		-190	-129
Taxes		-1	-154
Change in consolidated account receivable/liability		2,085	-548
Cash flow from operating activities		**-624**	**-925**
Cash flow from investing activities			
Purchase of shares			-2,295
Investments in tangible and intangible assets		-15	-27
Proceeds from sale of tangible and intangible assets			21
Sale of shares and repayment of capital		84	869
Investment in investments		-7	
Loans granted			-2,175
Repayment of loan receivables		2,535	1,965
Cash flow from investing activities		**2,597**	**-1,642**
Cash flow from financing activities			
Share issue against payment		589	828
Proceeds from short-term loans		-500	
Expenses from short-term loans			1,000
Group contributions received and paid		3,694	3,616
Sale of own shares			
Repurchase of shares		-900	-281
Dividends paid and other profit distribution		-5,732	-10,333
Cash flow from financing activities		**-2,849**	**-5,170**
Change in cash and cash equivalents according to the statement		**-875**	**-7,737**
Cash and cash equivalents 1 Jan.		9,266	17,003
Cash and cash equivalents 31 Dec.*		8,390	9,266
Change in cash and cash equivalents		**-875**	**-7,737**

*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 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 financial items for the financial year 2024 include an impairment item of EUR -17.1 million on shares in subsidiaries.

2.6. Deferred tax assets and liabilities

Deferred taxes are not included in the income statement, nor in the balance sheet.
In 2024, the total deferred tax asset not recognised in the balance sheet due to allocation differences amounted to EUR 1,610.70.

2.7. Revenue recognition

Revenue from sales contracts is recognised as revenue when the products and services have been delivered to the customers in such an extent that the company expects to be entitled to receive the revenue in question in exchange for the products and services. External sales revenue based on hourly fees is recognised as revenue on a monthly basis according to the hours worked.

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

	Parent company 2024	Parent company 2023
3. REVENUE		
By business area		
Management services	6,433	3,529
Group external service sales	5,382	
Total revenue	**11,815**	**3,529**
By market		
Finland	11,753	3,500
Rest of Europe	62	30
Total revenue	**11,815**	**3,529**

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.

	Parent company 2024	Parent company 2023
Services and products sold to group companies	6,433	3,529
Services, products and rents purchased from group companies during the period	5,418	758
Interest income from group companies	151	140
Interest expenses to group companies	162	80
Dividend income from group companies		3,500
Group contributions from group companies	6,000	3,694
Group contributions to group companies	1,220	

	Parent company 2024	Parent company 2023
5. OTHER OPERATING INCOME		
Gains from the disposal of fixed assets		
Other income	9	11
Rental income	9	8
Total other operating income	**18**	**20**
6. MATERIALS AND SERVICES		
External services	-5,363	
Total materials and services	**-5,363**	
7. PERSONNEL EXPENSES		
Wages, salaries and remuneration	-5,366	-3,139
Pension expenses	-849	-494
Other indirect employee costs	-101	-74
Total personnel expenses	**-6,315**	**-3,707**
Management's salaries and remuneration		
Total CEO and governing bodies	**-640**	**-630**
CEO	-382	-360
Governing bodies	-258	-270
Average number of parent company employees during the period	65	40
of whom white-collar employees	65	40
Avarage number of employees taking into account part-time employment	65	40
of whom white-collar employees	65	40
8. DEPRECIATION, AMORTISATION AND IMPAIRMENT		
Depreciation and amortisation on tangible and intangible assets	-24	-77
Total depreciation and amortisation	**-24**	**-77**

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

9. AUDITOR'S FEES

Audit firms		
Auditing fees, current audit firm	-69	-60
Auditing fees, previous audit firm		-34
Other fees, current audit firm	-9	-6
Other fees, previous audit firm		-82
Total auditor's fees	**-78**	**-182**

10. FINANCE INCOME AND EXPENSES

Dividend income		
From companies in the same group		3,500
From others	12	22
Total dividend income	12	3,522
Other interest and finance income		
From companies in the same group	151	140
From others	253	928
Total other interest and finance income	403	1,068
Impairment of group shares	-17,108	
Impairment and reversal of impairment of financial securities	1	760
Interest expenses and other finance expenses		
To companies in the same group	-162	-80
To others	-32	-704
Total interest expenses and other finance expenses	-193	-784
Total finance income and expenses	**-16,885**	**4,566**

11. APPROPRIATIONS

Group contributions received	6,000	4,000
Group contributions made	-1,220	-306
Difference between planned depreciation and depreciation in taxation		
Total appropriations	**4,780**	**3,694**

12. INCOME TAXES

Income taxes from the previous financial year		28
Income taxes from the financial year	-310	-1
Total income taxes	**-310**	**27**

Notes to the parent company's balance sheet

ASSETS

13. NON-CURRENT ASSETS

Intangible assets	**Intangible rights**	**Other intangible assets**	**Advance payments and procurement in progress**	**Total**
Acquisition cost, 1 Jan. 2024	298	759		1,057
Increases		4		4
Acquisition cost, 31 Dec. 2024	298	763		1,061
Cumulative depreciation and impairment, 1 Jan. 2024	297	716		1,013
Depreciation for the financial year	1	13		14
Cumulative depreciation, 31 Dec. 2024	298	729		1,027
Book value, 31 Dec. 2024		**34**		**34**

Tangible assets	**Land**	**Buildings and structures**	**Machinery and equipment**	**Total**
Acquisition cost, 1 Jan. 2024	87	204	41	333
Increases			11	11
Decreases				
Acquisition cost, 31 Dec. 2024	87	204	52	343
Cumulative depreciation and impairment, 1 Jan. 2024		55	39	94
Depreciation for the financial year		8	1	9
Cumulative depreciation, 31 Dec. 2024		63	40	103
Book value, 31 Dec. 2024	**87**	**141**	**12**	**240**

Investments	**Shares group companies**	**Shares associated companies**	**Shares others**	**Receivables group companies**	**Total**
Book value, 1 Jan. 2024	101,736	214			101,950
Increases		7			7
Decreases					
Impairments	-17,108				-17,108
Book value, 31 Dec. 2024	**84,628**	**221**			**84,849**

14. GROUP AND PARENT COMPANY OWNERSHIP PERCENTAGES 31 DECEMBER 2024

Group companies	**Group's ownership, %**	**Parent company's ownership, %**	
Loihde Trust Ltd, Vaasa	100.00	100.00	
Loihde Advance Ltd, Helsinki	100.00	100.00	
Loihde Factor Ltd, Oulu	100.00	100.00	
Loihde Properties Ltd, Vaasa	100.00	100.00	
Loihde Cloudon Ltd, Espoo	100.00	100.00	
Hämeen Lukko Oy, Hämeenlinna*	0.00	0.00	*Has merged with Loihde Trust Ltd on 29 Feb. 2024
Associated companies			
Fast. Ab Jakobstads Bottenvikvägen 31, Pietarsaari	25.62	25.62	

CURRENT ASSETS

15. NON-CURRENT RECEIVABLES	Parent company **2024**	Parent company **2023**
Loan receivables		6
Loan receivables from group companies	875	1,075
Other non-current receivables	8	
Total non-current receivables	**883**	**1,081**

ASSETS

16. CURRENT RECEIVABLES	Parent company 2024	Parent company 2023
Trade receivables	1,880	5
Trade receivables from group companies	402	45
Loan receivables	7	128
Loan receivables from group companies	200	2,535
Other receivables		4
Other receivables from group companies	6,810	4,000
Prepayments and accrued income	1,221	178
Prepayments and accrued income from group companies	4	41
Total current receivables	**10,524**	**6,937**

Breakdown of prepayments and accrued income:		
Prepayments and accrued income from trade	172	168
Accruals and deferred income from sales	1,030	
Other	19	11
Total prepayments and accrued income	**1,221**	**178**

17. FINANCIAL SECURITIES

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

Replacement cost	4,099	3,775
Book value	**3,559**	**3,535**
Difference	**540**	**239**

EQUITY AND LIABILITIES

18. EQUITY	Parent company 2024	Parent company 2023
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
Share issue, 1 Jan.		
Change for the period		
Share issue, 31 Dec.		
Reserve for invested unrestricted equity, 1 Jan.	50,152	50,189
Transfer from share issue		
Share issue	437	249
Repurchase/sale of shares	-900	-287
Distribution of assets		
Reserve for invested unrestricted equity, 31 Dec.	49,689	50,152
Retained earnings, 1 Jan.	54,742	60,693
Profit distribution	-5,732	-10,336
Other changes in equity		3
Retained earnings, 31 Dec.	49,010	50,360
Profit/loss for the period	-15,881	4,382
Total equity	**92,455**	**114,530**

CALCULATION OF DISTRIBUTABLE FUNDS 31 DEC.

Reserve for invested unrestricted equity	49,689	50,152
Retained earnings	49,010	50,360
Profit/loss for the period	-15,881	4,382
Total distributable funds	**82818276.42**	**104,894**

Changes in equity, company shares and treasury shares are described in more detail in Notes 20.1.1.–20.1.2 to the consolidated financial statements.

EQUITY AND LIABILITIES

LIABILITIES	Parent company 2024	Parent commpany 2023
19. NON-CURRENT LIABILITIES		
Consolidated account liabilities to group companies	5,389	2,494
Total non-current liabilities	**5,389**	**2,494**
20. CURRENT LIABILITIES		
Trade payables	295	291
Trade payables to group companies	1,912	70
Other payables	362	145
Other payables to group companies	1,220	306
Loans from group companies	500	1,000
Accrued expenses and deferred income	1,741	667
Accrued expenses and deferred income to group companies	1,048	13
Total current liabilities	**7,078**	**2,492**
Breakdown of accrued expenses and deferred income:		
Accrual of personnel expenses	1,391	625
Unpaid income taxes	310	1
Other	40	41
Total	**1,741**	**667**

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**	**Parent company**
Collateral	**2024**	**2023**
Debts with a business or property mortgage put up as collateral		
Loans from financial institutions		
Overdraft facilities		
Overdraft facilities granted	7,000	7,000
Drawn	0	0
Business and property mortgages		
Business and property mortgages put up as collateral	**7,000**	**7,000**
Collateral and guarantees granted on behalf of group companies		
Amount drawn	**2,119**	**1,755**
Maximum amount granted	2,312	2,312
Contingent liabilities		
Rental and lease commitments		
Payable in the next 12 months	935	366
Payable later	2,569	1,037
Total	**3,504**	**1,402**
Other commitments and collateral		
Total collateral amount granted	200	81
Drawn	**200**	**81**
Total commitments, guarantees and contingent liabilities	**12,823**	**10,238**

Proposal on the use of the profit for the period

The Board of Directors proposes to the AGM that in accordance with the dividend policy a dividend of EUR 0.23 per share and an additional dividend of EUR 0.52 per share, i.e. a total of EUR 0.75 per share, be paid from the parent company's distributable funds (EUR 82,818,276.42), of which the loss for the period is EUR 15,880,926.49. Based on the situation at the time of signing the financial statements, the dividend and additional dividend would correspond to EUR 4,280,705.25 in total.

In addition to this, the Board of Directors proposes to the AGM that the AGM authorises the Board to decide on the distribution of a potential additional dividend in one or more instalments in such a way that the total amount of the additional dividend to be distributed does not exceed EUR 0.75 per share. The company would publish such a decision separately and would at the same time confirm the final record and payment dates. The authorisation would be valid until 31 December 2025.

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

Events after the financial year

On 15 January 2025, Loihde announced that it would initiate change negotiations to improve the company's business competitiveness and profitability. The negotiations have ended on 6 March 2025, resulting in 35 redundancies and 10 temporary layoffs. The company has also decided to change its business structure by combining the business areas Data & AI and Digital Services into a single business area on 1 April 2025.

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

The Financial Statements have been signed electronically.

Vaasa, 25 March 2025

Marko Kauppi Chair	Juha Murtopuro
Jari Niska	Anni Ronkainen
Matti Vikkula	Christian Wetterstrand

Samu Konttinen
CEO

Auditor's Report

The Auditor's Report has been signed electronically.

The Auditor's Report has been issued in Helsinki today, on the date indicated by the electronic signature.

Ernst & Young Oy
Audit firm

Maria Onniselkä
Auditor approved by the Finnish Central Chamber of Commerce

Ernst & Young Oy
Korkeavuorenkatu 32-34
FI-00130 Helsinki
FINLAND

Tel: +358 207 280 190
www.ey.com/fi
Business ID: 2204039-6,
domicile Helsinki

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AUDITOR'S REPORT (Translation of the Finnish original)

To the Annual General Meeting of Loihde Plc

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, 2024. 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:

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- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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 compliance with the applicable provisions.

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 compliance with the applicable provisions.

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 25.3.2025

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 (First North), the company’s Articles of Association and the governance principles confirmed by the company’s Board of Directors.

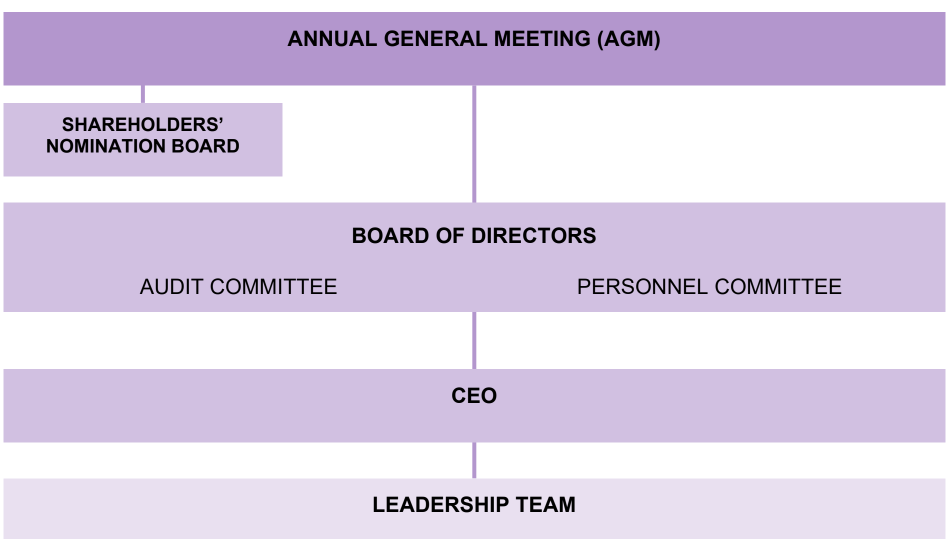
Loihde complies with the Finnish Corporate Governance Code 2025 for listed companies in its entirety (taking into account the transition provision on diversity) as formulated by the Finnish Securities Market Association. The Finnish Corporate Governance Code is publicly available on the Securities Market Association’s website https://www.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 towards 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 (AGM) 2024

Loihde Plc's AGM was held in Vaasa on 7 May 2024. 2,576,228 shares, or approximately 44% 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. 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 EVPs 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.

In 2024, 17% of the board members were women and 83% men (1/6 and 5/6 respectively).

Members and meetings of the Board of Directors in 2024

Until 7 May 2024, the Board of Directors of Loihde Plc consisted of Timo Kotilainen (Chair), Kaj Hagros, Juha Murtopuro, Matti Piri, Anni Ronkainen, Matti Vikkula and Stefan Wikman, and from 7 May 2024, the Board consisted of Marko Kauppi (Chair), Juha Murtopuro, Jari Niska, Anni Ronkainen, Matti Vikkula and Christian Wetterstrand.

All members were independent of Loihde and its major shareholders.

The Board of Directors convened 15 times during the year. In 2024, the Board of Directors focused on strategy work and improving operational efficiency.

Secretary of the Board of Directors was the company's General Counsel Antti Hemmilä.

Members of the Board of Directors in 2024

Name	Gender	Year of birth	Education	Main occupation	Ownership 31 December 2023	Member since
Timo Kotilainen[1] (Chair)	Male	1959	M.Sc.Eng.	Founding Partner, KASIN Consulting Oy, Board Professional	6,596	2019
Kaj Hagros[1]	Male	1970	M.Sc.Eng., MBA	Equity Investor, Managing Partner of Redstone Nordics Oy	10,600	2021
Juha Murtopuro	Male	1972	M.Sc.Econ.	CEO, Alltime Oy	557	2023
Matti Piri[1]	Male	1969	M.Sc.Econ.	CFO, Accountor Group	1,387	2021
Anni Ronkainen	Female	1966	M.Sc.Econ.	Board Professional	557	2023
Matti Vikkula	Male	1960	M.Sc.Econ.	Board Professional	6,000	2023
Stefan Wikman[1]	Male	1956	LLM (with court training)	Senior Advisor, Stewicon Ltd	1,765	2021
Marko Kauppi[2] (Chair)	Male	1970	M.Sc.Econ.	CEO, Tenendum Oy, 2009–	79,000 (Tenendum Oy)	2024
Jari Niska[2]	Male	1971	M.Sc.Econ.	Board Professional	46,000 (Atilos Capital Oy and Hidalgo Oy)	2024
Christian Wetterstrand[2]	Male	1971	M.Sc.Econ.	Director, CapMan Wealth	56,365 (personal shareholding, Ab C. Wetterstrand Oy and Asedin Capital Oy)	2024

[1] Member of the Board of Directors until 7 May 2024
[2] Member of the Board of Directors as of 7 May 2024

Committees of the Board of Directors

In 2024, 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 monitor 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 monitors the efficiency of Loihde Group's internal control, internal audit and risk management systems and oversees the Group's risks and the quality and scope of 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 must be independent of the company and at least one of them must be independent of the company's major shareholders.

In 2024, the Audit Committee consisted of Matti Piri (Chair), Stefan Wikman, Timo Kotilainen and Matti Vikkula until 7 May 2024 and Matti Vikkula (Chair), Marko Kauppi and Christian Wetterstrand from 7 May 2024. 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 for Loihde's governing bodies.

The Personnel Committee consists of members that are elected by the Board of Directors. In 2024, the members of the Personnel Committee consisted of Kaj Hagros (Chair), Juha Murtopuro and Anni Ronkainen until 7 May 2024 and Anni Ronkainen (Chair), Juha Murtopuro and Jari Niska from 7 May 2024. The committee convened a total of five times during the year. Secretaries of the Personnel Committee were Group CPO Kristiina Aaltonen and HR Partner Jaana Mäkinen.

Participation in meetings

Name	Position	Board of Directors	%	Audit Committee	%	Personnel Committee	%
Timo Kotilainen[1]	Chair of the Board until 7 May 2024	5	100	2	100		
Kaj Hagros[1]	Member, Chair of the Personnel Committee until 7 May 2024	5	100			3	100
Juha Murtopuro	Member	15	100			5	100
Matti Piri[1]	Member, Chair of the Audit Committee until 7 May 2024	5	100	2	100		
Anni Ronkainen[2]	Member	15	100			5	100
Matti Vikkula	Member, Chair of the Audit Committee from 7 May 2024	15	100	6	100		
Stefan Wikman[1]	Member, Vice-Chair of the Board until 7 May 2024	5	100	2	100		
Marko Kauppi[2]	Chair of the Board from 7 May 2024	10	100	4	100		
Jari Niska[2]	Member, Vice-Chair of the Board from 7 May 2024	8	80			2	100
Christian Wetterstrand[2]	Member	10	100	4	100		

[1] Member of the Board of Directors until 7 May 2024
[2] Member of the Board of Directors as of 7 May 2024

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, the five largest shareholders of the company are each entitled to appoint one member to the Nomination Board. 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 members of the Nomination Board ends annually when new members have been appointed to the Nomination Board.

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

- Jussi Hattula, appointed by Finnish Industry Investment Ltd (“Tesi”),
- Matti Kulmakorpi, appointed by Tuulia Holkkola by proxy,
- Tuulia Holkkola, appointed by Matti Kulmakorpi by proxy,
- Vesa Puttonen, appointed by Vesa Puttonen by proxy, and
- Petri Tuutti, appointed by Petri Tuutti by proxy.

In September 2024, the following members were appointed to the Shareholders’ Nomination Board:

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

Throughout the year, the Nomination Board was chaired by Vesa Puttonen. Women accounted for 20% and men for 80% of the members of the Nomination Board.

The Chair of Loihde’s Board of Directors, Timo Kotilainen or Marko Kauppi, 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 four times during the year. The combined meeting attendance 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 finances 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 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 respective areas of responsibility.

Members of the Leadership Team 31 December 2024

Name	Gender	Year of birth	Education	Role	Ownership 31 December 2023	Member since
Samu Konttinen	Male	1973	MBA	CEO	33,280	2021
Katja Ahola	Female	1976	MA	EVP, Business Development	214,602[1]	2017
Marko Järvinen	Male	1970	M.Sc.Eng., eMBA	EVP, Security Solutions	10,100	2014
Juha Meronen	Male	1972	M.Sc.Pol.	EVP, Digital Services	2,917	2021
Pirjo Suhonen	Female	1965	M.Sc.Econ.	Chief Financial Officer (CFO)	7,699	2018
Jere Teutari	Male	1972	BBA	Chief Marketing Officer (CMO)	753	2021
Tuuli Stenbäck	Female	1988	M.Sc.Pol.	Chief People Officer (CPO)	0	2024
Jarno Mäki	Male	1978	M.Sc.Eng.	EVP, Cyber, Cloud & Connect	1,177[2]	2022

[1] Directly owned shares 4,026; shares through Bellurum Oy 210,576
[2] Mäki also owns 31.9% of Roaring Aspen Hill Ltd that holds 50,000 Loihde shares.

During 2024, the Leadership Team has also included Chief People Officer Kristiina Aaltonen until 30 June 2024 and EVP, Data & AI Tomi Bergman until 31 October 2024.

In 2024, women accounted for between 25% and 38% and men for between 62% and 75% of the members of the Leadership Team, depending on the point in time.

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, at both a strategic and an operational level. The organising of risk management in practice is led on a strategic and Group level by Loihde Plc's EVP, 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 as well as potential events that could affect the achievement 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.

Risks that are considered particularly significant for achieving the targets are defined as key risks. Key risks are reviewed and approved annually by Loihde's Board of Directors, and risk management resources and actions are primarily focused on these risks. 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 their implementation and reporting.

The most significant risks

The most significant risks and uncertainties that affect the operations of 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 may adversely affect the accuracy of financial reporting or business functionality and efficiency or that may be linked to compliance with external laws and internal operating principles and guidelines.

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

The ultimate responsibility for the Group's internal control lies with the CEO of Loihde Plc and on a business area or company level with the director or the EVP. 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 employees 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 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 recommend improvements to the control environment on the basis of 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 their organisation based on that assessment. The Board of Directors may use external help for implementing audits.

Insider management

In matters related to inside information, Loihde complies with applicable legislation, such as the requirements of the Market Abuse Regulation and the guidelines for insiders published by Nasdaq Helsinki Ltd. In addition, the company has formulated its own insider guidelines, where instructions and regulations relating to insider management, disclosure 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

Loihde assesses and monitors transactions with its related parties as defined in IAS 24. 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 Onniselkä, 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 2024, the total fees paid to the auditor amounted to EUR 151,000, of which EUR 15,000 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 2024

1. 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 2025 for listed companies, which entered into force on 1 January 2025. 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)	2020 FAS	2021[3] IFRS	2022[3] IFRS	2023 IFRS	2024 IFRS
Revenue	106,823	104,418	122,987	132,690	139,702
Change compared to the previous year, %	4%	N/A[4]	18%	8%	5%
Adjusted EBITDA	6,160	7,236	10,290	7,569	10,986
Change compared to the previous year, %	12%	N/A[4]	42%	-26%	45%
(EUR 1,000)	**2020**	**2021**	**2022**	**2023**	**2024**
Remuneration of the Board of Directors[1]	179	215	204	246	243
Change compared to the previous year, %	12%	N/A[4]	-5%	20%	-1%
(EUR 1,000)	**2020**	**2021**	**2022**	**2023**	**2024**
Base + benefits of the Group CEO	273	291	300	303	328
Change compared to the previous year, %	6%	7%	3%	1%	8%
Total remuneration of the Group CEO	307	340	425	360	382
Change compared to the previous year, %	-7%	N/A[4]	25%	-15%	6%
(EUR 1,000)	**2020**	**2021**	**2022**	**2023**	**2024**
Average wages and salaries of the employees[2]	61	67	65	65	67
Change compared to the previous year, %	1%	N/A[4]	-3%	0%	3%

[1]The remuneration of the Board of Directors includes meeting fees for Board members having attended the meetings of committees and the Nomination Board, as well as meeting fees for Board members having attended the meetings of the Supervisory Board in 2020 and 2021.
[2]The average wages and salaries of the employees include cash wages and salaries without add-on costs, divided by the average number of employees (FTE) during the year. The wages, salaries and remuneration information 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.
[3]Continuing operations without Hibox Systems Oy Ab

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

2. Remuneration of the Shareholders' Nomination Board and the Board of Directors for the financial year 2024

Shareholders' Nomination Board

Until 7 May 2024, the Shareholders' Nomination Board was remunerated in accordance with the decision of the AGM on 6 May 2021, according to which the members of the Nomination Board were paid a meeting fee of EUR 400 per meeting and the Chair of the Nomination Board a meeting fee of EUR 700 per meeting. The Chair of the Board of Directors who attends the meetings of the Nomination Board as an expert was paid a meeting fee of EUR 400 per meeting.

On 7 May 2024, the AGM decided that the annual fee of the Chair of the Nomination Board will be EUR 4,000 and the annual fee of the members EUR 2,500. No separate meeting fees will be paid.

The remuneration paid to the Nomination Board in 2024 was:

	Meeting and annual fees, EUR 1,000
Chair	3
Others, in total	6

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

Board of Directors

Until 7 May 2024, the members of the Board of Directors were remunerated in accordance with the decision of the AGM on 4 May 2023, according to which the Chair of the Board would be paid an annual fee of EUR 39,600 and a meeting fee of EUR 700 per meeting and the members of the Board would 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 would be paid a meeting fee of EUR 700 per meeting and the members of a committee a meeting fee of EUR 600 per meeting.

On 7 May 2024, the AGM decided that the annual fee of the Chair of the Board will be EUR 55,000, the annual fee of the Vice-Chair EUR 40,000 and the annual fee of the members EUR 27,400. In addition, an annual fee of EUR 7,000 will be paid to the Chair of a committee and an annual fee of EUR 3,500 to the members of a committee. No separate meeting fees will be paid.

The remuneration paid to the members of the Board of Directors and its committees in 2024 was:

	Annual fees[1], EUR 1,000	Meeting fees[1], EUR 1,000	Total, EUR 1,000	Number of bonus shares received in 2024 in the share-based incentive scheme	Committee memberships
Kaj Hagros[2]	7	5	12	107	Personnel Committee, Chair
Marko Kauppi[3]	39	-	39	-	Audit Committee, member
Timo Kotilainen[2]	16	6	22	257	Audit Committee, member
Juha Murtopuro	26	5	31	-	Personnel Committee, member
Jari Niska[3]	29	-	29	-	Personnel Committee, member
Matti Piri[2]	7	4	11	107	Audit Committee, Chair
Anni Ronkainen	28	5	33	-	Personnel Committee, member/Chair
Matti Vikkula	28	4	33	-	Audit Committee, member/Chair
Christian Wetterstrand[3]	21	-	21	-	Audit Committee, member
Stefan Wikman[2]	7	4	11	107	Audit Committee, member

[1]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.
[2]Member of the Board of Directors until 7 May 2024
[3]Member of the Board of Directors as of 7 May 2024

3. Remuneration of the CEO for the financial year 2024

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, annual short-term incentive (STI), a personal share bonus related to the CEO contract and a long-term share-based incentive scheme (LTI). In addition, the CEO is entitled to participate in share-based incentive scheme for personnel. The share-based incentive schemes are descried in more detail on the page Remuneration in the Investors 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 2024 was:

Paid in 2024	**EUR 1,000**	**Per cent of the maximum amount**
Fixed annual salary, including holiday pay and holiday bonus	328	-
Short-term incentive (STI) for 2023	0	0%
Paid in 2025		
Short-term incentive (STI) for 2024	107	49.1%
	Shares	**Per cent of the maximum number**
Share bonus personal restricted share plan (RSP)[1]	6,000	**-**
Long-term incentive scheme (LTI), the vesting period that started in 2022 and ended in 2024	2,794	26.2%
Share-based incentive scheme for the personnel 2022–2024, the vesting period that started in 2022 and ended in 2024[2]	945	-

[1]An addendum to the CEO contract details a personal restricted share plan (RSP), under which the CEO has earned 6,000 shares in January 2025 and will have the opportunity to earn another 6,000 shares, at his option, either in December 2025 or January 2026.

[2]The share bonus is the gross 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 2024:

The targets of the short-term incentive (STI) to be paid to the CEO for the financial year 2024 were based on Loihde Group’s revenue (weight 30%) and adjusted EBITDA (weight 70%). The bonus was paid in March 2025. The short-term incentive (STI) paid to the CEO for 2024 is EUR 107,000 in total (98.3% of the target level and 49.1% of the maximum STI amount).

Long-term share-based incentive scheme (LTI), the 2022–2024 vesting period

The criteria for the payment of the bonus were the targets set by the Board of Directors for the vesting period. The targets were based on Loihde Group's revenue (weight 40%) and adjusted EBITDA (weight 60%).

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