

Loihde Plc
HALF-YEAR REPORT
1 JANUARY – 30 JUNE 2023

31 August 2023



Loihde Plc Company announcement 31 August 2023 at 8:00 a.m. EEST

Loihde Plc Half-year Report 1 January–30 June 2023

Loihde's revenue grew by 14%. The security business grew by a good 23%. In digital development, demand decreased.

April–June 2023 in brief

- Loihde Group's revenue for the second quarter amounted to EUR 34.2 (29.7) million, an increase of 15%.
- Revenue from the security business amounted to EUR 24.1 (19.4) million, an increase of 25%.
- Revenue from the digital development business amounted to EUR 10.1 (10.5) million, a decrease of 4%.
- Adjusted EBITDA was EUR 1.0 (2.2) million, or 2.9% (7.5%) of revenue.
- Adjusted operating profit (EBIT) was EUR -0.9 (0.6) million, or -2.7% (2.0%) of revenue.
- The company acquired the entire share capital of the security technology service company Hämeen Lukko Oy and the acquired company is included in the figures as of 3 April 2023.

January–June 2023 in brief

- Loihde Group's revenue for January–June amounted to EUR 65.5 (57.4) million, an increase of 14%.
- Revenue from the security business amounted to EUR 44.3 (35.9) million, an increase of 23%.
- Revenue from the digital development business amounted to EUR 21.2 (21.7) million, a decrease of 2%.
- Adjusted EBITDA was EUR 0.9 (4.7) million, or 1.4% (8.2%) of revenue.
- Adjusted operating profit (EBIT) was EUR -2.8 (1.4) million, or -4.3% (2.5%) of revenue.

The figures in the half-year report are unaudited.

Outlook for 2023 (updated 22 August 2023)

In 2023, Loihde expects revenue from the security business to increase more than 10% and revenue from the digital development business to remain at approximately the same level as last year or increase.

The Group's adjusted EBITDA is estimated to improve compared to 2022, when it was EUR 10.3 million.

Previous guidance for 2023 (issued 4 March 2023)

In 2023, Loihde expects revenue from the security business to increase more than 10% and from the digital development business to increase more than 10%. The Group's adjusted EBITDA is estimated to improve compared to 2022, when it was EUR 10.3 million.

Financial targets for the strategy period 2021–2024

Loihde Group aims to achieve an average annual revenue growth of more than 10 per cent, including potential acquisitions. The profitability target is an adjusted EBITDA margin in excess of 10 per cent, calculated in accordance with the IFRS.

Key figures (IFRS)

EUR 1,000	4–6 2023	4–6 2022	Change in %	1–6 2023	1–6 2022	Change in %	1–12 2022
Revenue, EUR 1,000	34,242	29,749	15%	65,492	57,394	14%	122,987
- Security	24,125	19,366	25%	44,322	35,892	23%	82,450
- Digital development	10,085	10,487	-4%	21,226	21,741	-2%	40,849
- Other (incl. eliminations)	32	-104	131%	-56	-239	76%	-312
EBITDA	810	2,066	-61%	405	8,281	-95%	13,319
Adjusted EBITDA, EUR 1,000¹	1,009	2,242	-55%	896	4,710	-81%	10,290
Adjusted EBITDA, %	2.9%	7.5%		1.4%	8.2%		
Operating profit (EBIT), EUR 1,000	-1,108	426	-360%	-3,308	4,991	-166%	6,371
Adjusted operating profit (EBIT), EUR 1,000¹	-909	602	-251%	-2,817	1,420	-298%	3,482
Profit/loss for the period, EUR 1,000	-1,074	-511	-110%	-3,108	2,251	-238%	3,359
Adjusted profit/loss for the period, EUR 1,000¹	-896	-647	-38%	-2,697	-1,167	-131%	526
Equity-to-assets ratio, %	71.4%	73.9%		71.4%	73.9%		73.8%
Earnings per share (EPS), EUR, undiluted²	-0.19	-0.09	-113%	-0.54	0.39	-240%	0.58
Earnings per share (EPS), EUR, diluted²	-0.18	-0.09	-100%	-0.54	0.39	-238%	0.58
Average number of employees	883	787	12%	876	765	14%	812

The table shows the figures for continuing operations, with the exception of the profit/loss for the period, where the profit for the financial year 2022 also includes the effect of discontinued operations (i.e. Hibox Systems Oy Ab that was sold in February 2021) on the profit. The discontinued operations' share of the profit is presented in the income statement in the tables section.

¹ The adjusted EBITDA, the adjusted operating profit (EBIT) and the adjusted profit for the period are calculated by excluding capital gains/losses arising from the disposal of properties, fixed asset shares and businesses, insurance and other compensations and other adjustments from the respective reported figure.

² The parent company's treasury shares (0 shares on average in January–June 2023, 65,767 shares on average in January–June 2022 and 32,948 shares on average in January–December 2022) are excluded from the total number of shares.

CEO Samu Konttinen:

In April–June, Loihde's revenue came to EUR 34.2 (29.7) million, an increase of 15% year-on-year. Adjusted EBITDA was EUR 1.0 (2.2) million.

The result for the first half of the year has been weaker than expected, mainly due to low utilisation rates in digital development and one-off ERP costs in the security business. We believe the ERP challenges will gradually ease and have implemented cost-saving and efficiency measures that we expect will result in a clear improvement in profitability during the second half of the year. In addition, the end of the year typically has a significantly greater impact on the result than the beginning of the year, due to the seasonal nature of the security business.

Revenue from the digital development business amounted to EUR 10.1 (10.5) million in April–June, a decrease of 4% year-on-year. Cloud consulting (Microsoft Azure) and managed cloud services have continued to grow, demand for data and analytics services has improved slightly, and e.g. interest in AI utilisation has increased. Demand for and revenue from custom software development declined significantly, and the utilisation rate of the digital development business area was low and had a significant impact on the Group's result for the second quarter. We have taken various cost-saving measures and expect to see the effects of these in the second half of the year. However, the uncertainty in demand is likely to continue for the rest of the year as well, making it difficult to forecast sales.

In the security business, we are pleased with the success of both security technology and cyber security. In the second quarter, revenue from the security business grew by a healthy 25 per cent to EUR 24.1 (19.4) million. The revenue growth was generated by a wide range of activities, such as project sales, ongoing services and acquisitions. In cyber security, in particular, ongoing services (CSOC) and IAM consulting continued to show good growth, but also business networks and expert services had quite a good quarter. In security technology, we won several projects in all our service areas, and our strategically important

continuing services grew well. Our extensive portfolio of security services continues to offer good opportunities for additional sales, and the One Security service concept has grown strongly, both through the expansion of existing customers and driven by new customer acquisition. The slowdown in the construction sector has had a negative impact, and we expect demand from this customer base to remain weak for the rest of the year. The new ERP system that was introduced in the security business at the beginning of the year continued to cause one-off costs and slowdowns, thus weakening EBITDA in the second quarter.

Overall, the year has had a mixed start. In the security business, demand has been stable and, excluding the ERP challenges, we have progressed as planned. The integration of Hämeen Lukko has progressed and the planned synergies will gradually materialise next year. In digital development, market conditions have been challenging, and growth in the short term is likely to be slower than in previous years. In the longer term, however, we believe the market will offer good opportunities for growth and profitability again.

Revenue and profit performance April–June 2023

The Group's revenue grew by 15% in April–June and totalled EUR 34.2 (29.7) million. Revenue from the security business increased by 25% and amounted to EUR 24.1 (19.4) million. Revenue from the digital development business decreased by 4% and amounted to EUR 10.1 (10.5) million.

The Group's EBITDA was EUR 0.8 (2.1) million, or 2.4% (6.9%) of revenue, and the Group's adjusted EBITDA was EUR 1.0 (2.2) million, or 2.9% (7.5%) of revenue.

The Group's operating profit (EBIT) was EUR -1.1 (0.4) million, or -3.2% (1.4%) of revenue, and the Group's adjusted operating profit (EBIT) was EUR -0.9 (0.6) million, or -2.7% (2.0%) of revenue.

The profit for the period was EUR -1.1 (-0.5) million. Undiluted EPS was EUR -0.19 (-0.09) and diluted EPS was EUR -0.18 (-0.09).

Revenue and profit performance in January–June 2023

The Group's revenue for the first half of the year was EUR 65.5 (57.4) million. Revenue saw a year-on-year increase of 14%. Revenue from the security business increased by 23% and amounted to EUR 44.3 (35.9) million. Revenue from the digital development business decreased by 2% and amounted to EUR 21.2 (21.7) million. Hämeen Lukko is included in the figures of the security business from 3 April 2023.

EBITDA was EUR 0.4 (8.3) million, or 0.6% (14.4%) of revenue. The EBITDA of the comparative period was increased by capital gains of approximately EUR 3.9 million from the divestment of fibre networks. Adjusted EBITDA was EUR 0.9 (4.7) million, or 1.4% (8.2%) of revenue.

Operating profit (EBIT) was EUR -3.3 (5.0) million, or -5.1% (8.7%) of revenue, and the adjusted operating profit (EBIT) was EUR -2.8 (1.4) million, or -4.3% (2.5%) of revenue.

Personnel expenses totalled EUR 36.9 (31.7) million, or 56.3% (55.2%) of revenue.

Other operating expenses amounted to EUR 8.9 (6.6) million, or 13.6% (11.5%) of revenue.

The Group's planned depreciation totalled EUR 3.7 (3.3) million.

The Group's profit for the period was EUR -3.1 (2.3) million. Earnings per share (EPS) were EUR -0.54 (0.39), both undiluted and diluted.

Financial position, financing and investments

The Group's balance sheet total at the end of the review period was EUR 147.1 (149.7) million. Goodwill on the balance sheet amounted to EUR 63.9 (58.5) million.

The equity-to-assets ratio at the end of the review period was 71.4% (73.9%) and the Group's return on equity was -5.8% (2.1%).

Cash flow from operating activities was EUR -3.8 (-0.3) million. Cash flow from operating activities has been weakened due to weaker financial performance than in the comparative period.

The Group's investments totalled EUR 5.0 (8.1) million. In both the period under review and the comparative period, the most significant investments were associated with acquisitions.

In accordance with the resolution of the Annual General Meeting, Loihde Plc paid a dividend and additional dividend, totalling EUR 0.80 per share for 2022. The dividend record date was 8 May 2023 and the payment date 16 May 2023. The dividends totalled approximately EUR 4.6 million.

Shares and shareholders

The number of Loihde Plc shares was 5,746,181 at the end of June and the average number of shares in January–June was 5,738,689 (end of June 2022: 5,628,346 and January–June 2022 on average: 5,820,193).

	30 June 2023	30 June 2022
Number of shares	5,746,181	5,628,346
Treasury shares	400	637
Outstanding shares	5,745,781	5,627,709
Market value, EUR million	72,976,499	63,877,187
Number of shareholders	25,250	25,844
Number of nominee-registered shares	8,265	7,048

Overview of trading on Nasdaq First North Growth Market Helsinki 1 January–30 June 2023

	Shares ex-Total value, changed	Highest, EUR	Lowest, EUR	Weighted average price, EUR	Last, EUR	
LOIHDE	340,119	4,725,272	17.15	12.35	13.89	12.70

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

Share-based incentive schemes

During the period under review, the company has issued 16,472 new shares in relation to share-based incentive schemes.

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

In March, Loihde carried out a directed share issue in relation to the payment of matching shares and bonus shares under the personnel incentive scheme that began in 2020. A total of 12,389 new shares were transferred to incentive scheme participants in the share issue. The incentive scheme and its terms and conditions are described in more detail on the company's website.

Employee Share Savings Plan (ESSP) 2023

On 25 May 2023, Loihde's Board of Directors decided to establish an Employee Share Savings Plan (ESSP), with the aim to encourage employees to acquire and own Loihde shares. The ESSP is also intended to align the interests of the shareholders and the employees and to increase employee motivation and long-term commitment to the company.

The ESSP consists of annually commencing plan periods, each one comprising of an approximately one-year savings period (the first one from 1 July 2023 to 31 May 2024) and a holding period following the savings period. The employees will have an opportunity to save a portion of their salaries and invest those savings in Loihde's shares quarterly. The Board of Directors will decide if the savings shares are purchased from the market or if they are delivered to the participants by a directed share issue decided separately by the Board.

A total of 146 employees participates in the ESSP. As a reward for their commitment, Loihde grants the participating employees a gross reward of one (1) matching share for every two (2) savings shares acquired with their savings. Additionally, the participants have the opportunity to

earn half (0.5) or one (1) performance-based matching share (gross) for every two (2) savings shares acquired with their savings based on the achievement of the performance criterion. The performance criterion is the Group's EBITDA margin for the financial year 2025. Continuity of employment and holding of acquired savings shares acquired for the duration of the holding period are the prerequisites for receiving the award.

Share-based incentive scheme for the Board of Directors

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

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

Group structure and business areas

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

The Group's parent company is Loihde Plc.

At the end of the review period, the digital development business consisted of:

- Loihde Advance Ltd and its subsidiary Loihde Advisory AB,
- Loihde Factor Ltd and
- Onrego Ltd (Loihde Cloudon).

The security business consists of:

- Loihde Trust Ltd and
- Hämeen Lukko Oy.

The Group also includes Loihde Properties Ltd.

Changes in Group structure

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

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

Personnel, management and corporate governance

The Group's number of employees, converted into full-time equivalents (FTE), averaged 876 in January–June 2023 (765 in January–June 2022) and stood at 877 (855) at the end of the review period. 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 personnel satisfaction, sustainable modes of operation and developing competence continuously. Job satisfaction is assessed by continuously collecting feedback through pulse surveys and discussions.

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

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

Annual General Meeting

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

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

The AGM adopted the Remuneration Report for 2022.

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

The AGM decided that the Chairperson of the Board of Directors shall be paid an annual fee of EUR 39,600 and a meeting fee of EUR 700 per meeting, that the members of the Board of Directors shall be paid an annual fee of EUR 16,500 and a meeting fee of EUR 600 per meeting and that the meeting fee shall be EUR 700 per meeting for the Chairperson of a committee and EUR 600 per meeting for the members of a committee. The AGM approved an amendment to the terms and conditions of the Board of Directors' long-term share-based incentive scheme, in which the Board membership duration criterion for the payment of the commitment shares was changed. The AGM also decided on a directed share issue without payment in order to pay a total of 240 commitment shares earned in the scheme's first vesting period that began on 26 June 2020 and ended on 31 December 2022.

The AGM confirmed that the fourth vesting period of the incentive scheme is 5 May 2023–31 December 2025 and also confirmed that the persons elected to the Board of Directors are entitled to participate in the vesting period. In addition, the AGM resolved on a directed share issue against payment related to the incentive scheme, in which a

maximum of 4,678 shares in the company can be issued at a subscription price of EUR 14.82 per share.

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

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

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

The AGM authorised the Board of Directors to decide on a share issue of a maximum of 300,000 shares. The authorisation concerns issuing new shares as well as transferring treasury shares held by the company. The shares can be used for financing acquisitions or restructuring, a maximum of 200,000 shares, or as part of the personnel's incentive schemes, a maximum of 100,000 shares. The authorisation of the Board with regard to shares used for acquisitions and restructuring is valid until the end of the next AGM, but until 30 June 2024 at the latest, while the authorisation with regard to shares related to incentive schemes for the company's personnel is valid for four years from the decision of the AGM. The authorisation does not revoke the previous authorisations granted by the AGM to the Board of Directors on 25 June 2020, 6 May 2021 and 5 May 2022 to the extent that the previous

authorisations concern shares issued as part of the personnel incentive schemes.

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

Market review

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

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

With the growth of digitalisation, the secure development of systems and applications and comprehensive cyber security solutions are increasingly critical aspects of total security for companies. There is also an increased need for cyber security services since cybercrime is becoming increasingly professional and corporate IT environments are

becoming increasingly complex, and this has increased the significance of e.g. identity and access management. Cyber security is also increasingly linked with the protection of the physical environment, including video surveillance, access control and locking solutions. According to our survey earlier this year, almost one in two companies have merged their security organisations and are managing security as a whole.

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

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

Strategy

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

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

The cornerstones of our strategy are:

- Organic growth and improving profitability

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

Risks and uncertainties

The market uncertainty and runaway inflation may reduce companies' ability and willingness to make investments or lead to such investments being postponed. They may also have negative effects on customers' ability to pay. Increased costs may affect Loihde's profitability. The global component shortage makes it more difficult to deliver some types of equipment and related services. Russia's invasion of Ukraine does not directly affect Loihde's business but has increased the risk level through the above-mentioned indirect effects. On the other hand, the uncertainty of the global political situation increases the need for cyber security services.

A significant portion of Loihde's business consists of projects executed for customers. Mismatch problems in project resource allocation, failures in project pricing or execution or project delays may impair the company's profitability. Unfavourable terms and conditions of customer or supplier agreements or disputes arising with regard to their content may have negative impacts on the company's profit or may generate unexpected additional costs. Other customer-related risks include the loss of one or more key customers, a considerable decrease of purchases or customers' financial problems.

Loihde is a service and expert company with business relying heavily on skilled personnel. The company's profit and the implementation of the company's strategy may be significantly impaired if the company cannot recruit and retain skilled experts and continuously develop their competence according to the customer needs at each particular moment. There is intense competition for highly competent professionals in

Loihde's business segments, which may lead to wage inflation and create upward pressure on personnel expenses.

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

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

Events after the review period

On 22 August 2023, Loihde announced a business transaction whereby it will divest the business operations of its Swedish subsidiary Loihde Advisory AB to Witted Megacorp Oy. The transaction takes effect on 1 September 2023.

On 22 August 2023, Loihde lowered its financial guidance for 2023 as far as revenue from the digital development business is concerned, due to the divestment of the business operations in Sweden and increased uncertainty in the Finnish market.

Financial calendar

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

- The business report for July–September will be published on Wednesday, 1 November 2023.
- Capital Markets Day on Thursday, 16 November 2023

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

31 August 2023

Loihde Plc
Board of Directors

Webcast press conference

Loihde's CEO Samu Konttinen presents the results in a webcast today, 31 August 2023 at 11:00 a.m. EEST. The webcast is held in Finnish and will be live at <https://loihde.videosync.fi/q2-2023-liiketoimintakatsaus>.

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

Further information

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Loihde enables business continuity. We help our customers to create growth and competitiveness through digitalisation and to protect themselves from physical and cyber threats. Loihde consists of two business areas: security solutions with the brand Loihde Trust and digital development with the brands Loihde Advance, Loihde Factor and Loihde Cloudon. The Group has approximately 900 employees and its revenue in 2022 amounted to EUR 123,0 million.

TABLES

Accounting principles for the half-year report

The half-year report has been prepared in accordance with Finnish legislation and the information is presented to the extent required by the Nasdaq First North Growth Market Rulebook sections 4.4.6 and 4.4.7. Loihde Plc prepares its financial statements in accordance with IFRS, and the accounting principles followed in this half-year report are consistent with those followed in the 2022 consolidated financial statements. This half-year report is not an interim report in accordance with IAS 34. The figures presented have been rounded from the exact figures. The figures in the half-year report are unaudited.

Consolidated comprehensive income statement (IFRS)

EUR 1,000	1 Jan–30 June 2023	1 Jan–30 June 2022	1 Jan–31 Dec 2022
CONTINUING OPERATIONS			
REVENUE	65,492	57,394	122,987
Other operating income	262	4,045	4,369
Changes in inventories of finished goods and work in progress	3	10	6
Production for own use	51	282	441
Materials and services	-19,701	-15,170	-35,838
Employee benefit expenses	-36,851	-31,653	-64,403
Depreciation, amortisation and impairment	-3,713	-3,290	-6,948
Other operating expenses	-8,851	-6,626	-14,242
OPERATING PROFIT (EBIT)	-3,308	4,991	6,371
Finance income and expenses			
Interest and finance income	832	569	736
Interest and finance expenses	-468	-2,623	-3,018
Finance income and expenses, total	364	-2,054	-2,282
PROFIT/LOSS BEFORE TAXES	-2,944	2,937	4,090
Income taxes	-165	-996	-1,040
Profit/loss from continuing operations	-3,108	1,941	3,049
DISCONTINUED OPERATIONS			
Profit/loss from discontinued operations	0	310	310
PROFIT/LOSS FOR THE PERIOD	-3,108	2,251	3,359

	1 Jan–30 June 2023	1 Jan–30 June 2022	1 Jan–31 Dec 2022
Other comprehensive income:			
Not transferred to profit or loss later			
Value remeasurements of defined benefit plans	0	0	-60
Not transferred to profit or loss later	0	0	-60
May be transferred to profit or loss later			
Translation differences from foreign units	14	-5	-3
May be transferred to profit or loss later	14	-5	-3
Other comprehensive income	14	-5	-63
COMPREHENSIVE INCOME, TOTAL	-3,095	2,245	3,296
Profit/loss attributable to:			
Owners of the parent company	-3,108	2,251	3,359
	-3,108	2,251	3,359
Total comprehensive income attributable to:			
Owners of the parent company	-3,095	2,245	3,296
	-3,095	2,245	3,296
Earnings per share			
Earnings per share, undiluted	-0.54	0.39	0.58
Earnings per share, diluted	-0.54	0.39	0.58

Consolidated balance sheet (IFRS)

EUR 1,000	30 June 2023	30 June 2022	31 Dec. 2022
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	5,130	4,655	4,646
Investment property	2,490	2,643	2,534
Right-of-use assets	9,723	8,621	8,457
Goodwill	63,851	58,509	62,819
Intangible assets	2,722	2,890	2,916
Other financial assets	22	22	22
Receivables	313	1,039	381
Deferred tax assets	1,449	1,301	1,347
NON-CURRENT ASSETS	85,699	79,680	83,120
CURRENT ASSETS			
Inventories	12,421	10,930	10,350
Trade and other receivables	17,307	15,919	17,936
Contract assets	7,516	6,529	3,478
Prepayments and accrued income	4,577	2,796	3,409
Current tax assets	364	410	254
Financial assets at fair value through profit or loss	10,680	10,716	11,186
Cash and cash equivalents	8,575	22,693	21,173
CURRENT ASSETS	61,440	69,993	67,785
ASSETS	147,139	149,673	150,905

EUR 1,000	30 June 2023	30 June 2022	31 Dec. 2022
EQUITY AND LIABILITIES			
Owners of the parent company			
Share capital	1,504	1,504	1,504
Reserve fund	8,132	8,132	8,132
Reserve for invested unrestricted equity	50,246	50,009	50,189
Translation differences	-3	-1	-4
Retained earnings	44,153	49,649	51,490
Owners of the parent company	104,032	109,294	111,312
EQUITY	104,032	109,294	111,312
NON-CURRENT LIABILITIES			
Interest-bearing financial liabilities	31	23	18
Lease liabilities	5,496	4,956	4,795
Contract liabilities	490	841	779
Accrued expenses and deferred income	50	46	48
Pension liabilities	205	169	205
Deferred tax liabilities	543	421	412
NON-CURRENT LIABILITIES	6,815	6,456	6,257
CURRENT LIABILITIES			
Interest-bearing financial liabilities	20	20	20
Lease liabilities	4,581	3,968	3,953
Trade and other payables	10,798	9,523	12,155
Contract liabilities	6,031	6,186	2,919
Current tax liabilities	155	831	639
Accrued expenses and deferred income	14,706	13,395	13,649
CURRENT LIABILITIES	36,292	33,923	33,336
LIABILITIES	43,107	40,379	39,593
EQUITY AND LIABILITIES	147,139	149,673	150,905

Consolidated cash flow statement (IFRS)

EUR 1,000	1 Jan–30 June 2023	1 Jan–30 June 2022	1 Jan–31 Dec 2022
Cash flow from operating activities			
PROFIT/LOSS FOR THE PERIOD	-3,108	2,251	3,359
Adjustments:			
Depreciation	3,713	3,290	6,948
Unrealised changes in value and exchange gains and losses	-605	2,236	2,441
Capital gain or loss from tangible and intangible assets and companies		-4,185	-4,191
Finance income and expenses	240	-182	-159
Income taxes	165	996	1,040
Other adjustments*	446	331	890
Adjustments, total	3,960	2,486	6,969
Change in working capital			
Change in inventories	-1,423	-2,456	-1,875
Increase/decrease in current interest-free receivables	-4,317	-2,259	-1,033
Increase/decrease in current interest-free liabilities	2,033	374	-1,325
Change in provisions			-39
Change in working capital, total	-3,706	-4,341	-4,272
Interest and other financial items paid	-142	-109	-200
Interest and other financial items received	95	9	162
Dividends received	16	28	53
Other financial items	-70	-41	-134
Taxes paid	-861	-623	-873
Cash flow from operating activities	-3,816	-341	5,064

	1 Jan–30 June 2023	1 Jan–30 June 2022	1 Jan–31 Dec 2022
Cash flow from investing activities			
Investments in tangible and intangible assets	-949	-487	-1,115
Proceeds from sale of tangible and intangible assets	21	4,700	4,710
Acquisition of subsidiary, net of cash acquired	-2,170	-3,966	-10,834
Disposal of subsidiary, net of cash disposed		1,034	1,034
Proceeds from sale of other investments	971	5,441	4,863
Cash flow from investing activities	-2,127	4,317	-1,342
Cash flow from financing activities			
Share issue against payment	398	824	1,902
Repurchase of own shares		-420	-420
Sale of own shares		1	0
Repayments of short-term loans		-460	-460
Repayments of long-term loans	-16	-105	-110
Repayment of lease liabilities	-2,434	-2,279	-4,610
Dividends paid	-4,593	-3,184	-3,185
Cash flow from financing activities	-6,644	-5,624	-6,883
Change in cash and cash equivalents	-12,587	-1,647	-3,162
Cash and cash equivalents, opening balance sheet	21,173	24,354	24,354
Change in cash and cash equivalents	-12,587	-1,647	-3,162
Foreign exchange difference, cash and cash equivalents			
Foreign exchange difference of cash and cash equivalents	-11	-14	-19
Impact of currency exchange rate changes			
Cash and cash equivalents	8,575	22,693	21,173

*) Other adjustments include share bonus periodisation and acquisition costs adjustments from consolidated goodwill to the income statement.

Consolidated statement of changes in equity (IFRS)

EUR 1000	Share capital	Reserve for invested un-restricted equity	Reserve fund	Translation differences	Retained earnings	Treasury shares	Retained earnings (loss)	Total	Non-control-ling inter-ests	Equity, total
EQUITY 1 JAN. 2023	1,504	50,189	8,132	-4	51,490		51,490	111,312		111,312
Error correction and new stand-ards										
Adjusted equity	1,504	50,189	8,132	-4	51,490		51,490	111,312		111,312
Comprehensive income										
Profit/loss for the period					-3,108		-3,108	-3,108		-3,108
Other comprehensive income: Value remeasurements of de-fined benefit plans										
Translation differences					13		13	14		14
COMPREHENSIVE INCOME, TO-TAL					-3,095		-3,095	-3,095		-3,095
Sale of shares and interests, at fair value permanently through other comprehensive income										
Transactions with owners										
Distribution of dividends, distri-bution of assets					-4,593		-4,593	-4,593		-4,593
Repurchase of shares										
Cancellation of shares										
Share-based payments					351		351	351		351
Share issue		57						57		57
Transfer of expired dividends of joint book-entry account shares										
Other changes										
Transactions with owners, total		57			-4,242		-4,242	-4,185		-4,185
Changes in subsidiary ownership										
EQUITY, TOTAL 30 JUNE 2023	1,504	50,246	8,132	-3	44,153		44,153	104,032		104,032

	Share capital	Reserve for invested un-restricted equity	Reserve fund	Translation differences	Retained earnings	Treasury shares	Retained earnings (loss)	Total	Non-control-ling inter-ests	Equity, total
EQUITY 1 JAN. 2022	1,504	49,320	8,132		51,734	-1,102	50,631	109,589		109,589
Error correction and new standards										
Adjusted equity 1 Jan. 2021	1,504	49,320	8,132		51,734	-1,102	50,631	109,589		109,589
Comprehensive income										
Profit/loss for the period					2,251		2,251	2,251		2,251
Other comprehensive income:										
Translation differences				-1	-5		-5	-5		-5
COMPREHENSIVE INCOME, TO-TAL				-1	2,246		2,246	2,245		2,245
Sale of shares and interests, at fair value permanently through other comprehensive income										
Transactions with owners										
Distribution of dividends, distribution of assets					-3,093		-3,093	-3,093		-3,093
Repurchase of shares					-420		-420	-420		-420
Cancellation of shares					-1,102	1,102				
Share-based payments					167		167	167		167
Share issue		689						689		689
Transfer of expired dividends of joint book-entry account shares					118		118	118		118
Other changes										
Transactions with owners, total		269			-4,331	1,102	-2,809	-2,540		-2,540
Changes in subsidiary ownership										
EQUITY, TOTAL 30 JUNE 2022	1,504	49,590	8,132	-1	49,649		50,069	109,294		109,294

	Share capital	Reserve for invested un-restricted equity	Reserve fund	Translation differences	Retained earnings	Treasury shares	Retained earnings (loss)	Total	Non-control-ling inter-ests	Equity, total
EQUITY 1 JAN. 2022	1,504	49,320	8,132		51,734	-1,102	50,631	109,589		109,589
Error correction and new standards										
Adjusted equity 1 Jan. 2021	1,504	49,320	8,132		51,734	-1,102	50,631	109,589		109,589
Comprehensive income										
Profit/loss for the period					3,359		3,359	3,359		3,359
Other comprehensive income:										
Value remeasurements of de-fined benefit plans					-60		-60	-60		-60
Translation differences				-4	1		1	-3		-3
COMPREHENSIVE INCOME, TO-TAL				-4	3,300		3,300	3,296		3,296
Sale of shares and interests, at fair value permanently through other comprehensive income										
Transactions with owners										
Distribution of dividends, distri-bution of assets					-3,093		-3,093	-3,093		-3,093
Repurchase of shares		-420						-420		-420
Cancellation of shares					-1,102	1,102				
Share-based payments					531		531	531		531
Share issue		1,288						1,288		1,288
Transfer of expired dividends of joint book-entry account shares					120		120	120		120
Other changes										
Transactions with owners, total		869			-3,544	1,102	-2,442	-1,573		-1,573
Changes in subsidiary ownership										
EQUITY, TOTAL 30 DEC. 2022	1,504	50,189	8,132	-4	51,490		51,490	111,312		111,312

Consolidated commitments and contingencies (IFRS)

Contingent liabilities – Accounting principles

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.

Commitments and contingencies

EUR 1,000

	30 June 2023	30 June 2022	31 Dec. 2022
Bank overdraft with a business mortgage put up as collateral		1,000	
Business mortgages	84	1,584	84
Lease guarantees	358	366	516
Performance and warranty guarantees, drawn	788	1,131	971
Bank guarantees	612	612	612
Other commitments	105	1,113	105
Total	1,947	5,807	2,288

EUR 1,000

	30 June 2023	30 June 2022	31 Dec. 2022
VAT liability on real estate investments	73	65	67
COMMITMENTS AND CONTINGENCIES, TOTAL	2,020	5,872	2,355

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

Loihde Group has a contingent liability of EUR 510,000 to the city of Vaasa relating to a land use agreement, for which a bank guarantee of EUR 612,000 has been applied for as collateral. The fulfilment of the commitment is conditional on the town plan related to the land use agreement being approved and the building permit obtaining legal validity.

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):

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

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

Equity-to-assets ratio:

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

Balance sheet total - advances received

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

Investments:

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

Reconciliation calculations for alternative performance measures

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

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

EBITDA AND ADJUSTED EBITDA

EUR 1,000	4-6 2023	4-6 2022	1-6 2023	1-6 2022	1-12 2022
Operating profit (EBIT)	-1,108	426	-3,308	4,991	6,371
Depreciation, amortisation and impairment	1,918	1,640	3,713	3,290	6,948
EBITDA	810	2,066	405	8,281	13,319
Gains from the disposal of fixed assets	0	-18	0	-3,893	-3,925
Restructuring expenses	84	22	293	23	274
Other non-recurring operating expenses	115	171	198	299	434
One-off write-downs	0	0	0	0	187
ADJUSTED EBITDA	1,009	2,242	896	4,710	10,290

ADJUSTED OPERATING PROFIT (EBIT)

EUR 1,000	4-6 2023	4-6 2022	1-6 2023	1-6 2022	1-12 2022
Operating profit (EBIT)	-1,108	426	-3,308	4,991	6,371
Gains from the disposal of fixed assets	0	-18	0	-3,893	-3,925
Restructuring expenses	84	22	293	23	274
Other non-recurring operating expenses	115	171	198	299	621
One-off write-downs	0	0	0	0	140
ADJUSTED OPERATING PROFIT (EBIT)	-909	602	-2,817	1,420	3,482

ADJUSTED PROFIT FOR THE PERIOD

EUR 1,000	4-6 2023	4-6 2022	1-6 2023	1-6 2022	1-12 2022
Profit for the period	-1,074	-511	-3,108	2,251	3,359
Gains from the disposal of fixed assets	0	-328	0	-4,203	-4,235
Restructuring expenses	84	22	293	23	274
Other non-recurring operating expenses	115	171	198	299	621
One-off write-downs	0	0	0	0	140
Tax effects of adjustment items	-21	-2	-79	463	366
ADJUSTED PROFIT FOR THE PERIOD	-896	-647	-2,697	-1,167	526