

FINANCIAL STATEMENTS BULLETIN 2022



General information about the company

Cinia is a Finnish data communications and information technology company, providing network, software, and cyber security solutions. The company also provides a wide range of ICT expert and connectivity services as well as software development services.

Cinia's mission is to strengthen Finland's data connections and cyber security by strengthening international data networks and developing critical systems for society.

Business activities during the 2022 financial year were divided into three business lines: network solutions, cyber security solutions, and software solutions.

The owners and holding of Cinia include: The Finnish State (through the Ministry of Transport and Communications (77.53%), Ilmarinen Mutual Pension Insurance Company (11.24%), and OP Financial Group's Pohjola Insurance (11.24%).

Structure and financial arrangements

During the 2022 financial year, Cinia Group consisted of the parent company, Cinia Ltd, and the subsidiaries owned by the parent: C-Lion1 Oy, Cinia Cloud GmbH, NDC Networks Oy, Cinia Alliance Oy, OptimeSys Services Oy, and Arctic Link Development Oy.

NDC Networks Ltd and OptimeSys Services Oy were merged with Cinia Ltd on December 31, 2022.

Significant events during the financial year

While Cinia's international connectivity business was growing at the start of 2022, Russia's invasion of Ukraine quickly impacted international business, decreasing the demand for connectivity services and undoing previous growth expectations.

The demand for company network solutions remained steady and focused, particularly on broader company network solutions, which contained cloud connections, local area network services, and remote access solutions, in addition to location connections. There was also increased demand for securing international connections. Special purpose networks saw quick growth, thanks to the demand for IoT solutions and satellite

connections. At the end of the year, Cinia decided to dispose of Adola Oy's minority interest and sold it to the main owner, DIF Capital Partners.

The net sales of Cinia's software solutions grew in line with expectations, with profitability remaining at the targeted level. The unit's market position was particularly strengthened in the area of information systems with high operational reliability.

Together with its Cinia Alliance partners, Cinia continued its planned Far North Fiber (FNF) submarine cable project, which will run through the Arctic Northwest Passage and connect Europe, Asia, and North Ameri-

ca. In February, Cinia announced it had signed a Memorandum of Understanding (MoU) with the Japanese Arteria Networks Corporation (Arteria) in relation to the FNF project. In October, Cinia, Arteria, and the American Far North Digital LLC announced the joint formation of the development company, FNF Inc. (headquartered in Alaska, USA) to advance the FNF project.

During 2022, Cinia's cyber security solutions business significantly increased its net sales and stabilized its position as an important cyber security services provider in Finland. Significant projects included the development of security operation center 24/7 functions and the overhaul and commission of the ERICA emergency response center's platform.

Assessment of the financial period and key indicators

Cinia's turnover for the 2022 financial year was EUR 81.8 (75.6) million. The company's operating profit was EUR 0.1 (7.6) million.

Cinia's investments for the financial year were EUR 9.0 (8.2) million. The value of the Group's own employees' work included in investments amounts to EUR 0.9 (0.8) million. The most significant investments were aimed at fiber networks, transmission systems, and data centers.

The following key figures describe the Group's financial position and performance:

Million euros	2022	2021
Sales	81.6	75.6
EBITDA	10.5	17.1
share of turnover (%)	12.9	22.7
Comparable EBITDA	11.7	11.6
share of turnover (%)	14.2	15.3
Operating profit/loss	0.1	7.6
share of turnover (%)	0.2	10.1
Comparable operating profit	1.2	2.1
share of turnover (%)	1.4	2.8
Financial year result	-1.3	5.4
Return on equity (%)	-2.4	10.7
Return on investment (%)	0.0	7.7

*Adjustment to 2022 results include a one-time cost of EUR 0.7 million related to the acquisition, as well as a change in accounting practices that had a negative impact of EUR 0.4 million. Additionally, a one-time income of EUR 5.5 million is excluded from 2021 results.

Calculation formulas for key figures:

EBITDA, euros	=	Operating profit + depreciation and impairment
Return on equity (%)	=	$\frac{\text{Profit for the financial period}}{\text{Equity (average during the financial period)}}$
Return on investment (%)	=	$\frac{\text{Profit before taxes + interest, and other financial costs}}{\text{Equity + short and long-term financial liabilities (average during the financial period)}}$

Corporate security and risk management

As a company providing critical infrastructure, international data traffic, and national security supply, Cinia's business is affected by the global operating environment, the situation in Europe, the demand for domestic services, and competition in different business areas.

The objective of risk management is to guarantee business continuity and enable the execution of tasks in accordance with the strategy. Through risk management, Cinia can identify and take action on business opportunities that strengthen the company's corporate image.

Risk management is part of Cinia's strategy process and mode of governance. It is implemented according to the company's security policy. Based on risk reports, the company draws up action plans to manage the most important risks, and the management team and Board of Directors monitor the plan implementation. The group's management team acts as the preparatory body.

In 2022, the most significant risks for Cinia's business were cyber threats, the loss of significant customers, and securing human resources. To reduce risks, the company developed the protection and control of its ICT infrastructure and developed customer management and employee benefits for improved engagement. In addition, the company developed business continuity management by practicing and developing processes.

Cinia does not have a significant interest rate risk or currency risk, but in 2022, risks due to Russian sanctions came to the fore. To manage the credit risk of Cinia's customer base, the company checks new customers' creditworthiness when the offer is made. For long-term network connection rentals, partial/full advance payments are negotiated.

The Board of Directors is responsible for risk monitoring, internal audits, and risk management. The internal audit function for companies belonging to Cinia Group is implemented under the supervision of Cinia Ltd's Board of Directors and CEO and with the assistance of the Audit Committee.

Social responsibility

Cinia's objective is to bring social responsibility into daily business, management, development, and customer solutions. Cinia secures the functioning of society with its software, cyber security, and information network service solutions. The company takes care of its employees' well-being and competence, and operates in an environmentally sustainable way.

Cinia Oy's 2021 carbon footprint was calculated for the first time in autumn 2022 in accordance with the Green-

house Gas (GHG) Protocol. By 2024, Cinia aims to decrease the carbon footprint of each employee by ensuring their CO2 emissions per employee are no more than 70% of what they were in 2021. The emission calculation will be further refined, especially with regard to procurement chain emissions, and the set goals will be specified based on new information received.

Employees' mental and physical well-being and the development of well-being through trust and appreciation

is one of Cinia's most important HR goals. All key employee experience metrics improved in 2022, as seen from the results of the employee survey.

To report possible irregularities, Cinia uses an anonymous whistleblower channel.

As part of the company orientation, all new Cinia employees must take online training on the Ethical Code of Conduct, which outlines Cinia's guidelines for responsible operations.

Scope of research and development activities

Cinia's development costs in 2022 were EUR 2.1 (2.6) million.

The company's research and development projects include the new FNF cable project, the development of the ERICA production environment, cyber security, the development of sales operations, and the expansion of the domestic telecommunications network.

Employees

Cinia aims to be an organization that brings together top professionals who seamlessly combine their high level of expertise and operational agility. In 2022, Cinia updated its human resources strategy to focus on identifying future work needs, and prioritizing employee well-being, commitment, and availability. The

main goal of this strategy is to create a work environment that fosters employee well-being and job satisfaction. Cinia sees its employees as the company's most important success factor. In 2022, Cinia had an average of 410 (389) employees.

The company's management and auditors

In the financial period of January 1 to April 11, 2022, Cinia Ltd's Board of Directors consisted of Esko Aho as the Chair and Janne Yli-Äyhö, Annika Ekman, Vesa Aho, and Anni Vepsäläinen as members. Janne Yli-Äyhö was Vice-Chairman.

In the financial period of April 12 to December 31, 2022, Cinia Ltd's Board of Directors consisted of Esko

Aho as the Chair and Olli-Pekka Kallasvuo, Annika Ekman, Vesa Aho, and Anni Vepsäläinen as members.

In the 2022 financial year, Cinia Ltd's CEO was Ari-Jussi Knaapila.

BDO Oy served as Cinia Ltd's auditor, with Ari Lehto, Authorized Public Accountant, as the chief auditor.

Outlook for 2023

In accordance with its strategy, Cinia develops its information network, cyber security, and software solutions in a balanced manner. Cinia's role in the digitalization of safety-critical functions in software and cyber security solutions continues to grow. As reliable and versatile high-capacity network connections are becoming increasingly important, Cinia has the opportunity to emerge as a major player in this segment across northern Europe.

Cinia increases its value by investing a portion of its profits to developing national and international telecommunications infrastructure. Cinia's key data network projects are primarily aimed at strengthening its core network in Finland and the surrounding area, as well as promoting European and global connection solutions. The company does this work directly or through its established joint ventures.

The war against Ukraine and other geopolitical tensions bring uncertainty to Cinia's operating environ-

ment, especially to the company's international business and development projects. Cinia operates in rapidly changing market environments, so continuous operational development and sensitivity to changes is a prerequisite for success.

Cinia's priorities in 2022 included taking measures to ensure the improvement of employee well-being and operational profitability, and these measures will continue to be even more important in 2023.

The company's growth initiatives have paved the way for positive turnover development in 2023. However, major uncertainties still remain due to international disruptions, market development, and intensifying competition. In 2023, Cinia plans to allocate part of its operating income to finance growth by increasing business and product development and sales measures.

Key events after financial year

In January and February 2023, Cinia confirmed the shared purchase of Adola Oy and changes to the cooperation between Cinia and Adola, which had been agreed upon at the end of 2022. In February, the company started change negotiations to address the production and financial development of the network solutions business.

There have been no relevant changes in Cinia's financial status after the end of the 2022 financial year.

Consolidated income statement

EUR million	2022	2021
REVENUE	81.6	75.6
Increase (+)/decrease (-) in stocks of finished and semifinished goods	0.00	-0.1
Manufacturing for own use (+)	1.0	0.8
Other operating income	0.1	6.2
Materials and services	-31.5	-29.5
Employee expenses	-31.7	-27.7
Depreciation, amortisation, and impairment	-7.4	-6.3
Depreciation and impairment of right-of-use assets	-3.0	-3.1
Other operating expenses	-9.0	-8.1
OPERATING PROFIT	0.1	7.6
Interest and other financial income	0.0	0.1
Interest and other financial expenses	-1.3	-1.1
Share of results in associated companies	-0.1	0.0
PROFIT BEFORE TAX	-1.3	6.6
Income taxes	0.0	-1.1
FINANCIAL YEAR RESULT	-1.2	5.4
Profit for the financial year attributable to		
Owners of the parent company	-1.2	5.3
Non-controlling interests		0.1
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		
Cash flow hedge	1.2	0.0
Taxes of the items that may be reclassified subsequently to profit or loss	-0.2	0.0
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO	-0.3	5.4
Owners of the Parent company	-0.2	5.3
Non-controlling interests	0.0	0.1

Assets

Non-current assets EUR million	2022	2021
Goodwill	17.5	17.5
Other intangible assets	22.1	19.3
Property, plant, and equipment	65.6	65.0
Right-of-use assets	8.6	10.4
Other receivables	6.7	3.0
Other financial assets	0.1	0.1
Deferred tax assets	0.4	0.2
Total non-current assets	121.1	115.3
Current assets EUR million		
Inventories	1.7	3.7
Trade receivables	21.3	10.8
Other receivables	4.1	3.7
Other financial assets	0.0	0.0
Cash and cash equivalents	8.0	14.4
Total current assets	35.0	32.5
TOTAL ASSETS	156.1	147.9
EQUITY AND LIABILITIES	2022	2021
Equity		
Share capital	1.7	1.7
Legal reserve	1.7	1.7
SVOP reserve	19.0	19.0
Hedging instruments reserve	1.0	0.00
Translation difference	0.00	0.00
Retained earnings	27.7	29.4
Total attributable to the owners of the parent	51.0	51.7
Non-controlling interests	1.8	1.8
Total equity	52.8	53.5

Liabilities		
Non-current liabilities		
Loans	39.0	24.6
Lease liabilities	2.0	3.0
Advance payments received	16.6	13.6
Other liabilities	0.2	0.0
Provisions	0.1	0.2
Deferred tax liabilities	2.9	2.7
Total non-current liabilities	60.9	44.0
Current liabilities		
Loans from shareholders	0.0	10.0
Loans	18.5	12.1
Lease liabilities	1.8	2.2
Advance payments received	2.1	2.2
Trade payables	7.0	7.3
Other liabilities	5.9	9.9
Accrued expenses and deferred income	7.0	6.5
Provisions	0.1	0.2
Total current liabilities	42.4	50.3
TOTAL EQUITY AND LIABILITIES	156.1	147.9

Consolidated cash flow statement

Cash flow from operating activities EUR million	1.1.-31.12.2022	1.1.-31.12.2021
Profit before tax	-1.3	6.6
Adjustments		
Depreciation according to plan	7.4	6.3
Depreciation and impairment of property, plant, and equipment	3.0	3.1
Financial income (-) and expences (+)	1.3	1.0
Interest expenses for leasing liabilities	0.0	0.0
Other adjustments	-0.4	-5.6
Total	10.0	11.5
Change in working capital		
Increase (-)/decrease (+) in current non-interest-bearing receivables	-13.3	-5.1
Increase (-)/decrease (+) in inventories	2.0	-2.8
Change in current non-interest-bearing liabilities	4.2	6.9
Total	-7.0	-1.0
Interest and other financial expenses paid	-3.8	-1.1
Interest paid for leasing liabilities	0.0	0.0
Interest and other financial income received	0.0	0.1
Taxes paid	0.0	0.2
Cash flow from operations	-0.8	9.7
Cash flow from investing activities		
Acquisition of subsidiaries and business operations, net of cash acquired	-2.4	-4.2
Investments in associates	-0.3	0.5
Investments in tangible and intangible assets	-10.9	-15.4
Proceeds from disposal of tangible and intangible assets	0.1	5.8
Cash flow from investing activities	-13.5	-13.3

Consolidated cash flow statement

Cash flow from financing activities EUR million	1.1.-31.12.2022	1.1.-31.12.2021
Increase (+)/decrease (-) in interest-bearing liabilities	10.9	11.6
Repayments of lease liabilities	-2.4	-2.6
Dividends paid	-0.5	-0.2
Cash flow from financing activities	8.0	8.8
Change in cash and cash equivalents	-6.4	5.2
Cash and cash equivalents 1 Jan.	14.4	9.2
Cash and cash equivalents 31 Dec.	8.0	14.4



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