

# FINANCIAL STATEMENTS BULLETIN 2021



# General information about the company

Cinia is a diversified Finnish telecommunications and IT company offering cybersecurity solutions, data network and software services. Cinia acts as a telecommunications operator and provides a variety of specialist and connectivity services in the field of telecommunications as well as services for the development of telecommunications-intensive systems and software. Cinia operates telecommunications networks owned by Cinia or its customers. Cinia's customers include, for example, service suppliers providing services that are important to society.

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

On December 31, 2021, Netplaza Ltd was merged with Cinia Ltd. OptimeSys Ltd was also merged with its parent company OptimeSys Group Ltd on December 31, 2021, and OptimeSys Group Ltd was merged with Cinia Ltd immediately after that. OptimeSys Services Ltd has therefore been a wholly owned subsidiary of Cinia Ltd since January 1, 2022.

Arctic Link Development Ltd, a company previously 50% owned by Cinia Alliance Ltd, became a wholly owned subsidiary of Cinia Alliance Ltd when Arctic Link Development Ltd acquired 50 per cent of the company's shares owned by MegaFon as a directed acquisition of company's shares on 25 November 2021.

The Group's financing is arranged through investments made by owners and loans from financial institutions.

## Structure and financial arrangements

In terms of operations and management, business activities were divided into six business lines. Four business lines operate mainly in the field of telecommunications network solutions, one mainly in cybersecurity solutions and one purely in the field of software solutions.

The aim of the German subsidiary Cinia Cloud GmbH, established on 16 April 2015, is to ensure that the requirements of German legislation are met in terms of the administrative implementation of Cinia Group's business activities. The company, for example, owns or leases Cinia's equipment facilities in Germany. Cinia Alliance Ltd, founded in 2019, works to promote the Arctic submarine cable project.

# Key events during the financial year

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The Group's total net sales were EUR 75.6 million and increased compared to 2020 by approximately EUR 15,9 million (+27%). The significant share of the growth took place in Cyber Security Solutions and Software Services.

Cinia strengthened its position in the cyber security services market by acquiring OptimeSys Group at the beginning of the financial year. The growth of Cinia's software service business was promoted by an arrangement made in spring 2021, whereby Cinia became the supplier of development and maintenance work for the ERICA emergency response center information system of the Emergency Response Centre Agency.

The international connectivity services business is growing and is an important investment area for Cinia. The company's extensive backbone network was expanded and its technology upgraded during the financial year to improve competitiveness.

Demand for Cinia's software solutions continued and revenue growth was approximately 65%. Simultane-

ously profitability of this business improved significantly.

Adola Group, a joint venture of Cinia and the fund management company DIF operating in the fiber connection business, renewed its operating model during the financial year, and the demand for its Täyskuitu product increased significantly toward the end of the year.

Since 2019, Cinia Alliance and the Russian MegaFon have been promoting the project to build a submarine cable in the Arctic Northeast Passage through the joint project Arctic Connect. A decision was made to suspend this project in early summer 2021. At the end of the year, Cinia announced that it had signed a Memorandum of Understanding with an American company concerning a submarine cable project called Far North Fiber (FNF). The planned cable system will run via the Arctic Northwest Passage route, connecting the data networks in Europe, Asia and North America.

# Assessment of the financial period and key indicators

The consolidated financial statements include Cinia Ltd (parent), C-Lion1 Ltd, Cinia Cloud GmbH, Netplaza Ltd, NDC Networks Ltd, OptimeSys Group Ltd, OptimeSys Ltd, OptimeSys Services Ltd, Arctic Link Development Ltd and Cinia Alliance Ltd.

Cinia's consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS). The IAS and IFRS standards and IFRIC and SIC interpretations in effect on 31 December 2021 were applied. In the Finnish accounting legislation and statutes enacted under it, International Financial Reporting Standards refer to the standards and their interpretations approved for application in the EU in accordance with the procedures stipulated in the EU regulation (EU) no 1606/2002.

The notes to the consolidated financial statements also comply with the Finnish accounting and company legislation supplementing the IFRS rules. Cinia Group adopted IFRS accounting policies as of 1 January 2019.

In 2021, Cinia Group's IFRS net sales amounted to EUR 75.60 million. Operating profit totalled EUR 7.64 million. Salary expenses were capitalized in the balance sheet as part of fixed procurement and manufacturing costs. The capitalization of salary expenses is presented in the income statement on the 'Manufacturing for own use' row. Gross investments in the financial period amounted to EUR 8.20 million (2020: 6.30). The value of the Group's own employees' work included in investments amounts to EUR 0.85 million.

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

Cinia Group (IFRS) EUR million	2021	2020
Net sales M€	75,60	59,70
Operating profit/loss M€	7,64	6,55
Operating profit % of net sales	10,1 %	11,0 %
Return on equity % (ROE)	10,7 %	9,6 %
Return on investment % (ROI)	8,4 %	8,2 %
Equity ratio (%)	40,6 %	45,9 %

Parent Company Cinia Ltd (FAS) EUR million	2021	2020
Sales M€	52,94	42,41
Operating profit/loss M€	5,37	3,97
Operating profit % of net sales	10,1 %	9,4 %
Return on equity % (ROE)	4,9 %	1,2 %
Return on investment % (ROI)	6,3 %	5,3 %
Equity ratio (%)	38,9 %	45,7 %

*The percentages for return on equity and investment were calculated in accordance with the general instructions issued by the Accounting Board (KILA).*

## Calculation formulas for key figures:

Operating profit % =	100 x	$\frac{\text{operating profit}}{\text{net sales}}$
Return on equity % =	100 x	$\frac{\text{net income before extraordinary items} - \text{taxes}}{\text{shareholder's equity (average)} + \text{minority interest (average)}}$
Return on investment % =	100 x	$\frac{\text{net income before extraordinary items} + \text{interest and other finance costs}}{\text{total assets (average)} - \text{non-interest-bearing liabilities (average)}}$
Equity ratio % =	100 x	$\frac{\text{shareholders' equity} + \text{minority interest}}{\text{total assets 31 Dec.} - \text{advance payments received}}$

# Corporate security and risk management

Risk management is part of Cinia's strategy process and corporate governance. It is implemented in accordance with the annual calendar included in the company's security policy. Action plans for mitigating major risks and for ensuring the implementation of plans is monitored by the Executive Team and Board of Directors based on risk reports. The executive team is the drafting body for the Group's Executive Team.

The main objective of risk management is to support the achieving of Cinia's strategic objectives and other key targets by protecting them from unexpected risks. Comprehensive risk management supports the identification and utilisation of business opportunities and strengthens Cinia's corporate image.

Due to the nature of its operations especially in network and cyber security services, Cinia has high requirements

for the operation of systems and network infrastructure. Reliability and usability are improved through process development and through the continuous renewal of systems and the securing of routes related to connections.

The company has no significant interest rate risks or currency risks. In order to manage the credit risk related to the customer base, the creditworthiness of new customers is checked already when bidding for work, and full or partial advance payments are negotiated for long-term network connection leases.

The Board of Directors is responsible for organizing 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 integrate social responsibility as a part of daily operations: management, development and customer solutions. Cinia's greatest positive social influence stems from data network and software solutions, which improve energy and material efficiency.

The consumption of electricity is a key factor when the environmental effects of Cinia's entire industry segment are assessed, and various digitalisation solutions improving the efficiency of operations can also be used to have a significant effect on the material efficiency of the industry segment.

Cinia's products and services have enabled our customers to successfully reduce their own environmental footprint. The mental and physical vitality of our per-

sonnel and the development of well-being, which is created through trust and appreciation, are among the key development areas.

Taking energy efficiency, environmental values and the principles of sustainable development into account is the starting point for Cinia's operations and its decisions concerning business activities and purchases. Regarding electricity purchased by Cinia, 80% is produced by using renewable energy sources, and the key figures for energy efficiency are monitored regularly.

Taxes are paid to the state to which they are required to be paid based on business operations, which means that Cinia paid nearly all of its taxes to Finland.

# Scope of research and development activities

The income statement includes development-related personnel expenses amounting to EUR 2.3 million (2020: 2.4) as investments made in business development during the financial period. These research and development activities included, for example, the Arc-

tic Connect cable project, new Far North Fiber cable project, development of the ERICA product development environment, cyber security, development of sales operations, new M&A projects and extensions of the domestic telecommunications network.

## Personnel

The objective of Cinia's human resources strategy is to promote the achievement of the company's business targets. As a service company offering specialist services, employees are Cinia's key success factor. The main objective of the human resources strategy is to ensure the availability, commitment, motivation

and continuous development of employees. In 2021, the average number of the Group's employees was 386 (2020: 301). In the 2021 financial period, the parent company's average number of employees was 296 (2020: 249).

### Salaries and fees recognized during the financial period

EUR million	2021	2020
Cinia Ltd	17,8	15,8
Cinia Group	21,2	18,5

# The company's management and auditors

In the period 1 January – 31 December 2021, 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.

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

In the period 1 January – 22 November, C-Lion1 Ltd's board of directors consisted of Ari-Jussi Knaapila as the Chair and Anna Latvala, Tarja Oinonen-Rouvali and Taneli Vuorinen as members. In the period 22 November – 31 December 2022 the board of directors consisted Ari-Jussi Knaapila as the Chair and Anna Latvala and Taneli Vuorinen as the Members of Board.

C-Lion1 Ltd does not have CEO.

In the period 1 January – 22 November 2021, NDC Networks Ltd's Board of Directors consisted of Ari-Jussi Knaapila as the Chair and Markus Ahonen and Tarja Oinonen-Rouvali as the Members of Board. In the period 22 November – 31 December 2021, the Members of Board were Ari-Jussi Knaapila as the Chair and Markus Ahonen and Henri Kronlund as the Members of Board.

In the financial period, NDC Networks Ltd's CEO was Markus Ahonen.

In the period 1 January – 4 January 2021, OptimeSys Services Ltd's Board of Directors consisted of Kimmo Ojala as the Chair and Toni Kari and Sampo Muotka as the Members of Board. In the period of 4 January – 22 November members of the board were Ari-Jussi Knaapila as the Chair and Tarja Oinonen-Rouvali and Anssi Kärkkäinen as the Members of Board. In the period 23 November – 31 December 2021, the board of directors consisted of Ari-Jussi Knaapila as the Chair and Henri Kronlund and Anssi Kärkkäinen as the Members of Board.

In the financial period, OptimeSys Services Ltd's CEO was Toni Kari.

In the period 1 January – 23 March 2021, Cinia Alliance Ltd's Board of Directors consisted of Ari-Jussi Knaapila as the Chair and Dag-Kjetil Hansen, Tarja Oinonen-Rouvali, Taneli Vuorinen and Jukka Kujala as the Members of Board. In the period 23 March – 22 November 2021, The Chair of the Board was Ari-Jussi Knaapila with Taneli Vuorinen, Dag-Kjetil Hansen and Kristian Gullsten as the Members of Board. In the period 22 November – 31 December, The Members of the Board of Directors consisted of Ari-Jussi Knaapila as the Chair and Anna Latvala, Taneli Vuorinen, Kristian Gullsten and Dag-Kjetil Hansen as the Members of Board.

Cinia Alliance Ltd does not have CEO.

In the period 1 January – 17 September 2021, Arctic Development Ltd's Board of Directors consisted of Ari-Jussi Knaapila as the Chair and Valentin Polozenko as the Member of Board, alternate Members of Board were Alexander Sobolev and Taneli Vuorinen. In the period 18 – 19 September 2021, The Chair of the Board was Ari-Jussi Knaapila and Alexander Sobolev and Taneli Vuorinen as the alternate Board of Members. In the period 20 September – 24 November 2021, the full Board of Members were Ari-Jussi Knaapila as Chair and Valentin Polozenko. The Alternate Members of Board were Alexander Sobolev and Taneli Vuorinen. In the period 25 November – 31 December 2021, the full Board of Members were Ari-Jussi Knaapila as the Chair and Dag-Kjetil Hansen. The Alternate Member of the Boards were Kristian Gullsten and Taneli Vuorinen.

The Arctic Development Ltd does not have CEO.

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

Salaries and fees EUR thousand	2021	2020
Boards of Directors of the Cinia Ltd	131,7	128,1
Board of Directors of Cinia Group	131,7	131,4
CEO's of Cinia Group	361,4	524,5

# The company's shares

Shareholders and holdings of Cinia: The Finnish State (through the Ministry of Transport and Communications, 77.528%), Ilmarinen Mutual Pension Insurance Company (11.236%), Pohjola Insurance (11,236%).

Cinia Ltd has 1 289 856 (2020: 1 289 856) shares.

C-Lion1 Ltd has two series of shares: A and B series. The company has one A share and 200 000 B shares. Both series of shares provide their holders with equal voting rights.

NDC Networks Ltd has 7 670 000 shares.

Cinia Alliance Ltd has 1 360 000 shares.

Arctic Link Development Ltd has 1000 shares, of which the company holds 500 shares.

OptimeSys Services Ltd has 177 316 shares.

## Outlook for 2022

In accordance with its strategy updated in 2021, Cinia will develop its network, cybersecurity and software solutions equally. In software solutions, Cinia's position in the digitalization of safety-critical functions has grown and is expected to continue to grow.

The importance of cybersecurity services and reliable high-capacity data connections is also expected to increase, and Cinia has a good opportunity to grow in this segment at least at the pace of industry growth.

Cinia also increases its value by investing part of its results in long-term preparations for the construction of national and international telecommunications in-

frastructure. The strengthening of the backbone network in Finland and the surrounding area and the promotion of European and global connectivity solutions are still the most significant Cinia information network projects. This is the work we do directly or through the joint ventures.

The possible continuation of the global pandemic and the increase in geopolitical tension will create additional uncertainty in the operating environment. Cinia operates in very rapidly changing market environments where continuous development of operations and sensitivity to change is a prerequisite for success.

## Key events after financial period

At the beginning of February 2022, Cinia signed a Memorandum of Understanding (MoU) with a Japanese partner concerning a development of the Arctic submarine cable project.

There have been no relevant changes in the Group's financial status after the end of the financial period.



# Statement of comprehensive income – Group

EUR million	1.1.-31.12.2021	1.1.-31.12.2020
<b>NET SALES</b>	<b>75,60</b>	<b>59,70</b>
Increase (+) / decrease (-) in stocks of finished and semifinished goods	-0,15	0,12
Manufacturing for own use (+)	0,85	0,44
Other operating income	6,22	5,34
Materials and services	-29,53	-23,25
Personnel expenses	-27,71	-21,87
Depreciation, amortisation and impairment	-6,35	-5,38
Depreciation and impairment of property, plant and equipment	-3,14	-2,64
Other operating expenses	-8,13	-5,73
Share of profits/losses for investments recognised by using the equity method	0,00	-0,20
<b>OPERATING PROFIT</b>	<b>7,64</b>	<b>6,55</b>
Finance income and costs (+/-)	-1,07	-1,07
<b>EARNINGS BEFORE TAX</b>	<b>6,57</b>	<b>5,48</b>
Income taxes	-1,14	-1,10
<b>PROFIT/LOSS FOR THE FINANCIAL PERIOD</b>	<b>5,43</b>	<b>4,38</b>
<b>Distribution of the profit/loss for the financial period:</b>		
To the owners of the parent company	5,34	4,39
To non-controlling interests	0,09	0,00
<b>OTHER COMPREHENSIVE INCOME</b>	<b>5,43</b>	<b>4,38</b>
<b>Distribution of the comprehensive income for the financial period:</b>		
To the owners of the parent company	5,34	4,39
To non-controlling interests	0,09	0,00

# Assets

Non-current assets EUR million	2021	2020
Goodwill	<b>17,50</b>	<b>13,43</b>
Other intangible assets	19,26	9,4
Tangible assets	64,99	64,59
Property, plant and equipment (IFRS 16)	10,35	10,94
Equity accounted investments	0,00	0,50
Non-current receivables	2,96	1,65
Other financial assets	0,07	0,07
<b>Total non-current assets</b>	<b>115,13</b>	<b>100,58</b>
<b>Current assets EUR million</b>		
Inventories	3,69	0,90
Current receivables		
Trade receivables	10,77	6,54
Other receivables	3,71	3,40
Cash in hand and at bank	14,37	9,19
<b>Total current assets</b>	<b>32,55</b>	<b>20,03</b>
<b>TOTAL ASSETS</b>	<b>147,68</b>	<b>120,62</b>

# Consolidated cash flow statement

Cash flow from operations EUR million	1.1.-31.12.2021	1.1.-31.12.2020
Earnings before tax	6,57	5,48
Adjustments		
Depreciation according to plan	6,35	5,38
Depreciation and impairment of property, plant and equipment	3,14	2,64
Finance income and costs	1,03	1,00
Interest expenses for leasing liabilities	0,04	0,05
Other adjustments	-7,49	-6,14
<b>Total</b>	<b>9,64</b>	<b>8,41</b>
<b>Change in working capital</b>		
Increase (-)/decrease (+) in non-interest-bearing short-term receivables	-5,07	1,00
Increase (-)/decrease (+) in inventories	-2,80	-0,13
Increase (+)/decrease (-) in non-interest-bearing short-term liabilities	6,86	0,57
<b>Total</b>	<b>-1,01</b>	<b>1,44</b>
Interest expenses and other finance costs paid	-1,09	-1,02
Interest paid for leasing liabilities	-0,04	-0,05
Interest income	0,06	0,02
Taxes paid	0,22	-0,18
<b>Cash flow from operations</b>	<b>7,78</b>	<b>8,61</b>
<b>Cash flow from investing activities</b>		
Investments in shares of subsidiaries, net of cash acquired	-4,22	-3,29
Investments to acquire equity accounted investments	0,50	-0,50
Investments in tangible and intangible assets	-15,38	-7,78
Proceeds from equity accounted investments		
Proceeds from the sale of tangible and intangible assets	5,78	6,73
Proceeds from the sale of financial assets recognised at fair value through profit and loss		3,01
<b>Cash flow from investing activities</b>	<b>-13,32</b>	<b>-1,84</b>

# Consolidated cash flow statement

Cash flow from financing activities EUR million	1.1.-31.12.2021	1.1.-31.12.2020
Increase (+)/decrease (-) in interest-bearing liabilities	11,61	0,38
Decrease in leasing liabilities (-)	-0,65	-1,56
Dividends paid	-0,25	-0,46
<b>Cash flow from financing activities</b>	<b>10,72</b>	<b>-1,64</b>
<b>Change in cash and cash equivalents</b>	<b>5,18</b>	<b>5,14</b>
Cash and cash equivalents 1 Jan.	9,19	4,06
Cash and cash equivalents 31 Dec.	14,37	9,19



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