Cinia

# With us, you are more certain.

ANNUAL REPORT 2023

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## YEAR 2023



## SUSTAINABILITY



## REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS



## REMUNERATION REPORT

# Year 2023



# Cinia in brief

Cinia is a Finnish safeguarder of digital operating environments and an expert in critical, high-reliability connections and software. Our mission is to bring certainty to the increasingly complex and evolving digital world.

By combining our extensive expertise with the latest technology, we deliver high-quality network, software, cloud and cyber security solutions to our customers in the private and public sectors that work both today and tomorrow.

With over 450 experts, we confidently tackle the heavy challenges of the digital landscape, leveraging our experience domestically and internationally.

## MISSION

**Ensuring a more certain digital future.**

## VISION

**Developing solutions that bring certainty to the changing digital world.**

## SERVICES

- Network solutions
- Software and cloud solutions
- Cyber security solutions

# CEO’s review

Recent times have been trying, even for those who enjoy change. In 2023, change was in the air on many levels and each quarter brought with it new challenges in terms of the economy, sales and the labor market situation.

Geopolitical unrest increased further during the year, and rapid changes in the security environment caused uncertainty and caution in the market. Interest in improving cybersecurity increased in all customer groups, but the courage and skill to buy protection services is still only emerging.

Costs continued to rise, but in a declining demand market, customer prices cannot be increased at the same pace as costs increase. In this situation, the continuous improvement of efficiency plays an increasingly pivotal role in performance.

The continuing culture of remote work does not seem to reduce the efficiency of operative work, but, from the point of view of innovation, it involves a hidden disadvantage. Remote tools are not ideal for occasional or systematic brainstorming, and the development of best practices for hybrid work should continue.

Despite the challenging market situation, 2023 was a year of growth for Cinia. The Group’s net sales amounted to EUR 88.4 (81.6) million. Cash flow was strong and the adjusted operating profit remained at the previous year’s level at EUR 1.9 million.

Our success is particularly attributable to renewals of old customer contracts, a significant number of which we managed to make. Growth in the continuous services contract portfolio continued, especially in the Cyber Security Solutions business. As our operations are expanding increasingly strongly into the development of services that are critical to society, our market position is also somewhat more stable than in our sector on average.

**“CONTINUOUS IMPROVEMENT OF EFFICIENCY PLAYS AN INCREASINGLY PIVOTAL ROLE IN PERFORMANCE”**

M&A transactions are part of Cinia's strategy and in 2023 we also continued our growth through an acquisition. The acquisition of Avanio Oy in June strengthened Cinia's cloud and software solutions business. In addition, we streamlined our service portfolio by divesting the unit providing operating service for fiber-optic networks in sparsely populated areas.

One of the most significant projects of the year was the Far North Fiber cooperation project to build an Arctic subsea cable between Europe and Asia. Cinia, supported by the EU, is promoting the project together with an American and a Japanese partner. Interest in the project grew clearly during the year and the project progressed to the route planning phase. Similar to other investments, the rapid increase in the cost of funding also affected the submarine cable project, which is why the decision on constructing the project could not yet be made in 2023.

## Sustainability is a dimension of everything we do

Cinia aims to conduct sustainable business, improving the well-being of the environment and staff and developing the efficiency of society's infrastructure. Developing and maintaining digitalization solutions for services critical to society is an important part of our sustainability strategy.

Well-being staff are a key success factor for Cinia. The importance of well-being at work is even more pronounced in an unstable social situation. At Cinia, the goal of promoting well-being at work is to enable success at work – not just survival. The staff's sick leaves decreased, and significant investments have been made in social activities in particular since the COVID-19 pandemic.

As services and products become digitalized, the importance of the climate and environmental impacts of the ICT sector will increase. Even though Cinia's own operations have only minor direct greenhouse gas emissions, we are committed to reducing emissions in the entire sector by providing climate-friendly services and significantly reducing our own carbon footprint.

In 2023, we took significant steps in the development of Cinia's sustainability work. As part of the development work, we conducted a double materiality assessment in accordance with the future EU corporate sustainability reporting standards in order to identify Cinia's most significant sustainability impacts, risks and opportunities. The work will continue, in particular, in reducing energy consumption and enhancing the transparency of the IT hardware supply chain.

## Our role in society secures business in the midst of uncertainty

Our strategic decision to focus on the target market of operators that are critical to society has also proven its effectiveness in the changing operating environment and in different business cycles. Global megatrends, such as the proliferation of artificial intelligence and cloud services, support Cinia's business and our order backlog is satisfying in almost all of our businesses. Therefore, we are in a good position to succeed also in 2024 and continue to implement the strategy.

I would like to warmly thank our employees for their commitment to the development of Cinia, and our customers and partners for their good cooperation in 2023.

**Ari-Jussi Knaapila**
CEO

> **"WE STRENGTHENED OUR POSITION AS A PROTECTOR OF SOCIETY'S CRITICAL SERVICES."**

# Key figures

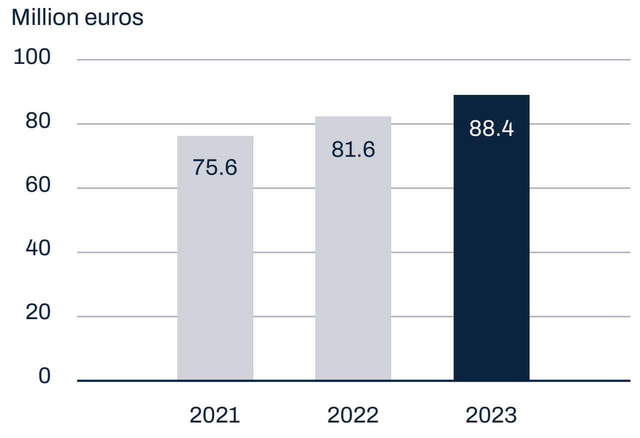
**NET SALES**
Million euros
88.4
(81.6 in 2022)

**ADJUSTED EBITA**
Million euros
1.9
(2.0 in 2022)

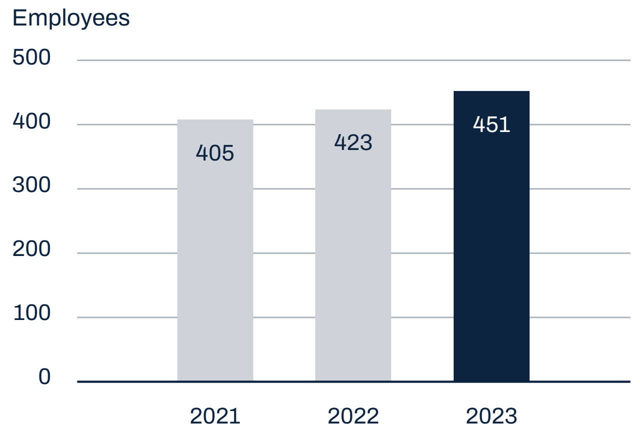
**NET SALES GROWTH**
8.3%
(7.9% in 2022)

**NPS-
NET PROMOTER SCORE**
55
(47 in 2022)

**NET SALES**




**NUMBER OF EMPLOYEES AT THE END OF THE YEAR**



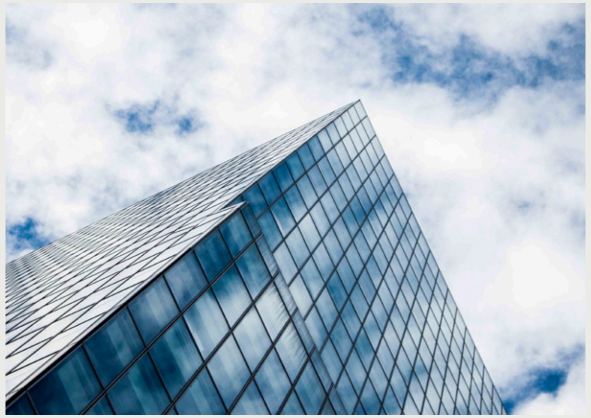
# 2023 highlights

**EMPLOYEE COMMITMENT BOLSTERED:**

eNPS

23

(18 in 2022)



**ACQUISITION:**

Cinia strengthened its software solution expertise by acquiring the cloud and software company Avanio.

**CARBON FOOTPRINT DECREASED:**

Cinia switched all of its own electricity contracts to renewable, and emissions per employee from own operations decreased by 28% from previous year.

**SUSTAINABILITY EFFORTS ADVANCED:**

Cinia carried out a double materiality assessment, laying the foundation for Cinia's sustainability strategy and reporting.

**THE FAR NORTH FIBER PROJECT PROGRESSED:**

Cinia conducted an EU-supported route plan related to the project.

# Services

### NETWORK SOLUTIONS

**We design, implement and manage company networks and high-capacity connectivity services in Northern Europe. We provide network hardware, software, and services to optimize connectivity, improve performance, and ensure reliability in a variety of environments.**

**CASE:**
Cinia's cooperation with Finavia started with the delivery of airports' telecommunications connections. Over the years, the cooperation has expanded and today Cinia is also responsible for the supervision and management of Finavia's information network. Outsourcing the monitoring and management of network equipment has freed Finavia's experts to focus on project management and development work.

### SOFTWARE AND CLOUD SOLUTIONS

**We design, build and maintain custom software applications and cloud infrastructure for our clients. Our services include software development, consulting, IT as a service and training.**

**CASE:**
The Kardio system is the result of years of cooperation between Cinia and Heart Hospital, and its development is still ongoing. Initially launched as a quality monitoring and reporting system for cardiology and cardiothoracic surgery, Kardio has expanded into a versatile ERP system, covering scheduling, patient management and digital care pathways, among other tasks. The Kardio system has streamlined the work of Heart Hospital, saving time and making daily tasks easier.

### CYBER SECURITY SOLUTIONS

**We provide comprehensive cyber security services and products to protect organizations against digital threats, data breaches, and information security vulnerabilities. Our services include continuous monitoring, threat intelligence, and custom information security hardware and software.**

**CASE:**
Aava Medical Center has been strengthening its cyber security with determination in order to secure customer data and ensure the continuity of services in the increasingly digital environment. Cinia provides Aava with a Cyber Security Operations Center, vulnerability management, and risk assessment using the IT as a service model. Through Cinia's services, Aava gets a comprehensive overview of the company's information security events and situation.

# Sustainability



# Sustainable business at Cinia

In 2023, Cinia took significant steps to develop its sustainability work. One of these was the double materiality assessment of sustainability, and the topics identified in it will guide Cinia's sustainability work and reporting, as well as its strategy.

Cinia's sustainability efforts are guided by the government's ownership policy resolution, which requires the strong integration of corporate sustainability in business operations and goal-oriented corporate sustainability leadership. State-owned companies are expected to be aware of the climate and environmental impacts of their own operations and to reduce emissions in line with Finland's carbon neutrality target and the Paris Agreement.

Our core business is to deliver information systems that are important to society to private operators and public administration. Thus, Cinia helps society to function better, safer and more reliably. Sustainability is an integral part of Cinia's human resources management, business solution development and governance. Cinia is also committed to setting ambitious goals for its climate and environmental work.

Going forward, our goal is to integrate sustainability more strongly into the strategy. With CSRD (Corporate Sustainability Reporting Directive) sustainability reporting, the company is also preparing for the gradual assurance of data and aiming to join sustainability rating systems. Cinia's biggest carbon footprint is the result of the procurement of ICT hardware, so it is important to broaden understanding of the value chain as a whole in the future. In 2023, we significantly developed the emissions accounting of our own operations and, in the coming years, we will survey the emissions and other sustainability impacts of the entire value chain.

Achieving the objectives requires wide-ranging development in areas such as the collection and monitoring of sustainability-related data. Creating new kinds of processes will be a major challenge for the coming years.

### Double materiality assessment as a basis for future sustainability reporting

In 2023, Cinia carried out its first assessment of its sustainability in accordance with the double materiality principle required by the EU's CSRD directive. In the assessment, the materiality of various sustainability

topics was reviewed from the perspectives of both human and environmental impacts and the economic impact of the topics on Cinia.

The materiality assessment methods used were background research based on public and internal sources, stakeholder interviews, and assessments by Cinia's experts and management. Based on the assessment, Cinia's most relevant sustainability topics relate to impacts on communities (promoting societal safety, information flow and regional development) as well as impacts on consumers and end users (data protection and privacy).

### Cinia's key sustainability topics:

- **Affected communities** – the societal relevance of Cinia's solutions in terms of public safety, flow of information and regional development.
- **Consumers and end-users** – supporting consumer and end-user privacy and information security through technical solutions.
- **In-house employees** – promoting the well-being of Cinia employees, developing expertise and supporting equality.
- **Employees in the value chain** – promoting working conditions that respect the human rights of employees in the value chain through procurement.
- **Circular economy and resource use** – promoting the recycling and reuse of critical raw materials and components and minimizing electronic waste.
- **Climate change** – reducing greenhouse gas emissions from our own operations and the value chain.
- **Pollution** – prevention of soil pollution associated with the manufacture of equipment in the supply chain.
- **Biodiversity** – minimizing the negative biodiversity and ecosystem service impacts of raw materials used in equipment and construction projects in the supply chain.

### Management of sustainability at Cinia

In Cinia's management team, sustainability is managed and coordinated by the CFO, supported by the Chief Legal Officer responsible for governance-related matters and the Chief Growth and Culture Officer responsible for HR. The company's business functions implement sustainability measures in accordance with the defined strategy, guided by the sustainability unit. The progress of sustainability work is monitored on an annual basis.

### Stakeholder interaction

Our most important stakeholders are customers, staff and suppliers, as well as the owners and the authorities regulating the sectors. Cinia engages in active and open dialog with its stakeholder network.

Cinia's most important missions are the diversification of the Finnish international and national data connections, the improvement of cyber security, and the development of digitalization solutions especially for operators providing essential national services. Cinia is expected to carry out this task in a way that increases shareholder value, adhering to good governance and remuneration practices, and acting as a responsible tax and corporate citizen.

Our customer base consists of international companies and service providers that require high capacity as well as national actors that require reliable and secure software, data network and cyber security services. Customer satisfaction with Cinia's activities is monitored, for example, through the NPS (Net Promoter Score) (55 in 2023).

In 2023, the views of stakeholders on Cinia's sustainability were surveyed in connection with the double materiality assessment. In interviews related to the assessment process, representatives of customers, personnel and shareholders gave their views to Cinia on the most important sustainability topics, risks and opportunities. In addition, the interviews surveyed experiences of the successes and development targets of Cinia's sustainability work and communications.

In terms of the environment, stakeholders highlighted the mitigation of climate change and biodiversity as the most important sustainability topics and impacts. Among social topics, the promotion of personnel well-being and expertise development, ensuring the security of society and information connections, as well as taking into account the human rights of employees in the value chain, were considered to be particularly important. Conducting business in an ethical way was also considered a key topic.

The interviewed stakeholders felt that Cinia succeeded well, especially in terms of ensuring a high level of information security and employee well-being. Identified targets for development included raising the bar of sustainability targets, developing the accounting of indirect climate emissions, and, in general, increasing communications and reporting related to sustainability.

NPS - Net Promoter Score

**55 ▲**

(47 in 2022)

# Climate and environment

The climate impacts of the ICT sector mainly consist of the manufacturing and electricity consumption of networks, data centers, and smart devices. The sector also has significant potential for reducing greenhouse gas emissions from other sectors. Most of Cinia's emissions are generated outside of its direct operations, but its own activities also have an impact.

## We recognize our responsibility for reducing emissions

Most of Cinia's emissions are generated indirectly outside of our own operations, but we recognize our responsibility and role in reducing greenhouse gas emissions in the ICT sector as a whole.

We take and plan measures aimed at gradually reducing not only our own emissions, but also helping our customers reduce their emissions in the future. Our climate work is guided by the goal of a carbon-neutral Finland in 2035. Cinia's environmental plan guides the company's actions in reducing environmental impacts. The environmental plan is reviewed annually and updated if necessary.

Cinia's own greenhouse gas emissions arise mainly from the energy consumption of telecommunications equipment and data centers. In addition, emissions are generated from the products and services we purchase, business travel, and logistics.

The transition to a low-carbon economy requires significant investments in renewable energy. Tightening regulation, on the other hand, requires investments in sustainability reporting. Funding opportunities and the price of financing may change if the emission goals are not met. Extreme weather phenomena caused by climate change also increase risks and, possibly, costs.

The ICT sector also has significant opportunities for improving its operations and benefitting from climate action. These include the use of waste heat in data centers and possible tax benefits. Investments in energy efficiency and renewable energy are also significant long-term opportunities for improving profitability. Climate-friendly solutions and services are expected to bring added value to the reputation and brand of ICT sector companies as well.

In the future, we aim to use renewable electricity in all of our operations and develop climate-friendly and innovative services that allow our customers to reduce their carbon footprint.

Emission reductions can also be achieved in the future by extending the lifecycle of hardware and software.

## Aiming for significant emissions reductions

Our goal is to systematically reduce our CO2e emissions. The key indicator for monitoring emissions is emissions from own operations (Scope 1 and 2) per employee. This indicator allows the trend to be monitored in relation to the size of the business andtakes into account Cinia's growth objectives. In addition to short-term monitoring, we are considering setting a long-term carbon neutrality target.

In 2023, we switched all electricity contracts made directly by the company to ones produced with renewable energy, which significantly reduced our emissions in Finland. The impact of the renewable electricity contract at the cable landing stationin Germany will be visible in emissions in 2024.

Emissions from offices have been reduced by switching to smaller and more energy-efficient premises. We did so in Riihimäki, for example. In the Helsinki Metropolitan Area, we started the process of merging offices. Equipment facilities and data centers have also been centralized, which promotes energy efficiency. Our car fleet has also been continuously updated to have lower emissions and starting from 2024, all new vehicles controlled by Cinia will be emission-free.

With regard to overall emissions and energy consumption, we report Scope 1 emissions from vehicle fuels and Scope 2 emissions from purchased electricity and heat. Electricity consumption consists mainly of the consumption of telecommunications equipment, data centers and offices. In addition, offices consume district heat.

Cinia's telecommunications equipment is located widely across Finland, in addition to which the landing stations for subsea cables are located in Helsinki and Rostock. Cinia has offices in seven locations in Finland.

Our goal is to analyze the emissions of our supply chain more thoroughly, and in 2023, we calculated our Scope 3 emissions for the first time. The accounting included categories 1 (purchased goods and services), 3 (fuel- and energy-related activities), 5 (waste generated in operations), 6 (business travel), and 7 (employee commuting). There were significant uncertainties in the accounting and the input data, and therefore the Scope 3 emissions are not yet ready to be disclosed in the 2023 report.

### We promote the circular economy by extending the lifecycle of equipment and facilitating recyclability

We are committed to minimizing the environmental impact of our operations by promoting the circular economy and the responsible procurement and use of materials.

The manufacturing of equipment and supplies purchased by Cinia has considerable environmental impacts. For example, manufacturing consumes critical primary resources, i.e. virgin and/or non-renewable natural resources and materials. In addition, the extraction and processing of raw materials used for equipment may have impacts on biodiversity and ecosystem services. This may cause damage to the soil.

ICT hardware also uses a lot of metals, which are still poorly recycled.

We primarily promote the circular economy by extending the lifecycle of equipment and facilitating their recyclability. In addition, we ensure that the purchased equipment and materials comply with international quality, environmental, occupational health and safety standards.

In the processing of disposed materials, we use partners whose processes comply with international and certified quality, environmental, occupational health and safety standards (ISO 9001, ISO 14001 and ISO 45001).

Our long-term goal is to develop the monitoring of waste generated from the use of ICT equipment and hardware recycling in particular and, in this way, also to improve the quality of reporting and practical measures.

Risks related to the circular economy include an increase in the price of non-recycled waste, which increases economic risks. In addition, tightening EU or national legislation on material efficiency and recycling requirements may increase waste treatment and recycling fees, resulting in additional costs.

Circular solutions also offer potential cost savings. The use of renewable raw materials, for example, can reduce waste fees. Extending the lifecycles of devices, in turn, provides savings in equipment costs.

### EMISSIONS AND ENERGY CONSUMPTION

| | | 2023 | 2022 |
|---|---|---|---|
| **Emissions** | | | |
| Scope 1 | $tCO_2e$ | 36 | 29 |
| Scope 2 | $tCO_2e$ | 540 | 728 |
| **Emission intensity** | | | |
| Scope 1 and 2 per employee | $tCO_2e$ | 1.32 | 1.83 |
| **Energy consumption** | | | |
| Electricity | MWh | 4,428 | 4,528 |
| District heating | MWh | 327 | 237 |

Scope 2 calculation and its boundary were refined regarding the electricity consumption of telecommunication equipment. The change also affects the figures for the reference year 2022.

$CO_2e$ emissions per employee from own operations decreased by

**28%**

from previous year

Share of renewable electricity in own contracts

**100%**

# People and society

Cinia plays an important role in society, and a healthy and motivated staff plays a key factor in it. To us, all people – both our own employees and those in our value chains – are valuable. Only through healthy staff can we fulfil our role as developers of solutions that create certainty.

### We invest in the well-being and expertise of our employees

Cinia is a community of forward-thinking and ambitious professionals. We want our employees to have excellent conditions for developing their expertise and creating meaningful software and cyber security solutions for our customers and society as a whole.

At the end of 2023, Cinia employed 451 professionals. Cinia's employees consist of ICT experts who specialize in information network and software solutions as well as cyber security. In 2023, the average length of employment relationships with Cinia was 7.7 (7.1) years and the employee turnover rate was 9.8 percent (15.5).

We support our employees in accumulating their human capital and encourage them to develop their expertise, for example, by participating in trainings. In 2023, the training themes were, for example, artificial intelligence, new programming and cloud technologies as well as information security. In addition, management training is a key aspect of the training plan.

We also want to promote the health and well-being of our employees and prevent exhaustion, accidents and work-related health problems through a wide range of services: occupational health care, advisory services and comprehensive occupational safety development services.

In 2023, we have pursued a proactive operating model in health care and a working culture that promotes well-being in day-to-day life.

Cinia measures the progress of social responsibility with the Employee Net Promoter Score (eNPS) survey, sick leave rates, the proportion of women in managerial positions in relation to the proportion of women in the staff, and the number of whistleblowing reports. The eNPS survey indicates how likely employees are to recommend the workplace to others.

In 2023, Cinia's eNPS improved year-on-year to 23 (18). The sick leave rate decreased to 2.8 (3.4) percent of regular working hours. The share of women in managerial positions (19%) in relation to the share of women in the staff (18%) remained almost at the same level as last year, at 105 (106). No whistleblowing notifications were reported.

### Equality and diversity

Cinia is committed to equality and equal treatment. We want to be the best possible employer for everyone.

An equal and diverse working community is attractive and supports everyone's expertise and career development. We remove the obstacles people from different backgrounds may experience that prevent them from working or enjoying themselves at Cinia. We believe that diversity enhances company's employer image and innovation.

Cinia has zero tolerance for all forms of workplace bullying, sexual harassment and inappropriate behavior. We are committed to promoting equality and preventing

The proportion of women in managerial positions

**19%**

is higher than the proportion of women in the staff as a whole

discrimination in everything we do. At Cinia, the obligation to promote equality and equal treatment applies to all activities as an employer and also to all members of working communities.

### The principles guiding our HR work

Responsible HR management ensures that everyone's well-being, safety and ability to work are taken care of every day. Ambitious professionals commit to the company and retain their motivation only if the HR work is fair, strategic and well-managed.

Besides the legislation on ensuring the well-being of the employees, Cinia has principles that guide the development of well-being at work in place. The expertise of the employees, the realization of equality and equal treatment is monitored, planned and documented with a working community development plan. The monitoring of health and well-being is guided by the annual occupational health and safety action plan.

Within the framework of the Act on Occupational Safety and Health Enforcement and Cooperation on Occupational Safety and Health at Workplaces, Cinia has a cooperation committee engaging in ongoing dialog between the employees' representatives and the company's management.

Cinia adheres to the collective agreements of salaried employees and senior salaried employees in the ICT sector.

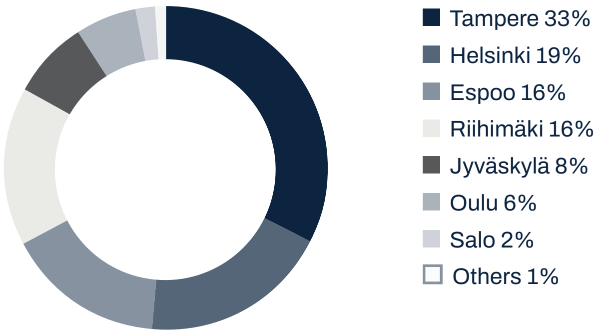
### Human rights in the supply chain

All people are equally important to us at Cinia. In addition to the well-being of our own employees, we also take responsibility for the people working in our value chains. We pay attention to fair working conditions and terms of employment and do not tolerate unsafe or unfair working conditions or related human rights violations in any form.

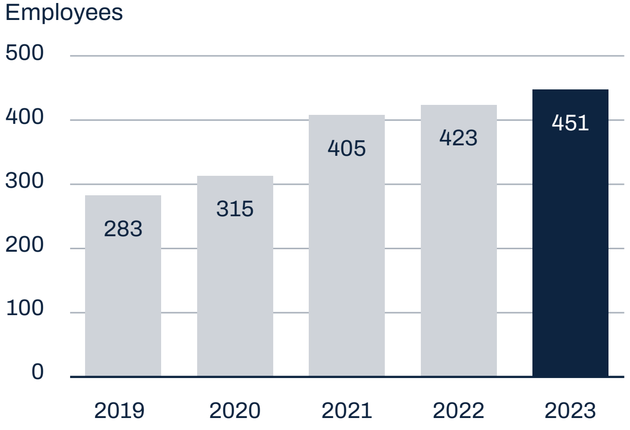
The work on the human rights impacts of the value chain is still in its early stages, but we aim to raise awareness of the topic in the future. Going forward, we will assess suppliers, subcontractors and other partners even more carefully from a human rights perspective. We will also join evaluation systems, which will improve the transparency of communications and stakeholder work. In addition, we will strengthen the training of our employees and monitor the development of our own activities and best industry practices.

We strive to procure services and materials only from parties that are able to ensure the realization of human rights and good working conditions in our value chains. Our Code of Conduct covers guidelines for responsible operations and responsible procurement in value chains, which contributes to ensuring the realization of human rights. We require compliance with laws and agreements from all of our suppliers and partners, as well as committing to these guidelines.

**DISTRIBUTION OF EMPLOYEES BY LOCATION**




**NUMBER OF EMPLOYEES AT THE END OF THE YEAR**



### INDICATORS RELATED TO EMPLOYEES

| | | 2023 | 2022 |
|---|---|---|---|
| **Number of employees** | | | |
| At the end of the year | No. | 451 | 423 |
| Permanent | No. | 443 | 416 |
| Fixed-term | No. | 8 | 7 |
| Average during the year | No. | 437 | 414 |
| **Employments** | | | |
| Average duration of employment | Years | 7.7 | 7.1 |
| New employments | No. | 51 | 79 |
| Terminated employments | No. | 43 | 64 |
| Employee turnover rate | % | 9.8 | 15.5 |
| **Occupational health and well-being** | | | |
| Accidents | No. | 0 | 4 |
| Accident rate | Per million hours | 0.0 | 5.8 |
| Sick leave rate | % | 2.8 | 3.4 |
| eNPS | Score | 23 | 18 |
| Whistleblowing reports | No. | 0 | 0 |

The new and terminated employments do not include personnel transferred as part of acquisitions. The sick leave rate, eNPS, and average duration of employment do not include personnel from Avanio Oy. Additionally, the calculation method for employee turnover rate for the reference year 2022 has been revised. Previously, only voluntary departures were considered in the calculation; after the change, all terminations of employment are included in the figure.

### AGE DISTRIBUTION OF EMPLOYEES

| | | 2023 | 2022 |
|---|---|---|---|
| < 30 | % | 11 | 11 |
| 30–49 | % | 69 | 68 |
| ≥ 50 | % | 20 | 21 |

### GENDER DISTRIBUTION OF EMPLOYES

| | | 2023 | 2022 |
|---|---|---|---|
| Staff as a whole | | | |
| Women | % | 18 | 19 |
| Men | % | 82 | 81 |
| Managerial positions | | | |
| Women | % | 19 | 20 |
| Men | % | 81 | 80 |
| Executive team | | | |
| Women | % | 10 | 11 |
| Men | % | 90 | 89 |
| Board of directors | | | |
| Women | No. | 3 | 2 |
| Men | No. | 2 | 3 |

## Social impact

The development and maintenance of the critical information system infrastructure is crucial for national security and flow of information. Due to the tense geopolitical situation, this has become more emphasized in 2023. Security will be emphasized in our operations in the near future as well, especially in the Baltic Sea region and other nearby regions.

Citizens, businesses, municipalities and society as a whole are increasingly dependent on digital services and telecommunication connections. Cinia's reliable and high-capacity network infrastructure enables innovation, sustainable growth, and development.

Cinia develops information system infrastructure that is critical to the functioning of society and takes care of society's information flow and security in all circumstances. Cyber attacks, data leaks or other disruptions in telecommunications have significant impacts on functions important to society and on our own and our customers' business.

Cinia develops solutions related to data protection and privacy on a long-term basis. Our work prevents breaches or violations of information security due to errors or shortcomings in information systems.

Long-term development of data protection and privacy services can provide a competitive advantage in a growing industry as the societal importance of cyber security continues to grow.

Functional telecommunications connections also improve citizens' ability to participate in society and its development. Cinia also exports data infrastructure to regions that have previously had insufficient data connections. For example, we want to improve the connections available to Arctic communities.

In 2023, Cinia also promoted the Far North Fiber submarine cable project. The goal is to build the first submarine cable in the Arctic for data connections between Europe and Asia. The planned 14,000-kilometer-long cable is to complete and secure the existing data connections, thereby improving the reliability of the entire global network.

In addition, the new cable route will support the economic development of the Arctic regions and scientific research in the regions. During 2023, an EU-sponsored route plan was made in connection with the project.

## Tax footprint

Cinia also complies with the principles of responsibility in tax matters. Cinia reports on its tax footprint annually and makes no special arrangements to minimize its taxes. Tax footprint reporting is based on the instructions on tax reporting issued by the Ownership Steering Department of the Prime Minister's Office.

In the financial year 2023, Cinia paid all of its taxes to Finland.

Taxes are presented on an accrual basis. Numeric data includes all relevant tax types. Direct and payable taxes for the financial year are based on accounting information. The amount of indirect taxes payable for the financial year is calculated on the basis of expenses or consumption. For indirect excise duties, the calculated estimated electricity tax included in the electricity costs of production has been taken into account.

### DIRECTLY PAYABLE TAXES

| Thousand euros | 2023 | 2022 |
|---|---|---|
| Income taxes | 223 | 219 |
| Employer contributions | 6,044 | 5,374 |
| Transfer taxes | 150 | 30 |
| Other taxes | 99 | 99 |
| **Total** | **6,516** | **5,723** |

### INDIRECTLY PAYABLE TAXES

| Thousand euros | 2023 | 2022 |
|---|---|---|
| Excise taxes | 9 | 11 |
| Non-deductible value added taxes | 104 | 66 |
| Other taxes | 25 | 20 |
| **Total** | **137** | **97** |

### TAXES TO BE REMITTED

| Thousand euros | 2023 | 2022 |
|---|---|---|
| Payroll taxes | 10,503 | 9,654 |
| Value added taxes | 11,033 | 8,161 |
| **Total** | **21,536** | **17,815** |

### CONTRIBUTIONS RECEIVED

| Thousand euros | 2023 | 2022 |
|---|---|---|
| EU / CEF Digital | 6,556 | 184 |
| EU / Digital Europe & the state of Finland | 413 | |
| **Total** | **6,969** | **184** |

# Good corporate governance

Openness, transparency and good corporate governance are essential to Cinia. We act ethically towards all of our stakeholders, including suppliers and other partners.

### Comprehensive guidance on responsible practices

Cinia's majority shareholder is the State of Finland, and we comply with the principles of the government's governance policy. Our sustainability work is guided by the government's ownership policy resolution, which requires integrating corporate responsibility into the business and having goal-oriented leadership for corporate responsibility.

Cinia has comprehensive Corporate Governance guidelines. The guidelines define, among other things, the duties of the Annual General Meeting, the Board of Directors and the CEO, as well as decision-making powers and the responsibilities and measures relating to administrative matters.

Cinia has drafted a number of guidelines aimed at ensuring responsible practices.

We comply with applicable laws and regulations in all of our operations. We also require this from all of our suppliers. We check the backgrounds of our customers and suppliers to ensure, among other things, compliance with financial sanctions.

Cinia's Code of Conduct defines the responsible and acceptable practices of Cinia Ltd and its group companies. The Code of Conduct applies to all of our employees, temporary employees, subcontractors, and other partners. Everyone is required to familiarize themselves with the Code of Conduct and comply with it. The Code of Conduct helps to act correctly and identify situations in which more detailed consideration of measures and consulting with Cinia's Legal Affairs is necessary.

In 2023, all new Cinia employees completed Code of Conduct training and online data protection training. In addition, we require our suppliers to comply with responsible practices.

Cinia does not tolerate bribery or corruption in any form. The purpose of our anti-bribery policy is to prevent and help detect possible bribery. Cinia operates in an environment and in countries where the risk of corruption and bribery is low, but due to the significance of the matter, it is important to address it in Cinia's daily operations.

### Data protection management

Cinia processes all personal data in its possession in accordance with data protection laws and regulations. Cinia has prepared a publicly available privacy policy approved by the management team, and comprehensive guidelines on the processing of personal data. The company continuously maintains guidance on data protection and actively monitors data protection legislation and requirements.

Cinia holds a valid security management system ISO/IEC 27001 certificate. The certification covers Cinia's Service Desk operations, the cyber security solutions business area and company-level control of the information security management system, such as company-level security policies, guidelines, and practices.

### Continuous work to ensure good governance

We continuously pay attention to responsible practices. Employees are our most important source of information when it comes to uncovering any wrongdoings that require action. Therefore, it is important for everyone to report things that are not part of our organization's good business practices. Cinia employees are primarily encouraged to contact their supervisors or the management, and if they do not wish to report abuses openly, Cinia also has an anonymous whistleblowing channel for reporting any wrongdoings. The whistleblowing channel is managed by an external partner to ensure anonymity. In early 2024, the use of the reporting channel will be expanded so that not only Cinia employees but also other stakeholders can report suspected wrongdoings.

There were no cases of unethical business conduct in 2023.

# Report of the board of directors and financial statements

# Report of the board of directors

## Market outlook

The weakening of the general economic development and the uncertainty of the operating environment have had a negative impact on the demand for IT services. Private sector customers have postponed procurement decisions, especially in non-critical and broader digitalization projects. Few new bespoke and large software development projects are launched in the private sector and project sizes and durations are smaller than before the downturn.

Cost inflation was significant in 2023 and it was particularly visible in external services and salary costs. Increasing costs of outsourced services and personnel costs will limit the possibility of enhancing profitability in the short term.

Competition intensified in the public sector as the supply shifted from the weakened private sector market to public sector tendering. The momentary overcapacity in the market may push the price level down, especially in public sector tendering.

As demand has weakened, more experts in digital solutions are available, which has affected staff turnover.

The digitalization of the public sector continues with multi-year projects, and companies see IT and digitalization investments as unavoidable investments that contribute to competitive advantage. The underlying trend will support the medium- and longterm development of the IT services industry.

## Development of businesses

Cinia is an expert in critical high-reliability connections and software. Cinia implements high-quality network, cyber security, cloud and software solutions for the private and public sectors.

Despite the challenging market situation in 2023, Cinia's businesses managed to grow and maintain their profitability compared to the previous year. On average, wage increases in collective agreements led to about 4% increase in personnel costs.The increase in costs was partly compensated for by successful price increases in continuous services.

The cost-saving program was used to increase efficiency mainly in the service production of network solutions and in the Group's support services.

The public sector's share of net sales increased in the business offering customized software solutions. Cinia's market position strengthened particularly in the area of information systems with high operational reliability and profitability remained at a good level compared to the market in spite of a general increase in personnel costs. However, private sector customers delayed the start of larger projects, which had a negative effect on the customer deliveries and order backlog of cloud solutions late in the year in particular. In the current economic climate, customers focus on efficiency investments and digital investments in their core operations.

During the year, Cyber Security Solutions' continuous service sales increased by 26%, and data center and security system deliveries were also at a clearly higher level than in previous years.

Improvements in the profitability of corporate and special network solutions were continued with efficiency measures and by focusing on certain service areas. The unit operating fiber-optic networks in sparsely populated areas was divested. The volume of construction services for optical fiber networks was smaller than in 2022.

The war in Ukraine continued to have an effect on the demand for international connectivity services in the Baltic Sea region; because of it, growth in connectivity services to the east via Finland stagnated. However, overall net sales increased and an increasing share of the C-Lion1 submarine cable capacity was leased through long-term contracts.

Cinia continued the advancement of the Far North Fiber arctic submarine cable project, which will connect Europe and Asia, and also developed submarine cable routes in the Baltic Sea region. Cinia implemented the route plans of the cables, which are partly funded with the support of the European Union.

## Financial performance

Net sales for 2023 increased by 8.3 percent year-on-year to EUR 88.4 (81.6) million. Net sales increased due to new customer accounts in Cyber Security Solutions and Avanio joining the Cinia Group.

In 2023, adjusted EBITA was at the previous year's level, EUR 1.9 (2.0) million, or 2.1 (2.4) percent of net sales. Relative profitability was mainly affected by cost inflation, terminations of long-term major customers and recruitments to growing service production areas. Efficiency projects in network solutions and centralized IT operations supported the maintenance of profitability in the difficult market situation.

EBITA adjustments amounted to EUR -1.6 (0.8) million and were mainly related to acquisitions and divestments as well as the costs of restructuring the organization.

EBITA increased to EUR 3.5 (1.2) million and amounted to 3.9 (1.5) percent of net sales.

Operating profit (EBIT) increased to EUR 2.2 (0.2) million and amounted to 2.5 (0.2) percent of net sales.

Financial income and expenses amounted to EUR -1.5 (-1.4) million and taxes to EUR -0.2 (0.0) million. Financial expenses increased mainly due to rising interest rates and the accrued IFRS 16 interest expenses of new leases.

Profit for the period was EUR 0.3 (-1.3) million.

## Cash flow and financing

The Group's liquidity and financial position improved considerably during the review period. The equity ratio grew to 42.3 (37.5) percent and gearing decreased to 61.1 (105.1) percent.

Interest-bearing net liabilities amounted to EUR 32.1 (55.4) million at the end of the review period, amounting to 2.1 (4.9) times the operating margin (EBITDA).

Cash flow from operating activities improved to EUR 26.6 (-0.2) million.

Cash flow from investing activities was EUR 0.9 (-13.3) million.

The cash flow from operating activities mainly improved due to the decrease in working capital and advances received from long-term leases. The cash flow from investing activities was positively affected by capital gains from the sale of business as well as the advance payment of an EU grant.

Cash flow from financing activities during the review period was EUR -21.8 (7.2) million and consisted mainly of repayment of a long-term loan and a working capital loan.

At the end of the review period, the Group had unsecured loans from financial institutions amounting to EUR 39.0 (57.5) million and lease liabilities of EUR 7.5 (7.1) million. The loans are subject to a covenant regarding the Group's shareholding.

The Group's cash and cash equivalents amounted to EUR 14.4 (9.2) million on December 31, 2023, including derivative receivables of EUR 0.7 (1.2) million associated with interest hedging.

The Group has at its disposal an unsecured overdraft facility of EUR 15 million for the Group's general short-term financing needs.

## Investments, research and development

In 2023, investments decreased and amounted to EUR 4.0 (9.0) million.

The investments consist of increases in property, plant and equipment and intangible assets without acquisitions.

The most significant individual investments concerned telecommunications networks and the development of the Arctic cable connection and the ERP system. Cinia received EU grants of EUR 6.6 million for telecommunications backbone network investments and EUR 0.4 million for other development projects.

The value of the Group's own employees' work included in investments amounted to EUR 0.2 (0.9) million.

Cinia's development costs amounted to approximately EUR 2.6 (2.1) million. Of these costs, EUR 1.0 (0.3) million was capitalized. The most significant research and development project was the construction of a telecommunications connection between Europe and Asia through Arctic sea areas.

## Changes in the Group structure

Cinia's group structure changed in 2023. Avanio Oy joined the group through an acquisition, the project development company FNF Europe Oy was founded and Arctic Link Development Oy was merged with its parent company Cinia Alliance Oy. In addition, the minority shareholders of Cinia Alliance Oy sold their shares to Cinia, which owns 100% of the company after the share transactions.

## Staff

In 2023, Cinia Group had an average of 437 (414) employees. Their number increased by 6%, mainly due to employees who were transferred in the Avanio acquisition. Men accounted for 82.0 (81.0) and women for 18.0 (19.0) of the staff. The average length of employment was 7.7 (7.1) years.

Staff expenses amounted to EUR 36.0 (31.7) million. The growth was mainly due to an acquisition and general increases in accordance with the collective agreements for the ICT sector.

Personnel expenses were also affected by structural changes in the organization and the resulting change negotiations, as well as the divestment of a business.

Sick leaves decreased to 2.8% (3.4%) of regular working hours. Cinia will continue its long-term work to develop comprehensive well-being while improving productivity in the long term.

Cinia aims to be an organization of top-level professionals, where high level of competence is seamlessly combined with agile operations. The sustainability report, which is part of the annual report, describes more extensively the responsibility activities related to personnel.

## Sustainability

Sustainability is an integral part of Cinia's business solution development and HR management. Cinia is also committed to setting ambitious goals for its climate and environmental work.

All of the Group's most significant sources of emissions have been identified and the use of renewable energy has been adopted at sites where Cinia acquires the energy itself. A significant environmental footprint is caused through ICT hardware procurement, and a more accurate understanding of the procurement value chain as a whole will be key to sustainability work in the future.

In 2023, Cinia took significant steps to develop sustainability reporting and metrics. Cinia started preparing for the upcoming EU CSR and, as a first step towards reporting under the directive, conducted a double materiality assessment identifying Cinia's key sustainability topics and their financial risks and opportunities.

Cinia's corporate responsibility is described in more detail in the sustainability report.

## Environment

Cinia continued the transition towards zero emissions from its own operations. The most significant emissions are related to the use of energy in premises and equipment facilities. In 2023, Cinia replaced all of its own electricity contracts with renewable electricity. In addition, emissions from the car fleet controlled by Cinia continued to decrease, and from 2024, all new leased cars will be zero-emission.

In 2023, two locations have also moved to modern and more energy-efficient premises, reducing the environmental footprint of Cinia's premises.

More detailed information on Cinia's emissions and environmental impacts can be found in the sustainability report.

## Risks and business uncertainties

Risk management is part of Cinia's management and day-to-day business.

Risks are registered, managed and monitored in accordance with the company's safety policy. The Executive Team reviews the risks and the CEO reports the risks to the company's Board of Directors. Action plans for mitigating key risks are prepared based on the risk reports, and the company's management controls the implementation of the plans.

The Board of Directors is responsible for organizing control, internal audit and risk management. The internal audit function for companies belonging to Cinia Group is implemented by an independent external service provider under the supervision of Cinia's Board of Directors and CEO and with the assistance of the Audit Committee.

Cinia's risks are strategic, operational and financial.

Strategic risks are related to changes in the operating environment and the demand for services and competition in different business areas.

Changes in the economic environment and customer demand may affect both business growth and profitability. Cinia's diverse client base, consisting of public and private sector operators, as well as multi-year contracts for continuous services reduce this risk.

The digitalization of the Finnish public sector is expected to continue, but the uncertainty of public finances may reduce the financing of development projects in the short term. Statutory tendering in the public sector may also lead to a reduction or suspension of significant client relationships.

The most significant operational risks are related to cyber threats, change projects and staff.

Cinia processes and stores confidential information belonging to clients, as well as its own data. The number of cyber threats is constantly increasing and changing and, for example, criminal hackers, human errors or abuses can cause disruptions in operations. For example, ransomware attacks may have a negative impact on the company's financial development and reputation.

Risks are reduced by, among other things, developing the protection and monitoring of the ICT infrastructure, practicing continuity management and training staff in cyber threat prevention.

Cinia strives to grow not only through organic growth, but also through acquisitions. Acquisitions and the takeover of acquired companies involve risks, which are prevented by measures taken prior to the acquisition as well as by a careful takeover. Failure in acquisitions may have a negative impact on the Group's net sales growth and profitability.

During 2024, a new ERP system will be introduced with a related information system suite. The deployment may affect the company's financial reporting and deliveries to clients.

In the ICT sector, as technology changes, staff-related risks are mainly based on the level of competence and ensuring a sufficient number of experts in project deliveries and continuous services. Risks are managed by supporting staff training and well-being at work in many ways. One of the most important ways to engage staff is to offer work that is relevant from a professional and responsibility perspective.

Financial risks are related to credit risk, currency risk, interest rate risk and liquidity risk. The company does not have a significant currency risk and the interest rate risk has been managed by entering into a multi-year interest rate swap agreement, which protects Cinia from fluctuations in market interest rates. The client base's credit risk is low on average, especially due to the significant share of public administration clients. Cinia has adequate cash reserves and overdraft facilities for its normal operations and any disruptions, so the liquidity risk is low.

Financial risks are managed through clear processes and compliance with the financial policy, as well as reliable and material financial reporting.

## Board of Directors and senior management

In the period January 1–March 29, 2023, the Chair of the Board was Esko Aho, with Olli-Pekka Kallasvuo, Annika Ekman, Vesa Aho, and Anni Vepsäläinen being the members of the Board. The Vice Chair of the Board was Olli-Pekka Kallasvuo from January 1 to March 29, 2023.

In the period March 30–December 3129, 2023, the Chair of the Board was Olli-Pekka Kallasvuo, with Annika Ekman, Vesa Aho, Anni Vepsäläinen, and Elina Piispanen being the members of the Board. The Vice Chair of the Board was Vesa Aho from March 30 to December 31, 2023.

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

Cinia Oy's auditor was PricewaterhouseCoopers Oy, with Samuli Perälä, Authorized Public Accountant (KHT) as the chief auditor.

## Shareholders

Cinia Oy's owners and ownership shares: State of Finland 77.5%, Ilmarinen Mutual Pension Insurance Company 11.2%, Pohjola Insurance Ltd. 11.2%.

Cinia Oy has 1,289,856 shares. All shares confer equal rights to dividends and the company's assets.

## Future outlook

According to economic forecasts, global economic growth will continue to be subdued in 2024, and growth is expected to rise in Finland and Europe in 2025. The short-term outlook for industry is challenging, but as consumers' purchasing power strengthens in 2024, certain sectors may start to grow. Central banks' monetary policy is anticipated to lighten up and interest rates are expected to start declining in 2024, which will support investment-intensive sectors.

The digitalization of the public sector continues with the support of the Finnish Government Programme. In the medium term, the health and social services reform may increase healthcare digitalization needs and thus increase demand in one of Cinia's key client segments. However, the Finnish government's public sector adjustment measures may slow down digitalization investments in the short term.

In the private sector, demand is more strongly influenced by the European economic cycle and the global economic situation. The general uncertainty is holding back the start of investment projects, and in the short term, companies are preparing for an increase in demand with investigations and surveys, aiming to find, for example, applications for artificial intelligence. The transition to the public cloud remains at the heart of customers' pursuit of productivity and competitiveness, but there is demand for on-prem solutions in certain sectors.

There is a growing need for new and reliable high-capacity data network connections as the data volumes transferred multiply globally. In Cinia's main market Northern Europe, the demand for connectivity services is significantly affected by the data center projects of global technology companies and their location in the vicinity of Cinia's existing and planned backbone network routes.

Competition in the recruitment markethas decreased, but is expected to tighten again in the medium and long term. The well-being of the staff and the meaningfulness and flexibility of the work play an increasingly important role in the development of the employer brand, and Cinia continues to invest in these areas.

## Significant events after the financial period

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

## Use of profits

The distributable funds of the parent company were EUR 38,387,580.49, which includes the profit for the financial year, EUR -583,053.45.

The Board of Directors proposes to the Annual General Meeting that no dividends be distributed.

# Key figures (IFRS)

Cinia uses alternative performance measures to provide meaningful additional information in relation to the financial indicators presented in the consolidated financial statements prepared in accordance with IFRS and to enhance the understanding of the profitability of the business.

| EUR million | 2023 | 2022 | 2021 |
|---|---|---|---|
| Net sales | 88.4 | 81.6 | 75.6 |
| EBITDA | 15.6 | 11.4 | 17.1 |
| EBITDA, % | 17.7% | 14.0% | 22.7% |
| Operating profit (EBIT) | 2.2 | 0.2 | 7.6 |
| Operating profit (EBIT), % | 2.5% | 0.2% | 10.1% |
| EBITA | 3.5 | 1.2 | 8.4 |
| EBITA, % | 3.9% | 1.5% | 11.1% |
| Adjusted comparable EBITA | 1.9 | 2.0 | 2.9 |
| Adjusted comparable EBITA, % | 2.1% | 2.4% | 3.8% |
| Profit/loss for the financial period | 0.3 | -1.3 | 5.4 |
| Return on equity % | 0.6% | -2.4% | 10.7% |
| Return on investment % | 1.8% | 0.1% | 7.9% |
| Cash flow from operations | 26.6 | -0.2 | 9.7 |
| Cash flow from investing activities | 0.9 | -13.3 | -13.3 |
| Cash flow from financing activities | -21.8 | 7.2 | 8.8 |
| Investments | 4.0 | 9.0 | 8.2 |
| Net debt | 32.1 | 55.4 | 37.4 |
| Net debt/EBITDA | 2.1 | 4.9 | 2.2 |
| Gearing, % | 61.1% | 105.1% | 69.9% |
| Equity ratio, % | 40.0% | 37.5% | 40.5% |
| Employees, average | 437 | 414 | 360 |

# Adjusted EBITA

| EUR million | 2023 | 2022 |
|---|---|---|
| Operating profit (EBIT) | 2.2 | 0.2 |
| Depreciation of intangible assets related to acquisitions | 1.2 | 1.0 |
| EBITA | 3.5 | 1.1 |
| Transaction costs of acquisitions | 0.2 | 0 |
| Gains/losses on disposal of fixed assets | -2.5 | 0 |
| Other items affecting comparability * | 0.7 | 0.8 |
| Adjusted comparable EBITA | 1.9 | 2.0 |

*include costs associated with the organizational change and non-recurring expense due to the remeasurement of the contingent purchase price of acquisitions

# Calculation formulas for key figures

| | | |
|---|---|---|
| EBITDA, EUR | = | Operating profit + depreciation, amortization and impairment |
| EBITDA % | = | $\frac{\text{Operating profit + depreciation, amortization and impairment}}{\text{Net sales}}$ |
| EBITA | = | Operating profit + depreciation of intangible assets related to acquisitions + impairment of goodwill |
| EBITA % | = | $\frac{\text{EBITA}}{\text{Net sales}}$ |
| Operating profit % (EBIT %) | = | $\frac{\text{Operating profit (EBIT)}}{\text{Net sales}}$ |
| Return on equity, % | = | $\frac{\text{Profit/loss for the financial period}}{\text{Equity (average during the period)}}$ |
| Return on investment, % | = | $\frac{\text{Earnings before tax + interest and other financial expenses}}{\text{Total equity + non-current and current financial liabilities (average during the period)}}$ |
| Net debt, EUR | = | Non-current and current financial liabilities + lease liabilities (IFRS16) – cash and cash equivalents and derivative receivables |
| Net debt/EBITDA | = | $\frac{\text{Net debt}}{\text{Operating profit + depreciation, amortization and impairment}}$ |
| Gearing, % | = | $\frac{\text{Net debt}}{\text{Total equity}}$ |
| Equity ratio, % | = | $\frac{\text{Total equity}}{\text{Balance sheet total – advance payments received}}$ |

# Consolidated financial statements (IFRS)

## Consolidated income statement

| EUR thousand | Note | January 1– December 31, 2023 | January 1– December 31, 2022 adjusted |
|---|---|---|---|
| **Net sales** | 2.1 | **88,371** | **81,596** |
| Other operating income | 2.2 | 3,119 | 121 |
| Materials and services | 2.3 | -32,071 | -29,592 |
| Personnel expenses | 2.3 | -36,031 | -31,671 |
| Depreciation, amortization and impairment | 3.2, 3.5, 3.6 | -13,361 | -11,228 |
| Other operating expenses | 2.3 | -7,787 | -9,036 |
| **Operating profit** | | **2,240** | **189** |
| | | | |
| Financial income | 4.5 | 113 | 7 |
| Financial expenses | 4.5 | -1,493 | -1,400 |
| Share of profit of associates and joint ventures | 3.4 | -334 | -110 |
| **Profit/loss for the financial period before taxes** | | **526** | **-1,315** |
| | | | |
| Income taxes | 5.2 | -199 | 38 |
| **Profit/loss for the financial period** | | **326** | **-1,277** |
| | | | |
| Attributable to: | | | |
| Owners of the parent company | | 326 | -1,236 |
| Non-controlling interests | | 0 | -40 |

## Consolidated statement of comprehensive income

| EUR thousand | Note | January 1– December 31, 2023 | January 1– December 31, 2022 adjusted |
|---|---|---|---|
| **Profit/loss for the financial period** | | **326** | **-1,277** |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Cash flow hedges | 4.3 | -536 | 1,218 |
| Taxes on items that may be reclassified subsequently to profit or loss | | 107 | -244 |
| Translation differences from foreign units | | | -3 |
| **Total comprehensive income for the financial period** | | **-102** | **-305** |
| | | | |
| **Attributable to:** | | | |
| Owners of the parent company | | -102 | -265 |
| Non-controlling interests | | 0 | -40 |

# Consolidated balance sheet

| EUR thousand | Note | 31.12.2023 | December 31, 2022 adjusted | January 1, 2022 adjusted |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Goodwill | 3.1, 3.2, 3.3 | 22,830 | 17,495 | 17,496 |
| Other intangible assets | 3.2 | 23,900 | 22,150 | 19,258 |
| Tangible assets | 3.5 | 60,901 | 65,599 | 64,993 |
| Right-of-use assets | 3.6 | 12,088 | 11,932 | 13,977 |
| Holdings in participating interests | 1.4, 3.4 | 0 | 0 | 0 |
| Other financial assets | 4.2 | 68 | 122 | 69 |
| Other non-current receivables | 4.2 | 1,417 | 5,487 | 3,029 |
| Derivative instruments | 4.3 | 682 | 1,218 | |
| Deferred tax assets | 5.2 | 244 | 251 | 73 |
| **Total non-current assets** | | **122,130** | **124,255** | **118,895** |
| | | | | |
| **Current assets** | | | | |
| Inventories | 3.7 | 1,090 | 1,695 | 3,694 |
| Trade and other receivables | 3.8 | 19,464 | 25,161 | 14,169 |
| Derivative instruments | 4.3 | 50 | 24 | |
| Income tax receivables | 5.2 | 122 | 194 | 308 |
| Cash and cash equivalents | 4.2 | 13,657 | 7,969 | 14,374 |
| **Total current assets** | | **34,383** | **35,043** | **32,545** |
| | | | | |
| **TOTAL ASSETS** | | **156,513** | **159,299** | **151,440** |

| EUR thousand | Note | 31.12.2023 | December 31, 2022 adjusted | January 1, 2022 adjusted |
|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | |
| **Equity attributable to owners of the parent** | | | | |
| Share capital | 4.7 | 1,682 | 1,682 | 1,682 |
| Legal reserve | 4.7 | 1,673 | 1,673 | 1,673 |
| Reserve for invested unrestricted equity | 4.7 | 19,000 | 19,000 | 19,000 |
| Hedging instrument reserve | 4.7 | 546 | 974 | |
| Translation differences | 4.7 | -3 | -3 | |
| Retained earnings | 4.7 | 28,627 | 27,598 | 29,300 |
| **Total equity attributable to owners of the parent** | | **51,525** | **50,925** | **51,655** |
| Non-controlling interests | | 1,000 | 1,792 | 1,832 |
| **Total equity** | | **52,525** | **52,717** | **53,487** |
| | | | | |
| **Non-current liabilities** | | | | |
| Loans from financial institutions | 4.1, 4.2 | 35,490 | 38,997 | 24,553 |
| Lease liabilities | 3.6 | 5,082 | 4,486 | 5,971 |
| Deferred tax liabilities | 5.2 | 3,372 | 2,848 | 2,610 |
| Other non-current liabilities | 3.9 | 26,901 | 16,841 | 13,589 |
| Provisions | 4.4 | | 126 | 176 |
| **Total non-current liabilities** | | **70,844** | **63,299** | **46,898** |
| | | | | |
| **Current liabilities** | | | | |
| Loans from financial institutions | 4.1, 4.2 | 3,518 | 18,518 | 22,118 |
| Lease liabilities | 3.6 | 2,404 | 2,617 | 2,871 |
| Trade and other payables | 3.9 | 26,884 | 22,021 | 25,523 |
| Income tax liabilities | 5.2 | 39 | 3 | 368 |
| Provisions | 3.10 | 300 | 125 | 175 |
| **Total current liabilities** | | **33,144** | **43,283** | **51,055** |
| | | | | |
| **Total liabilities** | | **103,988** | **106,582** | **97,953** |
| **TOTAL EQUITY AND LIABILITIES** | | **156,513** | **159,299** | **151,440** |

# Consolidated cash flow statement

| EUR thousand | Note | January 1–December 31, 2023 | January 1–December 31, 2022 adjusted |
|---|---|---|---|
| **Cash flow from operations** | | | |
| Profit/loss for the financial period before taxes | | 526 | -1,315 |
| Adjustments | | | |
| Depreciation, amortization and impairment | 3.2, 3.5, 3.6 | 13,361 | 11,228 |
| Gains and losses from sales of fixed assets, subsidiaries and businesses | | -3,077 | -82 |
| Net financial income and expenses | | 1,381 | 1,394 |
| Share of associates | | 334 | 110 |
| Change in provisions | 3.10 | 50 | -100 |
| Other adjustments | | -370 | -338 |
| Cash flow before change in working capital | | 12,203 | 10,898 |
| Change in working capital: | | | |
| Increase (-)/decrease (+) in trade and other receivables | | 9,667 | -13,116 |
| Increase (-)/decrease (+) in inventories | | 606 | 1,999 |
| Increase (+)/decrease (-) in accounts payable and other liabilities | | -1,511 | 1,091 |
| Operating cash flow before financial items and taxes | | 8,762 | -10,026 |
| | | | |
| Advance payments received | | 6,569 | 2,918 |
| Interest income | | 113 | 8 |
| Interest paid | | -1,509 | -3,901 |
| Income taxes paid | | 438 | -145 |
| **Total cash flow from operations** | | **26,577** | **-248** |

| EUR thousand | Note | January 1–December 31, 2023 | January 1–December 31, 2022 adjusted |
|---|---|---|---|
| **Cash flow from investing activities** | | | |
| Acquisitions of subsidiaries and businesses less cash and cash equivalents at the time of acquisition | 3.1 | -4,899 | |
| Subsidiaries' contingent consideration | | | -2,400 |
| Acquisition of joint ventures | | | -67 |
| Loans granted | | -162 | -266 |
| Investments in tangible and intangible assets | 3.2, 3.5 | -4,080 | -10,882 |
| Investment grants received | | 6,940 | 214 |
| Sales of tangible and intangible assets | | 3,097 | 82 |
| Sales of other investments | | 41 | |
| **Total cash flow from investing activities** | | **938** | **-13,320** |
| | | | |
| **Cash flow from financing activities** | | | |
| Proceeds from borrowings | | | 40,000 |
| Repayments of borrowings | | -18,518 | -29,118 |
| Repayments of lease liabilities | | -3,309 | -3,203 |
| Dividends paid | | | -516 |
| **Total cash flow from financing activities** | | **-21,827** | **7,163** |
| | | | |
| **Change in cash and cash equivalents** | | **5,688** | **-6,405** |
| Cash and cash equivalents at the beginning of the financial period | | 7,969 | 14,374 |
| **Cash and cash equivalents at the end of the financial period** | | **13,657** | **7,969** |

# Consolidated statement of changes in equity

| | Equity attributable to owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| EUR thousand | Share capital | Legal reserve | Reserve for invested unrestricted equity | Hedging instrument reserve | Translation differences | Retained earnings | Total | Non-controlling interests | Total equity |
| **Equity January 1, 2023** | **1,682** | **1,674** | **19,000** | **974** | **-3** | **27,598** | **50,925** | **1,792** | **52,717** |
| Profit/loss for the financial period | | | | | | 326 | 326 | | 326 |
| Cash flow hedges | | | | -429 | | | -429 | | -429 |
| **Comprehensive income for the financial period** | | | | **-429** | **0** | **326** | **-102** | | **-102** |
| Changes in non-controlling interests | | | | | | 702 | 702 | -792 | -90 |
| **Equity December 31, 2023** | **1,682** | **1,674** | **19,000** | **546** | **-3** | **28,627** | **51,525** | **1,000** | **52,525** |

| | Equity attributable to owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| EUR thousand | Share capital | Legal reserve | Reserve for invested unrestricted equity | Hedging instrument reserve | Translation differences | Retained earnings | Total | Non-controlling interests | Total equity |
| **Equity December 31, 2021** | **1,682** | **1,673** | **19,000** | | | **29,300** | **51,655** | **1,832** | **53,487** |
| Adjustments | | | | | | 51 | **51** | | **51** |
| **Equity January 1, 2022 adjusted** | **1,682** | **1,673** | **19,000** | | | **29,351** | **51,706** | **1,832** | **53,538** |
| Profit/loss for the financial period | | | | | | -1,236 | -1,236 | -40 | -1,277 |
| Cash flow hedges | | | | 974 | | | 974 | | 974 |
| Other comprehensive income | | | | | -3 | | -3 | | -3 |
| **Comprehensive income for the financial period** | | | | **974** | **-3** | **-1,236** | **-265** | **-40** | **-305** |
| Distribution of dividends | | | | | | -516 | -516 | | -516 |
| **Equity December 31, 2022 adjusted** | **1,682** | **1,673** | **19,000** | **974** | **-3** | **27,598** | **50,925** | **1,792** | **52,717** |

# Notes to the consolidated financial statements

## 1. GENERAL ACCOUNTING POLICY

### 1.1 General information

Cinia Group (“Cinia”) is a Finnish company offering international telecommunications, cyber security, cloud, and software solutions. Cinia provides a variety of specialist and connectivity services in the Finnish and international telecommunications market as well as services for the development of telecommunications-intensive systems and software in Finland. The Group’s parent company is Cinia Oy, a Finnish limited liability company operating under the legislation of the State of Finland. The parent company has its registered office in Helsinki at Ilmalantori 1, FI-00240 Helsinki, Finland.

In its meeting on March 7, 2024, Cinia Oy Board of Directors approved the publication of these financial statements. Under the Finnish Limited Liability Companies Act, shareholders have the option to adopt or reject the financial statements at the Annual General Meeting, and the shareholders may also amend the financial statements at the Annual General Meeting.

Copies of the consolidated financial statements are available from the headquarters of the Group’s parent company at the address Ilmalantori 1, FI-00240 Helsinki, Finland. The Financial Statements Bulletin is available online at www.cinia.fi.

### 1.2 Accounting policy for the financial statements

The consolidated financial statements of Cinia were prepared in accordance with the International Financial Reporting Standards, IFRS, applying the IFRS and IAS financial statement standards and IFRIC and SIC interpretations in effect on December 31, 2023. 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 and embodied in the Finnish accounting legislation and the statutes enacted under it. The notes to the consolidated financial statements also comply with the Finnish accounting and company legislation supplementing the IFRS financial statement standards.

The information in the consolidated financial statements is presented in euros, as the euro is the Group’s parent company’s functional and presentation currency, and they are based on the original cost excluding any financial assets and liabilities recognized at fair value through profit or loss or through other comprehensive income items. The figures in the financial statements are presented in thousands of euros. All figures shown have been rounded up or down, so the sums of individual figures may differ from the amount shown. The key figures have been calculated using unrounded values.

The income statements and balance sheets of joint ventures whose functional currency is not the euro are translated into the Group’s reporting currency so that the assets and liabilities on the balance sheets are translated at the closing rate on the closing date, the income and expenses in the income statements are translated at the average rates of the financial year and the translation differences arising are recognized through other comprehensive income.

Transactions in foreign currencies are translated to the functional currency by using the exchange rates for the transaction dates, or if the items are remeasured, by using the exchange rates for the measurement date. Exchange rate gains and losses resulting from payments related to business transactions and to converting monetary assets and liabilities in foreign currencies by using the rate for the closing date are recognized in the income statement as other operating income and expenses. The company has no significant business transactions in foreign currencies.

### 1.3 Key accounting estimates and significant judgments based on management discretion

The preparation of IFRS financial statements requires estimates and assumptions from the company’s management, which affect the recognized amounts reported in the notes. Even though these estimates are based on management’s best view of current events and actions, actual results may differ from the estimates.

In addition, management judgment is required in the application of the accounting policy, especially when there are alternative recognition, measurement and presentation methods in the IFRS.

The sources of uncertainty identified in the Group related to accounting estimates and decisions based on management discretion that are considered to meet these criteria are presented in connection with the items they are considered to affect. The following table shows the most significant situations in which estimates or management judgment have been used, as well as references to where these descriptions can be found.

| Accounting estimates and judgments based on management discretion | Note |
|---|---|
| Business combination | 3.1 |
| Goodwill and testing for impairment | 3.3 |
| Leases | 3.6 |

### 1.4 Group structure

#### SUBSIDIARIES

The consolidated financial statements comprise the parent company Cinia Oy and those subsidiaries in which the parent company directly or indirectly holds more than half of the voting rights conveyed by the shares, or over which the parent company otherwise has control. Subsidiaries are consolidated from the moment the Group has gained control and divested subsidiaries until control ceases.

Intra-group holdings are eliminated by using the acquisition method. The consideration transferred and the identifiable assets and liabilities of the acquired business are valued at fair value. The transferred consideration includes the fair value of the asset or liability resulting from a conditional consideration arrangement.

Any direct acquisition costs related to business combinations are recognized as other operating expenses. The excess of the aggregate of the transferred consideration and the non-controlling interest in the acquiree over the fair value of the acquired net assets is recognized in the balance sheet as goodwill. If the aggregate of the transferred consideration and the non-controlling interest in the acquiree is lower than the fair value of the acquired net assets, the difference is recognized through profit and loss as gains generated from a profitable transaction at the date of acquisition.

Business transactions, receivables, liabilities and unrealized gains between the Group companies are eliminated. Unrealized losses are not eliminated if the loss is incurred as a result of impairment. The subsidiaries' accounting policies have been adjusted so that they are in line with the Group's policies, as necessary.

### ASSOCIATES AND JOINT VENTURES

An associate is an entity over which the investor has significant influence, but not control or joint control.

Mutual arrangements are arrangements in which two or more parties have joint contractual control. Joint control exists only when decisions on relevant activities require the unanimous approval of the parties sharing control. A joint venture is a mutual arrangement under which the parties that have mutual control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint ventures are accounted for using the equity method and are initially recognized at cost. The carrying amount of the investments is adjusted for changes accumulated after the acquisition. The Group's share of the profit and loss of associates and joint ventures for the financial year based on its holding is presented as a separate item.

### SUBSIDIARIES

| | Country of registration | Group's holding, % |
|---|---|---|
| C-Lion1 Oy, Helsinki | Finland | 99.9 |
| Cinia Cloud GmbH, Eschborn | Germany | 100.0 |
| Cinia Alliance Oy, Helsinki | Finland | 100.0 |
| Avanio Oy, Salo | Finland | 100.0 |
| FNF Europe Oy | Finland | 100.0 |

### ASSOCIATES AND JOINT VENTURES

| | Country of registration | Group's holding, % |
|---|---|---|
| **Associated companies** | | |
| Dataspace Europe Oy, Helsinki | Finland | 28.86 |
| **Joint ventures** | | |
| Far North Fiber Inc., Anchorage | USA | 33.33 |

## 1.5 New IFRSs, amendments to standards and IFRS interpretations

The consolidated financial statements have been prepared following the same accounting principles as in 2022. During the financial period, no IFRS standards or IFRIC interpretations having a material effect on the consolidated financial statements took effect.

The new standards and interpretations that were published but not in effect during the financial period starting on 1 January 2020 and not adopted prematurely, including the Group's estimate of the impact of these new standards and interpretations, are presented below.

- Supplier finance arrangements – Amendments to IAS 7 and IFRS 7, new disclosure requirements concerning supplier finance, effective January 1, 2024 (not yet approved in the EU). The changes are not expected to have an effect on the consolidated financial statements.
- Amendments to IAS 21 – Lack of Exchangeability, the amendments affect an entity that has transactions or a function in a foreign currency that is not convertible to another currency on the valuation date for the specified purpose, effective January 1, 2025 (not yet approved in the EU). The changes are not expected to have an effect on the consolidated financial statements.
- Amendments to IAS 1, long-term debt with covenants. The amendments will bring additional disclosure requirements for loans involving covenants, effective January 1, 2024. The amendments are not expected to have a material effect on the consolidated financial statements.
- Amendments to IFRS16 Leases: Lease liability in a Sale and Leaseback. IASB has published minor amendments to the sale and leaseback requirements of IFRS 16, effective January 1, 2024. The amendments are not expected to have a material effect on the consolidated financial statements.

## 1.6 Adjustments for prior financial periods

### ADJUSTMENT TO REPORTED LEASES

The agreements included in the scope of application of Cinia's IFRS16 leases has been supplemented.

Due to the change, Cinia presents an adjusted income statement and balance sheet for 2022 and a starting balance sheet for 2022 in its consolidated financial statements. The cash flow statement and the statement of changes in equity have also been adjusted with regard to 2022.

Adjustments to the calculation of leases for the reference year also affect the following notes:

- 3.6 Leases
- 4.1 Financial risk management, table Contractual cash flows for financial liabilities
- 4.2 Financial assets and liabilities, tables Fair values of financial assets and liabilities and Changes in liabilities arising from financing activities and Net debt calculation
- 4.5 Financial income and expenses
- 4.6 Capital management
- 5.2 Income taxes, deferred taxes

In addition to the deferred taxes related to IFRS 16 leases, the previous classification error of EUR -78 thousand has been adjusted in deferred taxes. The adjusted equity total on January 1, 2022 includes the adjustment made in 2022 to retained earnings, EUR 51 thousand.

| EUR thousand | 2022 | Adjustment | Adjusted 2022 |
|---|---|---|---|
| **Right-of-use assets** | 8,642 | 3,290 | 11,932 |
| | | | |
| **Lease liabilities** | | | |
| Lease liabilities Jan 1 | 5,130 | 3,712 | 8,842 |
| Increase | 1,187 | 439 | 1,626 |
| Decrease | -161 | 0 | -161 |
| Interest expenses | 38 | 111 | 149 |
| Repayments | -2,437 | -916 | -3,352 |
| **Lease liabilities Dec 31** | **3,758** | **3,346** | **7,103** |
| | | | |
| Non-current lease liabilities | 1,995 | 2,491 | 4,486 |
| Current lease liabilities | 1,762 | 854 | 2,617 |
| **Total** | **3,758** | **3,346** | **7,103** |

| EUR thousand | 2022 | Adjustment | Adjusted 2022 |
|---|---|---|---|
| Deferred tax assets | 368 | -117 | 251 |
| Deferred tax liabilities | 2,926 | -78 | 2,848 |
| | | | |
| **Consolidated income statement** | | | |
| Materials and services | -30,508 | 916 | -29,592 |
| Depreciation of property, plant and equipment | -10,377 | -851 | -11,228 |
| | | | |
| **Operating profit** | **125** | **64** | **189** |
| | | | |
| Interest on lease liabilities | -1,290 | -111 | -1,400 |
| Income taxes | 29 | 9 | 38 |
| | | | |
| **Profit/loss for the financial period** | **-1,239** | **-37** | **-1,277** |
| | | | |
| **Consolidated cash flow statement** | | | |
| Cash flow from operations | -1,053 | 805 | -248 |
| Cash flow from financing activities | 7,968 | -805 | 7,163 |
| | | | |
| **Contractual cash flows for financial liabilities** | | | |
| Lease liabilities, non-current 1–5 years | 2,056 | 2,947 | 5,003 |
| Lease liabilities, current < 1 year | 1,800 | 936 | 2,736 |
| **Total** | **3,856** | **3,884** | **7,740** |
| | | | |
| **Consolidated changes in equity** | | | |
| Total equity January 1 | 53,544 | -6 | 53,538 |
| Total equity December 31 | 52,811 | -94 | 52,717 |

## 2. OPERATING PROFIT OR LOSS

### Accounting policy

The Group's business is telecommunications expert and connectivity services, as well as services related to digital solutions. Products, mainly telecommunications and IT systems, are sold as part of the services.

The amount of turnover is based on the consideration expected from the customer, to which the company considers itself entitled, and does not include any consideration collected on behalf of third parties.
The Group recognizes revenue when control of products and services has been transferred to the customer.

The Group typically provides customers with comprehensive ICT services. Individual supply contracts are often grouped under a common framework agreement. The framework agreement defines the general terms of delivery for the delivery contracts within its scope. The content of the delivery, performance obligations and usually also pricing are defined in the delivery contract. Consideration is needed to determine for which contract entity net sales are recognized; for an individual supply contract or a group of linked contracts.

The performance obligation may be satisfied and revenue recognized either over time or at a specific point in time. The key criterion is the transfer of control.

The net sales recognized from service contracts is based on service volumes or time and materials, and performance obligations are recognized as revenue for the period during which the service or project is delivered. Usually, services are provided and control is transferred to the customer over time, because the customer either receives and consumes the benefit of the Group's performance at the same time or the Group's performance does not create an asset with an alternative use for the Group, in which case the Group has an enforceable right to payment for the work performed. Revenue from projects based on hourly or daily fee arrangements is recognized based on actual invoiced working hours. Revenue from continuous services is recognized based on agreements. Fixed-term service contracts are recognized as income during the contract period, and the essential contract opening fees as well as the related expenses and discounts are distributed throughout the contract period. Service contracts that are valid until further notice are recognized as income over time. The opening fees as well as the related expenses are recognized as income according to the estimated duration of the customer relationship and, if there is no estimate, over 36 months.

For performance obligations to be fulfilled at a point in time, such as system and license deliveries, the customer acquires control or right and sales proceeds are recognized as revenue when the system or license is transferred to the customer in accordance with the terms of delivery.

For contracts that include a long-term construction project as well as other projects at a fixed price, net sales are recognized on the basis of the services provided by the reporting date pro rata to the total volume of services provided. This is determined on the basis of the accumulated labor costs in relation to the expected total labor costs, as this best describes the transfer of control to the customer. Estimates of revenue, expenses and degree of completion are revised as circumstances change and any resulting income or expenses are recognized through profit or loss for the reporting period during which the change is identified. In fixed-price projects, invoicing and customer payments follow the payment schedule agreed in the customer agreement. If the services provided by the Group exceed the payment, a contractual asset is recognized. If the payments exceed the amount of services provided, a contractual liability is recognized.

In the majority of businesses, covering continuous services, projects based on time and materials, and consulting, the delivered performance obligations are invoiced on a monthly basis. Where contracts involve multiple performance obligations, the transaction price is allocated to each performance obligation on the basis of their contractually determined stand-alone selling prices. These are visible in the contracts and represent the prices charged to similar customers in similar circumstances. The Group recognizes a receivable at the time of invoicing, as it represents the time when the right to consideration becomes unconditional, as the consideration falling due only requires the passage of time. The Group's payment terms vary from customer to customer from 14 to 90 days, with the majority of customers having payment terms of 14 to 30 days.

Cinia does not have any contracts in which more than a year would pass between delivery and payment by the client, and therefore transaction prices are not adjusted by the time value of money.

## 2.1 Distribution of net sales

The company has divided its business into business areas: Network Solutions, Software Solutions, Cyber Security Solutions, and Avanio.

The Network Solutions business area consists of continuous services, system and license sales, long-term construction services, as well as projects and consulting.

The Cyber Security Solutions business area consists of continuous services, system and license sales, as well as projects and consulting.

The Software Solutions business area consists of projects and consulting, as well as continuous services.

The Avanio business area was established after Cinia acquired Avanio Oy on June 30, 2023. It consists of consulting as well as system and license sales.

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Network Solutions | 42,154 | 44,337 |
| Software Solutions | 22,113 | 22,535 |
| Cyber Security Solutions | 22,097 | 14,724 |
| Avanio | 2,008 | |
| **Total** | **88,371** | **81,596** |

Of the net sales, 89 (90) percent is allocated to clients located in Finland.
The net sales include rental income of EUR 1.9 (1.3) million (Note 3.6).

### ASSETS RECOGNIZED FROM CONTRACT FULFILMENT COSTS

| EUR thousand | 2023 | 2022 |
|---|---|---|
| **Capitalized start-up expenditure, opening balance** | **11,325** | **9,390** |
| Capitalized during the financial period | 1,215 | 3,519 |
| Recognized as expense during the financial period | -4,000 | -1,585 |
| **Capitalized start-up expenditure, closing balance** | **8,540** | **11,325** |

### CONTRACTUAL ASSETS AND LIABILITIES

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Trade receivables | 18,215 | 21,268 |
| Contractual assets | 8,540 | 11,325 |
| Contractual liabilities | 26,348 | 19,897 |

Contractual assets consist of expenses related to customer contracts, which are amortized over the contract period. Contractual assets include IRU receivables and capitalized investment projects related to customer contracts, as well as receivables from projects that are recognized according to the degree of completion.

Contractual liabilities consist of advances received that are recognized as income in subsequent financial periods. Advances received include IRU liabilities, opening/commissioning fees that are recognized for the contract period, and liabilities from projects that are recognized according to the degree of completion.

Contractual liabilities broken down into non-current, current and accrued liabilities in Note 3.9.
The Group did not recognize any impairment losses on contractual assets in 2022.

### BREAKDOWN OF CONTRACTUAL LIABILITIES

| EUR thousand | 2023 | 2022 |
|---|---|---|
| **Contractual liabilities, opening balance** | **19,897** | **16,767** |
| Recognized as revenue during the financial period | 2,479 | 2,028 |
| Increase during the financial period | 8,930 | 5,158 |
| **Contractual liabilities, closing balance** | **26,348** | **19,897** |

## 2.2 Other operating income

### ACCOUNTING POLICY

Income other than income relating to actual sales is presented in other operating income. Other operating income includes public grants received for the development of services and other public grants, indemnities received from insurance companies, capital gains from the sale of tangible and intangible assets, subsidiaries and businesses, and income from the remeasurement of additional purchase prices.

Public grants received for product development projects are recognized in other operating income when the product development expenditure is recognized as an annual expense. If the public grant is related to product development expenditure to be capitalized, that is, it is likely that the product development expenditure will produce economic benefits for the Group in the future, the grant received reduces the capitalized acquisition cost.

Public grants received for an unfinished product development project are recognized as an asset on the balance sheet in accrued income when the grant is likely to be received and the Group meets the conditions for receiving the grant or the grant has already been paid. Grants are recognized as revenue in the income statement in the period in which the expenses covered by the grant are incurred or when the unfinished product development project has been completed and amortization has begun, in which case the grant is recognized as revenue through lower amortization.

### OTHER OPERATING INCOME

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Capital gains from tangible and intangible assets and investments | 3,091 | 82 |
| Other income* | 29 | 39 |
| **Total** | **3,119** | **121** |

*Other income includes other income not included in the ordinary course of business.

In 2023, Cinia Ltd divested its regional network operation business and recorded a capital gain of EUR 2.7 million from the transaction in other operating income (Note 3.1).

## 2.3 Operating expenses

### ACCOUNTING POLICY

**Materials and services**

The Materials and services item includes expenses related directly to service production. Purchases include the procurement of materials, supplies and goods used in the production of services, as well as licenses.

Manufacturing for own use mainly includes salary and personnel expenses related to the acquisition of fixed assets, as well as materials and supplies taken from inventories.

### MATERIALS AND SERVICES

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Manufacturing for own use | -282 | -950 |
| Purchases during the financial period | 11,641 | 8,874 |
| Change in inventories | 633 | 1,864 |
| External services | 20,079 | 19,805 |
| **Total** | **32,071** | **29,592** |

### Personnel expenses

All of Cinia's pension plans are defined contribution plans, and the employee pension plans are in Finland. A defined contribution plan is a plan in which the Group makes fixed contributions for the pension liability. The Group has no legal or actual obligations to any additional payments if the insurance assets are not sufficient for paying all pensions based on work performance to all employees for the current or previous financial period.

#### PERSONNEL

| | 2023 | 2022 |
|---|---|---|
| Average number of employees | 437 | 414 |
| Personnel at the end of the period | 451 | 423 |

#### PERSONNEL EXPENSES

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Salary expenses | 29,985 | 26,287 |
| Pension costs | 5,007 | 4,512 |
| Other personnel expenses | 1,039 | 872 |
| **Total** | **36,031** | **31,671** |

### Other operating expenses

Other operating expenses include expenses other than acquisition costs of sold outputs, such as premises expenses, IT and software expenses, administrative expenses, and entertainment, marketing and communications expenses. In addition, other operating expenses include rents recognized in the income statement for leases classified as short-term or assets classified as low value, as well as non-index-based variable rents recognized as expenses. Other operating expenses also include losses arising from the disposal of tangible and intangible assets.

#### OTHER OPERATING EXPENSES

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Voluntary personnel expenses | 1,383 | 1,409 |
| Premises expenses | 521 | 546 |
| IT hardware and software expenses | 2,171 | 2,813 |
| Travel expenses | 574 | 597 |
| Entertainment and marketing expenses | 749 | 758 |
| Administrative services | 1,040 | 1,276 |
| Other operating expenses* | 1,350 | 1,638 |
| **Total** | **7,787** | **9,036** |

*Other operating expenses include other administrative expenses, such as mobile phone and telecommunications equipment and data costs, insurance, and car operating expenses.

#### AUDITOR'S FEES

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Audit fees | 57 | 43 |
| Tax advice | 10 | |
| Other fees | 62 | 3 |
| **Total** | **129** | **46** |

# 3. BALANCE SHEET

## 3.1 Business combination and divested businesses

### ACCOUNTING POLICY

The acquired subsidiaries and businesses have been consolidated from the moment Cinia gained control of the acquiree. The acquisition method is applied to business combinations. The consideration transferred in the acquisition of a subsidiary includes the fair value of the assets transferred, the liabilities incurred to the previous owners of the acquiree, and the shares issued by the Group. The transferred consideration also includes the fair value of the asset or liability resulting from a conditional consideration arrangement.

The identifiable assets acquired and identifiable liabilities assumed in a business combination are initially measured at their fair value on the date of acquisition. Identifiable assets include tangible assets as well as intangible assets, such as customer relationships, brand and technology.

Acquisition-related expenses are recognized as expenses when they arise and they are presented in the income statement in other operating expenses.

### Acquisitions 2023

During the financial year 2023, the Group acquired 100 per cent of Avanio Oy's share capital. The acquisition resulted in goodwill of EUR 5.3 million, which was recognized on the consolidated balance sheet. Goodwill includes labor, customer relationships and buyer-specific synergies, such as cross-selling to Cinia's existing customers.

### Acquisitions 2022

No new acquisitions of business operations were carried out in the Group during the financial year 2022.

### Contingent consideration

*Avanio Oy*

In connection with the acquisition of Avanio Oy, a contingent consideration was agreed based on the achievement of predefined EBITDA levels during the two-year follow-up period following the transaction date (June 30, 2023). The discounted value of the additional purchase price on the closing date was estimated at EUR 3.0 million (value at the time of acquisition: EUR 3.0 million). A rate consistent with impairment testing was used as the discount rate on the closing date (Note 3.3). Estimates of future EBITDA levels and their effect on the contingent consideration are based on the management's estimate of the future development of the business. The limited duration of the follow-up period and the basis for determining the final purchase price limit potential changes in the discounted value mainly to the future EBITDA of the acquired company in relation to current forecasts. Transaction costs of EUR 0.1 million and asset transfer tax of EUR 0.1 million were recognized for the acquisition.

*OptimeSys Group Oy*

In connection with the acquisition of OptimeSys Group Oy, a contingent consideration was agreed based on the fulfilment of predefined conditions in the follow-up period after the transaction date. The discounted value of the estimated additional purchase price at the time of acquisition was EUR 2.7 million.

The amount of the additional purchase price was detailed further during the financial year 2023. An additional purchase price of EUR 3.3 million was paid during the financial year. The remaining additional purchase price at the end of the financial year is estimated at EUR 0.2 million.

*NDC Networks Oy*

In connection with the acquisition of NDC Networks Oy, a contingent consideration was agreed based on the fulfilment of predefined conditions in the follow-up period after the transaction date. The value of the estimated additional purchase price at the time of acquisition was EUR 1.7 million. The actual additional purchase price paid in 2022 was EUR 1.9 million.

### Business combination

Avanio's turnover, which is included in the statement of comprehensive income as of July 1, 2023, was EUR 2.0 million. The company's profit for the said period is EUR 0.2 million.

Had Avanio been consolidated as of January 1, 2023, the pro forma net sales on the consolidated income statement would have been EUR 4.3 million and profit EUR 0.3 million.

**2023**

| EUR thousand | Avanio |
|---|---|
| **Paid consideration** | **8,605** |
| Fair values of acquired identifiable funds and liabilities assumed at the time of acquisition | |
| Intangible assets | 3,305 |
| Tangible assets and right-of-use assets | 205 |
| Trade and other receivables | 612 |
| Cash in hand and at bank | 843 |
| **Total assets** | **4,965** |
| Trade payables, lease liabilities and other liabilities | 1,033 |
| Deferred tax liability | 661 |
| **Total liabilities** | **1,694** |
| | |
| **Total net assets acquired** | **3,271** |
| | |
| **Goodwill** | **5,334** |
| **Acquisition's contribution to cash flow** | |
| Total consideration | -8,605 |
| of which the share of additional purchase price | 2,952 |
| Consideration paid in cash | -5,653 |
| Acquired cash and cash equivalents | 843 |
| **Acquisition's contribution to cash flow** | **-4,810** |

### Sales of businesses

During the financial year 2023, the Group carried out a business transaction on October 31, 2023, in which the business of operating regional networks was sold to an external buyer. The transaction resulted in a capital gain of MEUR 2.7 in other operating income, including a provision of EUR 0.5 million for any refund of the selling price. The refund will be paid if the profitability of the sold item is below the forecasts at the time of the transaction. In addition, transaction expenses of EUR 0.2 were paid for the transaction in other operating income.

The Group did not divest any businesses in the 2022 financial year.

### Mergers December 31, 2023

Cinia Ltd's subsidiary Arctic Link Development Oy merged with the subsidiary Cinia Alliance Oy on December 31, 2023.

### Mergers December 31, 2022

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

### Judgments based on management discretion

Net assets acquired in business combinations are measured at fair value. The measurement of the fair value of acquired net assets is based on the fair value of corresponding assets (tangible assets), expected future cash flows (intangible assets) or an estimate concerning payments required for the fulfilment of obligations (such as provisions included in liabilities). Measurement based on current replacement values, expected cash flows or estimated sales prices requires management to use judgment and assumptions. The estimates and assumptions used are, in the management's opinion, sufficiently reliable for measuring the fair value.

## 3.2 Intangible assets

#### ACCOUNTING POLICY

### Goodwill

Goodwill arises from the acquisition of subsidiaries at the amount by which the consideration of the purchase price exceeds the fair value of the identifiable net assets.

Goodwill acquired in a business combination is allocated for impairment testing to those cash-generating units that are expected to benefit from the synergies of the combination. The unit to which goodwill is attributed is the lowest level of the enterprise where goodwill is internally monitored for management purposes.

Goodwill is reviewed annually for impairment, or more frequently if events or changes in circumstances indicate any impairment. The carrying amount of a cash-generating unit that includes goodwill is compared with the recoverable amount, which is the higher of value in use and fair value less costs to sell. Any impairment is recognized as an expense immediately and will not be reversed later.

### Other intangible assets

Other intangible assets include license fees for information systems and software, as well as development costs related to information networks. Intangible assets are included in the balance sheet only if it is likely that the expected economic benefits for the asset benefit the Group and the asset's acquisition cost can be determined in a reliable manner.

Intangible assets with a limited economic life are recognized at initial cost and amortized on a straight-line basis overt their estimated economic lives. The depreciation periods for intangible assets are as follows: client base and technology 5–10 years and other intangible assets 3–30 years.

Intangible assets with unlimited economic lives are not amortized, but they are tested annually for impairment. Except for goodwill, the Group has no intangible assets with unlimited useful lives.

**2023**

| EUR thousand | Goodwill | Client base and technology | Other intangible assets | Acquisitions in progress | Total intangible assets |
|---|---|---|---|---|---|
| **Acquisition cost Jan 1** | **17,495** | **9,025** | **15,917** | **3,176** | **45,614** |
| Increase | | | 2,138 | 427 | 2,565 |
| Acquisitions | 5,334 | 3,305 | | | 8,639 |
| Decrease | 0 | | -1,750 | | -1,750 |
| **Acquisition cost Dec 31** | **22,830** | **12,330** | **16,305** | **3,604** | **55,068** |
| | | | | | |
| **Accumulated depreciation and impairment Jan 1** | | **1,856** | **4,113** | | **5,969** |
| Increase | | | 730 | | 730 |
| Decrease | | | -1,720 | | -1,720 |
| Depreciation for the financial period | | 1,197 | 2,163 | | 3,361 |
| **Accumulated depreciation and impairment Dec 31** | | **3,053** | **5,286** | | **8,339** |
| | | | | | |
| **Carrying amount January 1, 2023** | **17,495** | **7,169** | **11,804** | **3,176** | **39,645** |
| **Carrying amount December 31, 2023** | **22,830** | **9,277** | **11,019** | **3,604** | **46,729** |

The total amount of research and development expenditure recognized as expenses in the period was EUR 1.6 million.

**2022**

| EUR thousand | Goodwill | Client base and technology | Other intangible assets | Acquisitions in progress | Total intangible assets |
|---|---|---|---|---|---|
| **Acquisition cost Jan 1** | **17,496** | **9,025** | **11,821** | **2,439** | **40,780** |
| Increase | | | 4,457 | 738 | 5,195 |
| Decrease | 0 | | -361 | | -361 |
| **Acquisition cost Dec 31** | **17,495** | **9,025** | **15,917** | **3,176** | **45,614** |
| | | | | | |
| **Accumulated depreciation and impairment Jan 1** | | **861** | **3,166** | | **4,026** |
| Decrease | | | -343 | | -343 |
| Depreciation for the financial period | | 995 | 1,290 | | 2,285 |
| **Accumulated depreciation and impairment Dec 31** | | **1,856** | **4,113** | | **5,969** |
| | | | | | |
| **Carrying amount January 1, 2022** | **17,496** | **8,164** | **8,656** | **2,439** | **36,754** |
| **Carrying amount December 31, 2022** | **17,495** | **7,169** | **11,804** | **3,176** | **39,645** |

The total amount of research and development expenditure recognized as expenses in the period was EUR 1.8 million.

## 3.3 Goodwill and testing for impairment

### ACCOUNTING POLICY

Goodwill is assessed to determine any impairment whenever there are indications that the value may be impaired, but at least once a year. For goodwill testing, goodwill is allocated to the lowest independent cash-flow generating levels (CGUs) to which the goodwill of individual acquisitions can be allocated.

The recoverable amount for a cash-generating unit is based on calculations for its value in use. In generating cash flow, the development of turnover and operating margin (EBITDA), changes in working capital and cash flows used for investments play a key role. The future cash flow projections used in the calculations are based on calculations approved by the Group's management, with the forecast period being five years. Estimated cash flows are at face value. Cash flows after the forecast period, i.e. the terminal value, have been estimated using a long-term growth rate of 2%, based on an estimate of long-term real growth and inflation. In the management's view, these growth estimates reflect the business development over the long term as forecasted.

### Discount rate

The discount rate used in the calculations is the weighted average cost of capital before taxes (WACC), which describes the total cost of equity and debt capital, as well as the market risks associated with the business. The components of WACC are the risk-free interest rate, which is referenced to the German 30-year sovereign bond rate, the Finnish country risk premium, the market risk premium and credit risk premium, the peer industry beta, the estimated capital structure of the business in question and the risk premium based on the size of Cinia Group.

**The Group's goodwill is allocated to cash-generating units as follows:**

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Network Solutions, Finland | 10,746 | 10,746 |
| Cyber Security Solutions | 3,516 | 3,516 |
| Software Solutions | 3,234 | 3,234 |
| Avanio Oy | 5,334 | |
| **Total** | **22,830** | **17,495** |

### KEY ASSUMPTIONS AND RESULTS USED IN GOODWILL TESTING

| 31.12.2023 | Network Solutions, Finland | Cyber Security Solutions | Software Solutions | Avanio |
|---|---|---|---|---|
| Length of tested period | 5 years | 5 years | 5 years | 5 years |
| Terminal growth rate | 2.0% | 2.0% | 2.0% | 2.0% |
| Terminal profitability (EBITDA %) | 17.0% | 21.7% | 16.2% | 17.7% |
| Discount rate (pre-tax WACC) | 7.1% | 10.2% | 10.6% | 11.1% |
| The recoverable amount exceeds the carrying amount (%) | 162% | 245% | 287% | 166% |

| 31.12.2022 | Network Solutions, Finland | Cyber Security Solutions | Software Solutions |
|---|---|---|---|
| Length of tested period | 5 years | 5 years | 5 years |
| Terminal growth rate | 2.0% | 2.0% | 2.0% |
| Terminal profitability (EBITDA %) | 15.0% | 17.0% | 14.5% |
| Discount rate (pre-tax WACC) | 7.6% | 13.8% | 14.5% |
| The recoverable amount exceeds the carrying amount (%) | 72% | 29% | 124% |

During the financial year 2023, new goodwill was recognized from the acquisition of the entire share capital of Avanio Oy (June 30, 2023) as part of Cinia Group. The new arisen goodwill, amounting to EUR 5,334 thousand, is attributed to the new CGU comprised of the business of Avanio Oy. No businesses with goodwill were divested during the financial year 2023.

No businesses with goodwill were divested during the financial year 2022. No new goodwill was recognized during the financial year 2022.

The testing of goodwill for impairment carried out did not indicate any impairment. In addition to the above-mentioned CGUs, Cinia's business includes a fifth CGU, Network Solutions, International. No goodwill is attributed to this CGU, but the values of the assets allocated to it are monitored from the perspective of potential risk of impairment.

### Sensitivity analysis

The sensitivities tested have been the long-term growth assumption, WACC % and EBITDA profitability (%). The table below presents values for changes in the assumptions by which the recoverable amount would fall below the carrying amount (should the other assumptions remain unchanged).

| 31.12.2023 | Decrease in long-term growth assumption (percentage points) | Decrease in profitability (EBITDA %, percentage points) | Increase in discount rate (WACC after tax, percentage points) |
|---|---|---|---|
| Network Solutions, Finland | <-10.0 | -6.2 | 6.6 |
| Cyber Security Solutions | <-10.0 | <-10.0 | >10.0 |
| Software Solutions | <-10.0 | -8.4 | >10.0 |
| Avanio Oy | <-10.0 | -9.8 | >10.0 |

It can be stated that the risk of impairment of goodwill is focused on significant negative changes in expected profitability or very significant tightening of financing conditions, which would be reflected in financing costs clearly higher than the current level. A trend-like long-term negative growth described by the sensitivity analysis cannot be considered as a likely development in the IT and telecommunications sector. From the point of view of the profitability of information network solutions in Finland, key factors are the efficient use of existing network capacity, successful project management in fiber construction, and the price development of telecommunications services. For Cyber Security and Software Solutions, as well as Avanio, the most significant identified risks to profitability are a possible increase in personnel expenses, which cannot be substantially transferred to customer prices, as well as the maintenance and development of personnel-related expertise.

### Judgments based on management discretion

The management makes significant assumptions and discretionary judgments when deciding on the level to which goodwill is allocated and when determining whether there are indications of impairment of goodwill.

The recoverable amount of a cash-generating unit is based on calculations of value in use, which require the use of assumptions. The calculations use cash flow projections based on budgets and management-approved estimates over a 5-year period. The projections are based on the Group's actual results and management's best estimates of future sales, cost development, general market conditions and applicable tax rates. Cash flow projections include budgets and forecasts for a period of 5 years, after which the cash flows are extrapolated using estimated growth rates. Growth rates are conservative estimates based on general inflation and economic growth. Management tests the effects of changes in significant assumptions with sensitivity analyses as described in this note.

## 3.4 Associates and joint ventures

In 2022, the Group was involved in establishing two joint ventures, associate Dataspace Europe Oy and joint venture Far North Fiber Inc. The Group's holding in Dataspace Europe Oy, which develops software products, is 28.86% and in the U.S.-based Far North Fiber Inc., 33.33%. The company develops a submarine communication cable and connection between Europe and Asia.

In accordance with the shareholder agreement of Dataspace Europe Oy, Cinia is required to finance the companies in proportion to the company's shareholding in accordance with the company's financing needs and the decisions made separately by the shareholders.

In accordance with the shareholder agreement of Far North Fiber Inc, Cinia is required to finance the companies with shareholder loans made under a separate agreement, if necessary.

### ASSOCIATED COMPANY

**Dataspace Europe Oy, changes in balance sheet value**

| EUR thousand | 2023 | 2022 |
|---|---|---|
| **Balance sheet value at the beginning of the financial period** | **220** | |
| Increase | | 32 |
| Other non-current receivables | 162 | 266 |
| Share of result | -334 | -78 |
| **Balance sheet value at the end of the financial period** | **48** | **220** |

**Dataspace Europe Oy**

**Summary of the balance sheet**

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Non-current assets | 1,357 | 632 |
| Current assets | 339 | 492 |
| **Total assets** | **1,696** | **1,124** |
| Non-current liabilities | 1,255 | 883 |
| Current liabilities | 442 | 241 |
| **Total liabilities** | **1,696** | **1,124** |

**Summary of the income statement**

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Net sales | 8 | |
| Other operating income | 21 | |
| Materials and services | -31 | |
| Personnel expenses | -453 | -68 |
| Depreciation and amortization | -170 | -40 |
| Other operating expenses | -403 | -133 |
| Interest income | 0 | 0 |
| Interest expenses | -117 | -16 |
| **Profit/loss for the financial period** | **-1,145** | **-257** |
| adjustment for 2022 | -3 | 3 |
| **Group's share** | **-334** | **-78** |

## JOINT VENTURE

### Far North Fiber Inc, changes in balance sheet value

| EUR thousand | 2023 | 2022 |
|---|---|---|
| **Balance sheet value at the beginning of the financial period** | **98** | |
| Increase | | 35 |
| Other non-current receivables | 279 | 98 |
| Current receivables | 15 | 1 |
| Share of result | | -32 |
| Translation differences | | -3 |
| **Balance sheet value at the end of the financial period** | **393** | **98** |

## Far North Fiber Inc

### Summary of the balance sheet

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Current assets | 136 | 232 |
| **Total assets** | **136** | **232** |
| Non-current liabilities | -657 | -44 |
| Current liabilities | 793 | 276 |
| **Total liabilities** | **136** | **232** |

### Summary of the income statement

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Other operating expenses | -596 | -142 |
| Interest expenses | -32 | -1 |
| **Profit/loss for the financial period** | **-628** | **-144** |
| **Group’s share,** | **-209** | **-48** |
| **of which recognized through profit or loss** | | **-32** |

### 3.5 Tangible assets

**ACCOUNTING POLICY**

Property, plant and equipment include the submarine cable system, telecommunications networks and other ICT equipment.

Property, plant and equipment are recognized on the balance sheet at original cost. Property, plant and equipment are presented at acquisition cost less any accumulated depreciation and impairment. Acquisition cost includes the direct costs related to the acquisition of assets.

Subsequent expenditure is included in the carrying amount of an asset or recorded as a separate asset only when it is likely that the Group will gain financial benefits from the asset in the future and when the acquisition cost of the asset can be reliably determined. Normal repair, service and maintenance expenses are recognized as expenses for the financial period during which they were incurred.

Borrowing costs are capitalized as part of the carrying amount of assets the completion of which for the intended purpose or sale necessarily requires a considerably long time. Borrowing costs have been capitalized as part of the acquisition cost of the submarine cable system.

The carrying amount of the replaced part is derecognized from the balance sheet. All other maintenance and repair expenses are recognized as expenses in the income statement for the financial period during which they materialized. Depreciation of machinery and equipment and other tangible assets is recognized over their economic lives. The economic life is based on the estimated time during which the assets will generate income. Depreciation is recognized as straight-line depreciation on the basis of the cost of the assets and the estimated economic life. Non-current assets subject to depreciation are tested for impairment if there are indications of impairment at the balance sheet date.

| Economic lives of assets | |
|---|---|
| Submarine cable system | 23–30 years |
| Telecommunications networks | 3–15 years |
| Machinery and equipment | 3–10 years |

**2023**

| EUR thousand | Telecommunications networks, machinery and equipment | Acquisitions in progress | Total |
|---|---|---|---|
| **Acquisition cost Jan 1** | **121,085** | **3,552** | **124,637** |
| Increase | 3,616 | | 3,616 |
| Decrease | -1,228 | -2,055 | -3,283 |
| **Acquisition cost Dec 31** | **123,474** | **1,497** | **124,970** |
| | | | |
| **Accumulated depreciation and impairment Jan 1** | **59,038** | | **59,038** |
| Decrease | -1,064 | | -1,064 |
| Depreciation for the financial period | 6,094 | | 6,094 |
| **Accumulated depreciation and impairment Dec 31** | **64,069** | | **64,069** |
| | | | |
| **Carrying amount January 1, 2023** | **62,047** | **3,552** | **65,599** |
| **Carrying amount December 31, 2023** | **59,405** | **1,497** | **60,901** |

**2022**

| EUR thousand | Telecommunications networks, machinery and equipment | Acquisitions in progress | Total |
|---|---|---|---|
| **Acquisition cost Jan 1** | **115,220** | **4,010** | **119,230** |
| Increase | 6,167 | | 6,167 |
| Decrease | -302 | -458 | -760 |
| **Acquisition cost Dec 31** | **121,085** | **3,552** | **124,637** |
| | | | |
| **Accumulated depreciation and impairment Jan 1** | **54,237** | | **54,237** |
| Decrease | -298 | | -298 |
| Depreciation for the financial period | 5,099 | | 5,099 |
| **Accumulated depreciation and impairment Dec 31** | **59,038** | | **59,038** |
| | | | |
| **Carrying amount January 1, 2022** | **60,983** | **4,010** | **64,993** |
| **Carrying amount December 31, 2022** | **62,047** | **3,552** | **65,599** |

## 3.6 Leases

### ACCOUNTING POLICY

**Cinia as the lessee**

Leases are agreements or parts of agreements that grant the right to use the asset referred to in the agreement for a specific period against a consideration. When concluding an agreement, Cinia estimates whether the agreement is a lease agreement or includes a lease.

**Right-of-use assets**

At the start of the contract, Cinia records a right-of-use asset and a lease liability, except for short-term leases and leases that are of low value.

At the commencement date, the right-of-use asset is measured at cost and includes the initial measurement amount of the lease liability, any lease payments made at the commencement date, less any lease incentives received, any initial direct costs incurred by Cinia, and an estimate of costs incurred by Cinia in dismantling and removing the underlying asset or restoring the site on which it is located to the condition required by the terms and conditions of the lease.

### IMPACT ON THE BALANCE SHEET

**Right-of-use assets**

**2023**

| EUR thousand | Machinery and equipment | Buildings and structures | Total |
|---|---|---|---|
| **Acquisition cost Jan 1** | **11,624** | **10,964** | **22,588** |
| Increase | 2,504 | 5,174 | 7,677 |
| Decrease | -1,312 | -4,322 | -5,635 |
| **Acquisition cost Dec 31** | **12,816** | **11,815** | **24,631** |
| **Accumulated depreciation Jan 1** | **4,731** | **5,925** | **10,656** |
| Depreciation and amortization | 1,591 | 2,314 | 3,906 |
| Decrease | -508 | -1,512 | -2,020 |
| **Accumulated depreciation Dec 31** | **5,815** | **6,727** | **12,542** |
| | | | |
| **Carrying amount Dec 31** | **7,001** | **5,087** | **12,088** |

**2022**

| EUR thousand | Machinery and equipment | Buildings and structures | Total |
|---|---|---|---|
| **Acquisition cost Jan 1** | **10,600** | **10,814** | **21,414** |
| Increase | 1,626 | 334 | 1,960 |
| Decrease | -602 | -185 | -786 |
| **Acquisition cost Dec 31** | **11,624** | **10,964** | **22,588** |
| **Accumulated depreciation Jan 1** | **3,686** | **3,752** | **7,438** |
| Depreciation and amortization | 1,554 | 2,290 | 3,844 |
| Decrease | -508 | -117 | -625 |
| **Accumulated depreciation Dec 31** | **4,731** | **5,925** | **10,656** |
| | | | |
| **Carrying amount Dec 31** | **6,893** | **5,039** | **11,932** |

The figures for the comparison period have been adjusted, additional information in Note 1.6.

### Lease liabilities

At the commencement date, Cinia measures the lease liability at the present value of lease payments not made on the said date. The lease payments included in the value of the lease liability at the commencement date are comprised of payments that have not been made at the commencement date, including fixed payments, variable rents based on an index or price level, price of exercising a purchase option if it is reasonably certain that Cinia will exercise the said option and payments of sanctions caused by terminating the lease if the duration of the lease takes into account that Cinia will exercise the option to terminate the lease.

When evaluating fixed payments, Cinia uses the minimum lease payments specified in the lease. Non-lease components have been separated from the lease payments when they can be reliably determined. Cinia also has leases that include variable payments calculated on the basis of net sales. For such contracts, only the minimum payments are included in the lease liability, while variable payments based on net sales are recognized as an expense for the period in which they are incurred.

A lease liability is remeasured when there are changes in the lease term or lease payments. Cinia uses the incremental borrowing rate to determine the interest rate for the lease liability, as the internal rate for leases is not available.

The Group’s land and water area right-of-use assets consist of leases for the land areas used for telecommunications facilities and equipment. Right-of-use assets in buildings and structures consist of leases for offices and places of business. Right-of-use assets in machinery and equipment consist of IRU agreements, cars and other machinery and equipment. IRU agreements refer to long-term rights to use fiber connections for telecommunications.

### LEASE LIABILITIES

| EUR thousand | 2023 | 2022 |
|---|---|---|
| **Lease liabilities Jan 1** | **7,103** | **8,842** |
| Increase | 7,282 | 1,626 |
| Decrease | -3,590 | -161 |
| Interest expenses | 134 | 149 |
| Repayments | -3,443 | -3,352 |
| **Lease liabilities Dec 31** | **7,486** | **7,103** |

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Non-current lease liabilities | 5,082 | 4,486 |
| Current lease liabilities | 2,404 | 2,617 |
| **Total** | **7,486** | **7,103** |

The figures for the comparison period have been adjusted, additional information in Note 1.6. The maturity distribution of the lease liabilities is presented in Note 4.1.

### Short-term contracts and assets of low value

Cinia recognizes as an expense in the income statement lease payments for short-term leases of a maximum duration of 12 months or less, as well as for leases where the leased asset is of low value. Contracts where the leased asset would cost less than EUR 5,000 when purchased new are treated as low-value contracts. Expenses from such contracts are presented in Note 4.4.

## IMPACT ON THE INCOME STATEMENT

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Depreciation of right-of-use assets | -3,906 | -3,844 |
| Expenses for short-term and low-value leases | -887 | -1,189 |
| **Operating profit** | **-4,792** | **-5,033** |
| Interest on lease liabilities | -134 | -149 |
| **Total income impact of leases** | **-4,926** | **-5,182** |

The figure for the comparison period have been adjusted, additional information in Note 1.6.

## IMPACT ON CASH FLOW STATEMENT

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Interest paid, cash flow from operations | -134 | -149 |
| Repayment of capital, cash flow from financing activities | -3,309 | -3,203 |

The figures for the comparison period have been adjusted, additional information in Note 1.6.

### Cinia as the lessor

When Cinia is the lessor, any IRU agreements that are interpreted as leases are classified as either operating leases or financial leases. Leases are classified as financial leases if they transfer substantially all risks and benefits characteristic of ownership and related to the underlying asset. Leases are classified as operating leases if they do not transfer substantially all risks and benefits characteristic of ownership and related to the underlying asset.

In operating leases, the object of lease is included in Cinia's assets under property, plant and equipment, with the related rental revenue recorded based on the passage of time.

In financial leases, the assets covered by the financial lease are included in the balance sheet and presented at the amount of the receivable, which corresponds to the net investment in a lease. Cinia recognizes any rental revenue received during the lease period as finance income and deduction in receivables so that the remaining net investment yields the same rate of return for each period.

### Financial leases

Cinia has classified an individual IRU sales agreement as a lease based on its terms and conditions and further as a financial lease when in the role of the lessor, as substantially all of the risks characteristic to ownership are deemed to be transferred to the customer. The agreement took effect in 2016, with a duration of over 20 years, in addition to which it includes extension options, due to which the total agreement period is estimated to be 30 years. The net investment recognized on the balance sheet based on the agreement has not become relevant, as the payments under the agreement have mainly been received as advance payments.

### Operating leases

In agreements classified as operating leases, substantially all risks and benefits characteristic to the ownership of the asset items in question remain with the lessor. The Group's operating leases mainly consist of IRU agreements, which based on their terms and conditions have been deemed to form a lease either fully or partly. In operating leases, the object of lease is included in the Group's property, plant and equipment, with the related rental revenue recognized based on the passage of time. The rental revenue recognized for operating leases is included in net sales.

#### IMPACT ON THE INCOME STATEMENT

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Rental revenue | 1,892 | 1,309 |

#### MATURITY BREAKDOWN OF NON-DISCOUNTED FUTURE RENTAL REVENUE

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Within one year | 1,881 | 1,485 |
| Within 1–2 years | 1,880 | 1,476 |
| Within 2–3 years | 1,879 | 1,475 |
| Within 3–4 years | 1,879 | 1,473 |
| Within 4–5 years | 1,879 | 1,473 |
| Within more than five years | 15,038 | 10,228 |
| **Total undiscounted lease receivables** | **24,435** | **17,611** |

**Judgments based on management discretion**

The management uses discretion in determining the lease term for leases that involve an extension, termination, or purchase option. That option is taken into account in determining the lease term when it is reasonably certain that the extension, termination, or purchase option will be exercised. If the exercise of an option involves uncertainty, that option is not taken into account in determining the lease term, the right-of-use asset or the lease liability.

In addition, the management uses discretion when evaluating the length of leases for an indefinite period. The estimates made by the management are based on the company's strategic situation and market conditions, as well as the costs that would be incurred if the leased asset were replaced by another asset.

Management discretion is also relevant in determining the interest rate for the incremental borrowings in determining the present value of lease payments.

## 3.7 Inventories

#### ACCOUNTING POLICY

The cost of inventories includes all costs of purchase and other costs incurred in bringing the inventories to the location and condition it is in at the time of review.

Inventories are measured at the lower of purchase price or net realizable value. Inventories are measured using the weighted average price. Inventories do not include indirect costs.

Inventories are expensed in the same period as the corresponding sales are recognized as revenue. The depreciation of inventories and the irrecoverable loss are recognized as an expense during the transaction period.

The Group did not make any significant write-downs during the reporting period.

#### INVENTORIES

| EUR thousand | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Raw materials, supplies and goods | 617 | 762 |
| Finished products | 445 | 933 |
| Advance payments | 28 | |
| **Total** | **1,090** | **1,695** |

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Share of inventories recognized as an expense during the financial year | 633 | 2,707 |

## 3.8 Trade and other receivables

### ACCOUNTING POLICY

Trade receivables are receivables that arise from products sold or services provided to clients in the ordinary course of business. If the receivables are expected to be paid within one year of the closing date, they are classified as current assets. If not, they are presented as non-current assets.

Other receivables include advance payments and EUR 508 thousand of revenue recognized based on the degree of completion EUR 508 (2,688) thousand.

Non-current loan receivables consist of shareholder loans granted.

### TRADE AND OTHER RECEIVABLES

| EUR thousand | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **Non-current** | | |
| Loan receivables | 425 | 3,988 |
| Other receivables | 925 | 1,513 |
| **Total** | **1,417** | **5,501** |
| **Current** | | |
| Trade receivables | 18,215 | 21,268 |
| Other receivables | 67 | 84 |
| Prepaid expenses and accrued income | 1,181 | 3,810 |
| Deferred charges | 485 | 922 |
| Receivables according to the degree of completion | 508 | 2,686 |
| Other items | 189 | 201 |
| **Total** | **19,464** | **25,161** |

## 3.9 Trade and other payables

### ACCOUNTING POLICY

Trade payables are payment obligations resulting from goods or services purchased from product suppliers or service providers in the course of ordinary business operations. Trade payables are classified as current liabilities if they are due for payment in less than one year. If not, they are presented as non-current liabilities.

Trade payables are initially recognized fair value, and they are later measured at amortized acquisition cost using the effective interest method.

Trade and other payables consist of trade payables, other liabilities, advance payments and accrued expenses and deferred income that are related to the Group’s ordinary business.

### TRADE AND OTHER PAYABLES

| EUR thousand | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **Non-current** | | |
| Advance payments received, contractual | 22,781 | 16,459 |
| Other liabilities | 4,120 | 383 |
| **Total** | **26,901** | **16,841** |
| **Current** | | |
| Advance payments received, contractual | 2,129 | 1,859 |
| Trade payables | 5,680 | 6,978 |
| Other liabilities | 3,425 | 5,930 |
| Accrued expenses and deferred income | 15,650 | 7,254 |
| **Total** | **26,884** | **22,021** |

### MATERIAL ITEMS IN OTHER LIABILITIES

| EUR thousand | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **Non-current** | | |
| Liabilities related to personnel expenses | 795 | |
| Business combination, contingent consideration | 3,152 | 200 |
| Other items | 173 | 183 |
| **Total** | **4,120** | **383** |
| **Current** | | |
| Liabilities related to personnel expenses | 794 | 702 |
| Business combination, contingent consideration | | 3,278 |
| Value added tax liabilities | 2,355 | 1,769 |
| Interest accruals | 258 | 170 |
| Other items | 17 | 11 |
| **Total** | **3,425** | **5,930** |

### MATERIAL ITEMS IN ACCRUED EXPENSES AND DEFERRED INCOME

| EUR thousand | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Investment grants | 7,154 | 214 |
| Deferred revenue, contractual | 1,331 | 1,271 |
| Liabilities according to the degree of completion | 107 | 308 |
| Liabilities related to personnel expenses | 6,024 | 5,110 |
| Other items | 1,035 | 351 |
| **Total** | **15,650** | **7,254** |

The majority of the investment grants have been received for the development of the Arctic cable project, and a small part of the grants is related to the development project of quantum-encrypted information network services. In the cable projects, Cinia is the coordinator and the main beneficiary. In a quantum encryption project, Cinia is a partner in a larger project entity.

## 3.10 Provisions

### ACCOUNTING POLICY

A provision is recognized when the Group has a legal or factual obligation as a result of a past event, and it is probable that a financial performance will be required to settle the obligation, and its amount can be reliably estimated.

Provisions for which cash transactions are expected to take place more than one year after the date of recognition are discounted to their present value.

The Group's mandatory provisions relate to the repair liabilities of submarine cables.

### PROVISIONS

| EUR thousand | 2023 | 2022 |
|---|---|---|
| **At the beginning of the period Jan 1** | **250** | **350** |
| Increase in provisions | 50 | |
| Reversed unused provisions | | -100 |
| **At the end of the period Dec 31** | **300** | **250** |
| | | |
| Current | 300 | 250 |
| **Total** | **300** | **250** |

# 4. CAPITAL STRUCTURE AND FINANCIAL INSTRUMENTS

## 4.1 Financial risk management

ACCOUNTING POLICY

**Factors related to financial risks**

In its operations, the Group is exposed to various financial risks, such as market risk (including interest rate risk), credit risk, and liquidity risk. The Group's risk management program aims to minimize any unfavorable effects of fluctuations in the financial market on the Group's financial performance and secure the Group's liquidity.

The Group is not currently exposed to currency risks or price risks resulting from changes in the market values of investments.

**Organization of risk management**

Risk management is implemented by the Group's parent company's Executive Team in accordance with the general principles approved by the Board of Directors.

The Board of Directors defines the guidelines for risk management and monitors the success of risk management. The company's Board of Directors decides on approval rights and has defined the Corporate Governance and Code of Conduct applied by the company, the implementation of which the Board supervises.

Cinia's finance function is responsible for managing the currency, interest, liquidity, and refinancing risks concerning the entire Group. The financial policy principles, such as principles concerning funding and investment activities, are discussed and confirmed by the Board's Audit Committee on an annual basis. Financial risks are monitored as part of the normal monitoring of operations.

**Interest rate risk**

The Group's interest rate risk stems primarily from non-current liabilities. The Group's loans from financial institutions, amounting to EUR 39.0 (57.5) million, are variable-rate loans. In addition, the company had an interest rate hedge of EUR 25.0 million implemented under an interest rate swap. The average interest rate including hedging was 3.0 (2.4) percent.

In order to manage interest rate risk, the Group may hedge the interest rate risk of loans from financial institutions, for example, through interest rate swaps. The aim is to hedge against the negative effects of changes in interest rates. On 31 December 2023, the hedging ratio of the Group's variable-rate financial liabilities was 64 (43) percent. At the end of the year, an interest rate increase (decrease) of 1 per cent would have caused a negative (positive) impact of approximately EUR 0.3 million on the profit, including derivatives, and a positive (negative) impact of approximately EUR 0.1 million on equity through comprehensive income.

**Credit and other counterparty risks**

Credit or counterparty risk materializes if the client or financial counterparty is unable to fulfil its commitments to the Group. Credit risk is related to financial assets, bank deposits and clients with outstanding receivables.

The Group has over 1,300 clients in the corporate and public administration sectors in various lines of business. Two customers represent 25 percent of total sales and no other customer represents more than 10 percent of total sales. The clients of the credit risk concentration are entities with a high credit rating, so the company does not consider this to include material credit risk.

The Group has operating principles in place to ensure that products and services are sold only to clients with appropriate credit histories. The largest individual customers are mainly public administration organizations or limited liability companies owned by them. The Group does not have significant credit risk concentrations related to individual clients or specific sectors/regions.
An exception are clients outside the EU who are subject to possible payment restrictions, whose credit risk depends on the functioning of the international banking system.
The credit risk of these clients is managed through special arrangements with banks.

The maximum exposure to client-related credit risk at the balance sheet date is the carrying amount of trade receivables. Customers with a high credit rating represent a total of 94 percent of trade receivables. The amount of the Group's materialized credit losses has historically been low, and the company does not expect credit losses to increase due to the nature of the client base. The Group therefore estimates that its credit risk related to trade receivables is rather low.

### AGE DISTRIBUTION OF THE GROUP'S TRADE RECEIVABLES AND EXPECTED CREDIT LOSSES

| 2023<br>EUR thousand | Expected credit loss rate, % | Trade receivables (gross) | Recognized expected credit losses | Trade receivables (net) |
|---|---|---|---|---|
| Not yet due | 0.03% | 13,097 | 4 | 13,093 |
| 1–30 days overdue | 0.04% | 3,449 | 1 | 3,448 |
| 31–60 days overdue | 0.29% | 1 | 0 | 0 |
| 61–90 days overdue | 0.42% | 120 | 1 | 119 |
| 91–180 days overdue | 0.52% | 1,200 | 6 | 1,195 |
| more than 180 days overdue | 2.35% | 369 | 9 | 360 |
| **Total** | | **18,235** | **20** | **18,215** |

| 2022<br>EUR thousand | Expected credit loss rate, % | Trade receivables (gross) | Recognized expected credit losses | Trade receivables (net) |
|---|---|---|---|---|
| Not yet due | 0.03% | 14,240 | | 14,240 |
| 1–30 days overdue | 0.08% | 1,017 | | 1,017 |
| 31–60 days overdue | 0.29% | 1,849 | | 1,849 |
| 61–90 days overdue | 0.36% | 1,708 | | 1,708 |
| 91–180 days overdue | 0.47% | 145 | | 145 |
| more than 180 days overdue | 3.00% | 2,309 | | 2,309 |
| **Total** | | **21,268** | **0** | **21,268** |

**Liquidity risk**

The Group monitors and forecasts cash flows in order to ensure that it has sufficient funds for normal business operations.

On December 31, 2023, the Group had an undrawn committed revolving credit facility of EUR 15 million, which will mature in 2025. In addition, the Group has a EUR 2 million group account overdraft facility, with a utilization rate of 0 (0) percent as of December 31, 2023.

The following table presents the Group's financial liabilities broken down into the relevant maturity categories based on the remaining time until the contractual maturity at the balance sheet date. The figures presented in the table are undiscounted figures based on contracts. The interest rate used in the table has been calculated using the interest rate in force at the balance sheet date for variable interest rates and may vary according to the actual interest rate.

The maturity analysis shows that EUR 22 million of financial liabilities are due within 12 month. The company's working capital and cash flows from operations are sufficient to cover the cash requirement of 12 months.

## CONTRACTUAL CASH FLOWS FOR FINANCIAL LIABILITIES

**2023**

| EUR thousand | < 1 year | 1–5 years | > 5 years | Total |
|---|---|---|---|---|
| **Non-current liabilities** | | | | |
| Loans from financial institutions | | 38,652 | | 38,652 |
| Lease liabilities | | 5,206 | 123 | 5,329 |
| Other liabilities | | 3,152 | | 3,152 |
| **Current liabilities** | | | | |
| Loans from financial institutions | 5,288 | | | 5,288 |
| Lease liabilities | 2,581 | | | 2,581 |
| Trade and other payables* | 11,234 | | | 11,234 |
| **Total** | **19,102** | **47,009** | **123** | **66,235** |

**2022**

| EUR thousand | < 1 year | 1–5 years | > 5 years | Total |
|---|---|---|---|---|
| **Non-current liabilities** | | | | |
| Loans from financial institutions | | 41,974 | | 41,974 |
| Lease liabilities | | 5,003 | | 5,003 |
| Other liabilities* | | 211 | | 211 |
| **Current liabilities** | | | | |
| Loans from financial institutions | 19,813 | | | 19,813 |
| Lease liabilities | 2,736 | | | 2,736 |
| Trade and other payables* | 14,767 | | | 14,767 |
| **Total** | **37,316** | **47,188** | **0** | **84,504** |

*Other liabilities only include items classified as financial liabilities

The figure for the comparison period have been adjusted, additional information in Note 1.6.

## 4.2 Financial assets and liabilities

### ACCOUNTING POLICY

Financial instruments are initially recognized at fair value. Subsequently, financial assets are classified and measured either at amortized cost or at fair value through profit or loss. The classification of financial assets depends on the business model and the cash flow characteristics of the asset. Subsequently, financial liabilities are classified and measured either at amortized cost or at fair value through profit or loss.

Financial instruments are classified as current if their remaining maturity is less than 12 months from the reporting date. A financial instrument is derecognized only when it ceases to exist, i.e. when a contractual right or obligation is satisfied, revoked or expires. The situation of financial instruments is assessed at each reporting date.

**Financial instruments at amortized cost**

*Financial assets*

Financial assets at amortized cost include trade receivables, shareholder loans and cash and cash equivalents. Financial assets at amortized cost are measured at amortized cost using the effective interest method. Impairment is taken into account in the value. Gains and losses are recognized through profit or loss when a financial asset is reclassified, changed or impaired. Interest income is recognized in financial income.

An expected credit loss in accordance with IFRS 9 affects the measurement of financial assets classified as amortized cost. For the measurement of trade receivables, Cinia applies a simplified model in accordance with IFRS 9, according to which a provision for credit losses is recognized on the basis of expected credit losses over the life of the trade receivable, see Note 4.1.

*Financial liabilities*

Cinia's loans from financial institutions as well as trade and other liabilities are recognized at fair value less transaction costs at the time of acquisition. Subsequently, liabilities are measured at amortized cost using the effective interest method. The interest expense on loans is expensed in the income statement.

Trade and other payables are non-interest-bearing current unpaid liabilities.

**Financial instruments at fair value through profit or loss**

*Financial assets*

Financial assets at fair value through profit or loss include other investments.

*Financial liabilities*

Financial liabilities at fair value through profit or loss include contingent consideration for acquisitions of businesses.

## FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

| 2023<br>EUR thousand | Carrying amounts<br>Financial assets/liabilities at fair value through profit or loss | Financial assets/liabilities at fair value through comprehensive income | Financial assets/liabilities at amortized cost | Balance sheet value | Fair value |
|---|---|---|---|---|---|
| **Non-current financial assets** | | | | | |
| Other financial assets | 68 | | | 68 | 68 |
| Derivative instruments | | 682 | | 682 | 682 |
| Other receivables | | | 1,417 | 1,417 | 1,417 |
| **Total** | **68** | **682** | **1,417** | **2,167** | **2,167** |
| **Current financial assets** | | | | | |
| Trade and other receivables | | | 18,283 | 18,283 | 18,283 |
| Derivative instruments | | 50 | | 50 | 50 |
| Cash and cash equivalents | | | 13,657 | 13,657 | 13,657 |
| **Total** | **0** | **50** | **31,940** | **31,990** | **31,990** |
| | | | | | |
| **Total financial assets** | **68** | **732** | **33,357** | **34,157** | **34,157** |
| | | | | | |
| **Non-current financial liabilities** | | | | | |
| Loans from financial institutions | | | 35,490 | 35,490 | 35,829 |
| Lease liabilities | | | 5,082 | 5,082 | 5,082 |
| Other liabilities | 3,152 | | 20,796 | 23,948 | 23,948 |
| **Total** | **3,152** | **0** | **61,368** | **64,520** | **64,860** |
| **Current financial liabilities** | | | | | |
| Loans from financial institutions | | | 3,518 | 3,518 | 3,499 |
| Lease liabilities | | | 2,404 | 2,404 | 2,404 |
| Trade and other payables | | | 14,186 | 14,186 | 14,186 |
| **Total** | **0** | **0** | **20,107** | **20,107** | **20,088** |
| | | | | | |
| **Total financial liabilities** | **3,152** | **0** | **81,475** | **84,627** | **84,948** |

| 2022<br>EUR thousand | Carrying amounts<br>Financial assets/liabilities at fair value through profit or loss | Financial assets/liabilities at fair value through comprehensive income | Financial assets/liabilities at amortized cost | Balance sheet value | Fair value |
|---|---|---|---|---|---|
| **Non-current financial assets** | | | | | |
| Other financial assets | 122 | | | 122 | 122 |
| Derivative instruments | | 1,218 | | 1,218 | 1,218 |
| Other receivables | | | 5,487 | 5,487 | 5,487 |
| **Total** | **122** | **1,218** | **5,487** | **6,828** | **6,828** |
| **Current financial assets** | | | | | |
| Trade and other receivables | | | 21,352 | 21,352 | 21,352 |
| Derivative instruments | | 24 | | 24 | 24 |
| Cash and cash equivalents | | | 7,969 | 7,969 | 7,969 |
| **Total** | **0** | **24** | **29,321** | **29,345** | **29,345** |
| | | | | | |
| **Total financial assets** | **122** | **1,242** | **34,808** | **36,173** | **36,173** |
| | | | | | |
| **Non-current financial liabilities** | | | | | |
| Loans from financial institutions | | | 38,997 | 38,997 | 38,344 |
| Lease liabilities | | | 4,486 | 4,486 | 4,486 |
| Other liabilities | 200 | | 16,469 | 16,841 | 16,841 |
| **Total** | **200** | **0** | **59,953** | **60,325** | **59,672** |
| **Current financial liabilities** | | | | | |
| Loans from financial institutions | | | 18,518 | 18,518 | 18,437 |
| Lease liabilities | | | 2,617 | 2,617 | 2,617 |
| Trade and other payables | | | 14,767 | 14,767 | 14,767 |
| **Total** | **0** | **0** | **35,902** | **35,902** | **35,821** |
| | | | | | |
| **Total financial liabilities** | **200** | **0** | **95,855** | **96,227** | **95,493** |

The figure for the comparison period has been adjusted, additional information in Note 1.6.

## CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

| 2023<br>EUR thousand | January 1 | Cash flows | New leases | New contingent consideration | Other changes without an associated payment | December 31 |
|---|---|---|---|---|---|---|
| Non-current loans from financial institutions | **38,997** | -3,518 | | | 10 | **35,490** |
| Current loans from financial institutions | **18,518** | -15,000 | | | | **3,518** |
| Non-current contingent consideration | **200** | | | 2,952 | | **3,152** |
| Current contingent consideration | **3,278** | -3,278 | | | | **0** |
| Non-current lease liabilities | **4,486** | | 2,129 | | -1,533 | **5,082** |
| Current lease liabilities | **2,617** | -3,309 | 500 | | 2,596 | **2,404** |
| **Total liabilities arising from financing activities** | **68,096** | **-25,105** | **2,629** | | **1,073** | **49,645** |

| 2022<br>EUR thousand | January 1 | Cash flows | New leases | New contingent consideration | Other changes without an associated payment | December 31 |
|---|---|---|---|---|---|---|
| Non-current loans from financial institutions | **24,553** | 14,483 | | | -38 | **38,997** |
| Current loans from owners | **10,000** | -10,000 | | | | **0** |
| Current loans from financial institutions | **12,118** | 6,400 | | | | **18,518** |
| Non-current contingent consideration | **200** | | | | | **200** |
| Current contingent consideration | **2,400** | -2,400 | | 3,278 | | **3,278** |
| Non-current lease liabilities | **5,971** | | 852 | | -2,336 | **4,486** |
| Current lease liabilities | **2,871** | -3,203 | 305 | | 2,644 | **2,617** |
| **Total liabilities arising from financing activities** | **58,112** | **5,279** | **1,157** | | **270** | **68,096** |

The figure for the comparison period have been adjusted, additional information in Note 1.6.
The Group's financing agreement contains a covenant clause related to the shareholding of the parent company Cinia Ltd. The covenant was fulfilled in the financial years 2022 and 2023.

### Fair value hierarchy

Items valued at fair value are classified using a three-level hierarchy for fair values.

*Level 1*

- Financial instruments with quoted prices in active markets.
- Cinia Group has no Level 1 instruments.

*Level 2*

- Instruments whose prices are based on observable market data.
- The fair value of the interest rate swap is at hierarchy level 2.

*Level 3*

- Instruments whose prices are not based on observable market data but, for example, on information available to the company.
- The fair value of contingent consideration associated with acquisitions of businesses is at hierarchy level 3.

### FAIR VALUE HIERARCHY

**2023**

| EUR thousand | Level 2 | Level 3 |
|---|---|---|
| **Assets** | | |
| Other financial assets | | 68 |
| Derivative instruments | 732 | |
| **Total** | **732** | **68** |
| **Liabilities** | | |
| Loans from financial institutions | 39,328 | |
| Contingent consideration for business combination | | 3,152 |
| **Total** | **39,328** | **3,152** |

**2022**

| EUR thousand | Level 2 | Level 3 |
|---|---|---|
| **Assets** | | |
| Other financial assets | | 122 |
| Derivative instruments | 1,242 | |
| **Total** | **1,242** | **122** |
| **Liabilities** | | |
| Loans from financial institutions | 56,781 | |
| Contingent consideration for business combination | | 3,478 |
| **Total** | **56,781** | **3,478** |

The table below shows the changes in Level 3 instruments from January 1 to December 31, 2023.

| EUR thousand | Contingent consideration for business combination | Other financial assets |
|---|---|---|
| Opening balance | 3,478 | 122 |
| OptimeSys Services Oy | -3,278 | |
| Avanio Oy | 2,952 | |
| Adola Oy | | -54 |
| **Closing balance** | **3,152** | **68** |

### Cash and cash equivalents

| EUR thousand | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Cash in hand and at bank | 13,657 | 7,969 |

Cash and cash equivalents consist of cash in hand, short-term bank deposits and other highly liquid short-term investments with maturity of no more than three months.

### Net debt

Net debt is calculated by deducting cash and cash equivalents and the fair value of derivative instruments from loans from financial institutions and lease liabilities included in current and non-current interest-bearing liabilities.

Net debt is related to capital management, Note 4.6.

### NET DEBT CALCULATION

| EUR thousand | 31.12.2023 | 31.12.2022 |
|---|---|---|
| **Non-current interest-bearing liabilities** | | |
| Loans from financial institutions | 35,490 | 38,997 |
| Lease liabilities | 5,082 | 4,486 |
| **Total non-current interest-bearing liabilities** | **40,572** | **43,484** |
| **Current interest-bearing liabilities** | | |
| Loans from financial institutions | 3,518 | 18,518 |
| Lease liabilities | 2,404 | 2,617 |
| **Total current interest-bearing liabilities** | **5,921** | **21,134** |
| **Derivative instruments** | **-732** | **-1,242** |
| **Cash and cash equivalents** | **-13,657** | **-7,969** |
| **Total net debt** | **32,104** | **55,407** |

The figures for the comparison period have been adjusted, additional information in Note 1.6.

## 4.3 Derivative instruments and hedge accounting

### ACCOUNTING POLICY

Derivatives are initially recognized at fair value at the time of acquisition and subsequently measured at fair value. Derivatives are classified either as a hedge of binding contracts and future cash flows (cash flow hedge), as a hedge of fixed-rate debt (fair value hedge), as equity hedges of foreign subsidiaries (equity hedge) or as to be recognized through profit or loss, in which case they are not subject to hedge accounting.

In hedge accounting, at the time of the transaction, Cinia documents the hedging instruments and the hedging relationship between the hedged item in accordance with its hedging policy and its objectives.

Derivatives are classified as non-current assets and liabilities on the balance sheet when they have a remaining maturity of more than 12 months and as current assets and liabilities on the balance sheet when they have a maturity of less than 12 months.

### Cash flow hedge

Cinia applies cash flow hedge accounting to the interest rate swap. The effective portion of derivatives is recognized through other comprehensive income in an equity hedge fund, from which it is discharged through other comprehensive income to be recognized through profit or loss at the same time as the hedged item. In situations where the derivative has been acquired for the hedging of a variable-rate loan, the unrealized gain or loss on the ineffective portion of the derivatives is recognized in the income statement as a financial item. Unrealized gains and losses recognized in equity are reversed through comprehensive income if the hedged transaction is no longer expected to occur or when the hedged item is recognized in the income statement.

### NOMINAL VALUES AND FAIR VALUES OF DERIVATIVES

**2023**

| EUR thousand | Nominal value | Fair value, receivables | Net fair value | Maturity |
|---|---|---|---|---|
| Interest rate swap - cash flow hedge | 25,000 | 732 | 732 | Financial year 2025 |

**2022**

| EUR thousand | Nominal value | Fair value, receivables | Net fair value | Maturity |
|---|---|---|---|---|
| Interest rate swap - cash flow hedge | 25,000 | 1,242 | 1,242 | Financial year 2025 |

## 4.4 Off-balance sheet leases and other contingent liabilities

**Leases**

Cinia recognizes the lease expenses ofcurrent leases of low value through profit or loss and presents them as off-balance sheet contingent liabilities.

Lease liabilities are presented exclusive of VAT.

The accounting policy for lease liabilities is presented in Note 3.6.

### LEASE LIABILITIES FROM OFF-BALANCE SHEET LEASES

| EUR thousand | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Less than one year | 887 | 1,189 |
| More than one but less than five years | 1,825 | 1,685 |
| More than five years | 16 | 16 |
| **Total** | **2,728** | **2,890** |

The figure for the comparison period has been adjusted, additional information in Note 1.6.

### COLLATERAL SECURITIES AND CONTINGENT LIABILITIES

| EUR thousand | 31.12.2023 | 31.12.2022 |
|---|---|---|
| Guarantees given on own behalf | 319 | 301 |
| Other liabilities and contingent liabilities | 26 | 47 |
| **Total** | **345** | **348** |

**Other liabilities**

Upon the dissolution of C-Lion1 Oy, the shareholders of C-Lion1 Oy's A Class shares have the priority right to obtain from the assets of C-Lion1 Oy, a company implementing a submarine cable, an amount equivalent to the value of two optical fiber pairs within the scope of the right of possession and use assigned to an A share, which is provided primarily by assigning the right of possession to the fiber pairs in question.

The liabilities related to associates and joint ventures are described in Note 3.4.

## 4.5 Financial income and expenses

The Group's financial income and expenses are presented in this note. The Group has hedged against interest rate risk with an interest rate swap.

Financial expenses are primarily related to loans and lease liabilities.

| EUR thousand | 2023 | 2022 |
|---|---|---|
| **Financial income** | | |
| Interest income | 111 | 7 |
| Other financial income | 1 | -1 |
| **Total** | **113** | **7** |
| | | |
| **Financial expenses** | | |
| Interest expenses for financial liabilities valued at amortized cost | -1,357 | -1,241 |
| Interest expenses for lease liabilities | -134 | -149 |
| Other financial expenses | -3 | -10 |
| **Total** | **-1,493** | **-1,400** |
| | | |
| **Net financial expenses** | **-1,380** | **-1,394** |

The figure for the comparison period has been adjusted, additional information in Note 1.6.

## 4.6 Capital management

The objective for capital management is to ensure the ability to operate as a going concern in order to be able to implement expansion investments and acquisitions and pay dividends.

The Group's capital management is managed at the Group level. Sources of capital are business income financing, owners' equity investments and external debt financing. In capital management, the Group's equity consists of the equity shown on the balance sheet and debt of liabilities on the balance sheet.

The Group monitors the ratio of net debt to EBITDA, interest-bearing net debt, gearing (%) and equity ratio (%).

### CAPITAL STRUCTURE AND KEY INDICATORS

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Interest-bearing net debt (Note 4.2) | 32,104 | 55,407 |
| Total equity | 52,525 | 52,717 |
| **Total capital** | **84,629** | **108,123** |
| | | |
| Gearing, % | 61.1% | 105.1% |
| Net debt/EBITDA | 2.1 | 4.9 |
| Equity ratio, % | 40.0% | 37.5% |

The figure for the comparison period has been adjusted, additional information in Note 1.6.

## 4.7 Equity

The Group's equity includes those equity instruments that demonstrate a right to the entity's assets after deducting all of its liabilities and that do not include a contractual obligation to deliver cash or another financial asset to another entity. Expenses relating to the issue or acquisition of equity instruments is presented as a deduction from equity.

Equity consists of share capital, legal reserve, reserve for invested unrestricted equity, reserve for hedging instruments, translation differences, and retained earnings. A breakdown of the changes is presented in consolidated statement of changes in equity.

All of the shares of the company are presented as share capital. If the company repurchases its own shares, their repurchase is deducted from the shareholders' equity.

The legal reserve is the company's restricted equity that arose during the old Limited Liability Companies Act and is no longer accumulated.

The reserve for hedging instruments includes accumulated changes in the value of interest rate swaps within the scope of hedge accounting, adjusted for deferred tax.

Translation differences include translation differences arising from the translation of the equity of the foreign joint venture at the time of acquisition and from the translation of the figures to be consolidated. The change in translation differences is presented in comprehensive income.

Dividends are recorded as a liability when the Annual General Meeting has approved the amount of dividend to be distributed.

### Distributable funds

The parent company's distributable funds on December 31, 2023 amounted to EUR 38,387,580.49, of which retained earnings amounted to EUR 20,001,324.71 and the profit for the financial period to EUR -583,053.45. The Board of Directors proposes to the Annual General Meeting of 2024 that no dividend be paid for 2023 (no dividend was paid in 2022).

### SHARE CAPITAL

| EUR thousand | Number of shares | Share capital | Legal reserve | Total |
|---|---|---|---|---|
| 1.1.2022 | 1,289,856 | 1,682 | 1,673 | 3,355 |
| 31.12.2022 | 1,289,856 | 1,682 | 1,673 | 3,355 |
| **31.12.2023** | **1,289,856** | **1,682** | **1,673** | **3,355** |

# 5. OTHER NOTES

## 5.1 Related-party transactions

The Group's related parties include subsidiaries, associates and joint ventures, as well as key management personnel. The key management personnel include members of the Board of Directors, the CEO and members of the executive team and close family members of the company's key management personnel. In addition, related parties include the State of Finland, which has control over the Group.

Cinia has a bank loan from a related party company. The principal amount of the loan is presented in liabilities and the related interest in financial expenses. The terms and conditions of the loan are on market terms.

Related party transactions other than those presented in the table consist of transactions with the Finnish state, as well as normal salaries and remuneration for key management personnel.

Transactions with related party companies and the state of Finland take place on market terms.

**Related party transactions with the State of Finland:** Cinia's sales to the State of Finland or to companies, agencies and institutions controlled by it amounted to EUR 26 (27) million. Cinia correspondingly purchased EUR 0.6 (0.9) million. On December 31, 2023, receivables amounted to EUR 4.4 (1.4) million and liabilities to EUR 0.0 (0.1) million.

### TRANSACTIONS WITH RELATED PARTIES

**2023**

| EUR thousand | Sale of goods and services | Purchases of goods and services | Receivables | Financial income and expenses | Liabilities |
|---|---|---|---|---|---|
| Associates and joint ventures | | | 805 | 15 | |
| Key management personnel | 141 | 129 | 2 | -1,519 | 39,258 |
| **Total** | **141** | **129** | **807** | **-1,503** | **39,258** |

**2022**

| EUR thousand | Sale of goods and services | Purchases of goods and services | Receivables | Financial income and expenses | Liabilities |
|---|---|---|---|---|---|
| Associates and joint ventures | 46 | | 364 | | |
| Key management personnel | 3,664 | 434 | 4,220 | -630 | 42,519 |
| **Total** | **3,710** | **434** | **4,584** | **-630** | **42,519** |

## MANAGEMENT SALARIES AND FEES

### Salaries and fees paid to the CEO

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Salaries and benefits | 317 | 306 |
| Pension costs | 61 | 70 |
| Incentive bonuses | 29 | 92 |
| Personnel fund | 40 | 47 |
| **Total** | **447** | **515** |

### Salaries and fees paid to the rest of the Executive Team excl. CEO

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Salaries and benefits | 1,030 | 997 |
| Pension costs | 174 | 188 |
| Incentive bonuses | 44 | 165 |
| Personnel fund | 110 | 129 |
| **Total** | **1,358** | **1,479** |

### Fees for the members of the Board of Directors

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Members of the Board of Directors, December 31 | 117 | 123 |
| Previous members of the Board of Directors | 10 | 9 |
| **Total** | **127** | **132** |

The remuneration of the President and CEO and the members of the Executive Team are presented on an accrual basis.

The CEO and management are part of short-term and long-term incentive schemes in accordance with the terms and conditions approved by the Board of Directors. The remuneration paid under the incentive schemes during a tax year may not exceed 80 percent of the individual's annual fixed basic salary. The criteria for the earning periods under the incentive scheme, the targets and the weights assigned to them are determined annually by the company's Board of Directors in accordance with the Group's target setting process.

The CEO's notice period is six months when the company gives notice, with severance pay corresponding to six months' salary paid as lump-sum compensation. When the CEO gives notice, the notice period is 4 months. No pension agreements deviating from those made with other personnel have been made with the CEO, other members of the Executive Team or the Board of Directors. The CEO is entitled to earnings-related pension in accordance with the Employees Pensions Act.

The Personnel Fund is a bonus fund and a voluntary and alternative way to receive incentive bonuses. It is possible to pay bonuses from the incentive bonus scheme used by the company at each time to the fund.

The fees paid to the Board of Directors include an annual fee and a meeting fee, which is paid for each meeting and for the meetings of the Board's committees in which the Board member participates. The Board members are not within the scope of the company's bonus systems and, for this reason, they are not paid any incentive bonuses.

## 5.2 Income taxes

The Group's income statement taxes include accrual-based taxes corresponding to the Group companies' results for the financial period, adjustments to taxes for previous financial periods, and changes in deferred taxes. The taxes of the Group companies are calculated based on each company's taxable income determined in accordance with local tax legislation.

### INCOME TAXES IN THE INCOME STATEMENT

| EUR thousand | 2023 | 2022 |
|---|---|---|
| **Taxes for the financial year** | | |
| Tax based on the taxable profit for the financial period | -210 | -96 |
| Taxes for previous financial periods | -13 | -49 |
| Deferred taxes | 23 | 183 |
| **Total** | **-199** | **38** |

### INCOME TAXES IN THE STATEMENT OF COMPREHENSIVE INCOME

**2023**

| EUR thousand | Before taxes | Tax impact | After taxes |
|---|---|---|---|
| Cash flow hedges | -536 | 107 | -429 |
| **Total** | **-536** | **107** | **-429** |

**2022**

| EUR thousand | Before taxes | Tax impact | After taxes |
|---|---|---|---|
| Cash flow hedges | 1,218 | -244 | 974 |
| **Total** | **1,218** | **-244** | **974** |

### RECONCILIATION BETWEEN THE INCOME STATEMENT TAX EXPENSE AND TAXES CALCULATED USING THE PARENT COMPANY'S TAX RATE

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Earnings before tax | 526 | -1,315 |
| Taxes by tax rate 20% | -105 | 263 |
| Tax impacts of the following items: | | |
| Non-deductible expenses | -348 | -157 |
| Tax-exempt income | 19 | 6 |
| Taxes for prior financial periods | -13 | -49 |
| Losses of associates and joint ventures | 334 | 110 |
| Other items | -86 | -134 |
| **Taxes in the income statement** | **-199** | **38** |

### ACCOUNTING POLICY

**Deferred tax assets and liabilities**

Deferred tax assets and liabilities are recognized for all temporary differences between the tax bases and carrying amounts of assets and liabilities. The biggest temporary differences arise in taxation from depreciation exceeding the plan and the valuation of intangible and tangible assets at fair value in business combinations. No deferred tax liability has been calculated for goodwill to the extent that goodwill is not deductible for tax purposes. Deferred tax assets are recognized only to the extent that is likely that there will be future taxable income available against which the temporary differences can be used.

Deferred tax has been calculated at the tax rates in force on the balance sheet date and, when the tax rates change, at a new known tax rate. The deferred tax asset is recognized to the extent that it is probable that it can be utilized against future taxable profit. Deferred tax assets and liabilities are offset against each other when the Group has a legally enforceable right to offset current tax assets and liabilities against each other and when the deferred tax assets and liabilities are related to income taxes collected by the same tax recipient either from the same taxpayer or different taxpayers when the intention is to realize the asset and liability on a net basis.

## CHANGES IN DEFERRED TAXES DURING THE FINANCIAL YEAR

**2023**

| EUR thousand | January 1 | Business combination | Recognized in the income statement | Recognized in the comprehensive income statement | December 31 |
|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | |
| Leases | 95 | | 27 | | 122 |
| Other items | 156 | | -34 | | 122 |
| **Total** | **251** | | **-7** | | **244** |
| | | | | | |
| **Deferred tax liabilities** | | | | | |
| Depreciation and amortization exceeding the plan in taxation | 1,786 | | 126 | | 1,912 |
| Intangible and tangible assets | 812 | 661 | -155 | | 1,318 |
| Cash flow hedges | 244 | | | -107 | 136 |
| Other items | 8 | | -2 | | 6 |
| **Total** | **2,848** | **661** | **-30** | **-107** | **3,372** |
| | | | | | |
| **Net** | **-2,597** | **-661** | **23** | **107** | **-3,128** |

## CHANGES IN DEFERRED TAXES DURING THE FINANCIAL YEAR

### 2022

| EUR thousand | January 1 | Business combination | Recognized in the income statement | Recognized in the comprehensive income statement | December 31 |
|---|---|---|---|---|---|
| **Deferred tax assets** | | | | | |
| Leases | 59 | | 36 | | 95 |
| Other items | 14 | | 142 | | 156 |
| **Total** | **73** | | **178** | | **251** |
| | | | | | |
| **Deferred tax liabilities** | | | | | |
| Depreciation and amortization exceeding the plan in taxation | 1,684 | | 101 | | 1,786 |
| Intangible and tangible assets | 926 | | -114 | | 812 |
| Cash flow hedges | | | | 244 | 244 |
| Other items | 0 | | 8 | | 8 |
| **Total** | **2,610** | **0** | **-5** | **244** | **2,848** |
| | | | | | |
| **Net** | **-2,537** | **0** | **183** | **-244** | **-2,597** |

The figure for the comparison period have been adjusted, additional information in Note 1.6.

### 5.3 Events after the financial period

After the financial period, there have been no material events.

# Parent company's financial statements (FAS)

## Parent company's income statement

| EUR | Note | Jan 1–Dec 31, 2023 | Jan 1–Dec 31, 2022 |
|---|---|---|---|
| **Net sales** | 6.2 | **83,958,124.91** | **66,337,654.94** |
| Manufacturing for own use | 6.3 | 281,953.45 | 1,040,494.95 |
| Other operating income | 6.4 | 3,119,360.93 | 108,056.10 |
| Materials and services | 6.5 | -34,439,677.35 | -27,301,638.06 |
| Personnel expenses | 6.6 | -34,796,582.39 | -27,175,559.10 |
| Depreciation, amortization and impairment | 6.7 | -8,252,729.62 | -5,615,786.91 |
| Other operating expenses | 6.8 | -8,844,876.96 | -9,171,785.21 |
| **Operating profit/loss** | | **1,025,572.97** | **-1,778,563.29** |
| | | | |
| Finance income and expenses | 6.10 | -1,143,032.77 | -891,301.04 |
| **Operating profit/loss before appropriations and taxes** | | **-117,459.80** | **-2,669,864.33** |
| | | | |
| Appropriations | 6.11 | -292,796.13 | 2,047,679.44 |
| Income taxes | 6.12 | -172,797.52 | -82,956.79 |
| **Profit/loss for the financial period** | | **-583,053.45** | **-705,141.68** |

# Parent company's balance sheet

| EUR | Note | 31.12.2023 | 31.12.2022 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 6.13 | 28,228,846.03 | 30,516,560.09 |
| Tangible assets | 6.14 | 16,842,392.65 | 19,590,247.93 |
| Investments | 6.15 | | |
| Holdings in Group undertakings | | 26,765,964.74 | 20,775,000.00 |
| Holdings in participating interests | | 495,126.50 | 333,320.50 |
| Other shares and holdings | | 67,819.80 | 1,277,656.69 |
| | | 27,328,911.04 | 22,385,977.19 |
| **Total non-current assets** | | **72,400,149.72** | **72,492,785.21** |
| | | | |
| **Current assets** | | | |
| Inventories | 6.16 | 1,089,562.00 | 1,695,228.17 |
| Non-current receivables | 6.17 | | |
| Amounts owed by Group undertakings | | | 9,250,000.00 |
| Amounts owed by participating interests | | 377,041.05 | 97,774.65 |
| Loan receivables | | | 2,514,832.50 |
| Other receivables | | 4,244,927.83 | 4,996,852.94 |
| Prepaid expenses and accrued income | | 682,304.00 | |
| | | 5,304,272.88 | 16,859,460.09 |

| EUR | Note | 31.12.2023 | 31.12.2022 |
|---|---|---|---|
| Current receivables | 6.18 | | |
| Trade receivables | | 17,618,601.68 | 18,058,177.46 |
| Amounts owed by Group undertakings | | 46,844.72 | 5,739,436.50 |
| Amounts owed by participating interests | | 16,070.89 | 703.17 |
| Other receivables | | 34,232.58 | 68,932.23 |
| Prepaid expenses and accrued income | | 2,646,985.07 | 6,573,635.01 |
| | | 20,362,734.94 | 30,440,884.37 |
| Cash in hand and at bank | | 12,556,595.19 | 7,618,480.31 |
| **Total current assets** | | **39,313,165.01** | **56,614,052.94** |
| | | | |
| **TOTAL ASSETS** | | **111,713,314.73** | **129,106,838.15** |

| EUR | Note | 31.12.2023 | 31.12.2022 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | 6.19 | | |
| Share capital | | 1,681,879.26 | 1,681,879.26 |
| Legal reserve | | 1,673,469.87 | 1,673,469.87 |
| Reserve for invested unrestricted equity | | 19,000,032.00 | 19,000,032.00 |
| Fair value reserve | | 682,304.00 | 1,217,971.00 |
| Retained earnings | | 20,001,324.71 | 20,706,466.39 |
| Profit/loss for the financial period | | -583,053.45 | -705,141.68 |
| **Total equity** | | **42,455,956.39** | **43,574,676.84** |
| | | | |
| **Appropriations** | 6.21 | **749,609.64** | **606,813.51** |
| | | | |
| **Liabilities** | | | |
| Non-current | 6.22 | | |
| Loans from financial institutions | | 35,517,500.00 | 39,035,000.00 |
| Advance payments received | | 1,216,170.33 | 1,459,869.77 |
| Other liabilities | | 200,000.00 | 200,000.00 |
| Accrued expenses and deferred income | | 794,879.66 | 0.00 |
| | | 37,728,549.99 | 40,694,869.77 |

| EUR | Note | 31.12.2023 | 31.12.2022 |
|---|---|---|---|
| Current | 6.23 | | |
| Loans from financial institutions | | 3,517,500.00 | 18,517,500.00 |
| Advance payments received | | 372,404.39 | 741,391.19 |
| Trade payables | | 5,241,313.15 | 6,626,623.22 |
| Amounts owed to Group undertakings | | 3,052,209.74 | 5,408,933.78 |
| Other liabilities | | 3,275,916.93 | 5,892,626.90 |
| Accrued expenses and deferred income | | 15,319,854.50 | 7,043,402.94 |
| | | 30,779,198.71 | 44,230,478.03 |
| **Total creditors** | | **68,507,748.70** | **84,925,347.80** |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | | **111,713,314.73** | **129,106,838.15** |

# Parent company cash flow statement

| EUR | Jan 1–Dec 31, 2023 | Jan 1–Dec 31, 2022 |
|---|---|---|
| **Cash flow from operations** | | |
| Operating profit/loss | 1,025,572.97 | -1,778,563.29 |
| Adjustments: | | |
| Depreciation according to plan | 8,252,729.62 | 5,615,786.91 |
| Other adjustments | -2,927,191.48 | -81,952.22 |
| Cash flow before change in working capital | 6,351,111.11 | 3,755,271.40 |
| | | |
| Change in working capital: | | |
| Increase (-)/decrease (+) in non-interest-bearing short-term receivables | 21,123,101.64 | -4,487,243.65 |
| Increase (-)/decrease (+) in inventories | 605,666.17 | 501,409.07 |
| Increase (+)/decrease (–) in non-interest-bearing short-term liabilities | -5,194,434.07 | -867,785.15 |
| Operating cash flow before financial items and taxes | 22,885,444.85 | -1,098,348.33 |
| | | |
| Interests and expenses paid from other operating finance costs | -1,374,419.31 | -3,748,594.26 |
| Interest income from operating activities | 205,954.54 | 395,079.98 |
| Taxes paid | -137,371.27 | 84,160.91 |
| **Cash flow from operations** | **21,579,608.81** | **-4,367,701.70** |

| EUR | Jan 1–Dec 31, 2023 | Jan 1–Dec 31, 2022 |
|---|---|---|
| **Cash flow from investing activities** | | |
| Investments in Group companies | -5,978,964.74 | -2,430,400.00 |
| Investments in tangible and intangible assets | -3,217,160.28 | -8,622,426.19 |
| Acquired businesses | | -115,000.00 |
| Other investments | | -930,320.50 |
| Proceeds from the sale of tangible and intangible assets | 3,097,356.62 | 81,952.22 |
| Proceeds from disposal of other investments | 41,161.00 | |
| Grants received | 6,940,224.47 | |
| Loans granted | -161,806.00 | |
| Repayments of loan receivables | 1,155,195.00 | |
| **Cash flow from investing activities** | **1,876,006.07** | **-12,016,194.47** |
| | | |
| **Cash flow from financing activities** | | |
| Repayments of long-term borrowings | | |
| Proceeds from long-term borrowings | -15,000,000.00 | -4,600,000.00 |
| Repayments of long-term borrowings | | 15,482,500.00 |
| Pitkäaikaisten lainojen takaisinmaksut | -3,517,500.00 | |
| Dividends paid and other distribution of profits | | -515,942.40 |
| **Cash flow from financing activities** | **-18,517,500.00** | **10,366,557.60** |
| | | |
| **Change in cash and cash equivalents** | **4,938,114.88** | **-6,017,338.57** |
| Cash and cash equivalents at the beginning of the financial period | 7,618,480.31 | 13,623,797.01 |
| Cash and cash equivalents acquired in merger | | 12,021.87 |
| Cash and cash equivalents at the end of the financial period | 12,556,595.19 | 7,618,480.31 |

# Notes to the parent company's financial statements

## 6.1 Accounting policy

The company is the parent company of Cinia Group, domiciled in Helsinki. Cinia Ltd's financial statements have been prepared in accordance with the Finnish Accounting Act (Finnish Accounting Standards, FAS). Items in the financial statements are measured at acquisition cost.

Copies of the consolidated financial statements are available from the headquarters of the Group's parent company at the address Ilmalantori 1, FI-00240 Helsinki, Finland. The Financial Statements Bulletin is available online at www.cinia.fi.

### Measurement and accrual principles and methods

#### NON-CURRENT ASSETS

Fixed assets are capitalized at direct purchase cost, including fixed costs of purchase and manufacture. As part of the fixed costs of purchase and manufacture, salary expenses have been capitalized in fixed assets on the balance sheet in the amount of EUR 0.2 (0.9) million. The capitalization of salary expenses is included in "Manufacturing for own use" on the income statement.

Depreciation and amortization according to plan is calculated based on the useful life of fixed assets as straight-line depreciation from the initial purchase price.

The planned depreciation and amortization periods are:

| | |
|---|---|
| Goodwill | 10 years and 15 years |
| Intangible rights | 3 years and 5 years |
| Other long-term expenditure | 3–7 years |
| Telecommunications and IT equipment | 3–5 years |
| Cables and equipment space for the backbone network | 3–15 years |
| Transmission and IP backbone network systems | 3–7 years |
| Other fixed ICT assets | 3–5 years |
| Customer-specific access networks | 3–5 years |
| Other machinery and equipment | 3–10 years |

#### MEASUREMENT OF INVENTORIES

Inventories are measured at the lower of acquisition cost and fair value. The acquisition cost for inventories is the average price.

#### ITEMS DENOMINATED IN FOREIGN CURRENCIES

Receivables, liabilities and other commitments denominated in foreign currencies have been converted into euros using the average exchange rate of the European Central Bank on the balance sheet date.

#### NET SALES

The amount of turnover is based on the consideration expected from the customer, to which the company considers itself entitled, and does not include any consideration collected on behalf of third parties.

Revenue from projects based on hourly or daily fee arrangements is recognized based on actual invoiced working hours. Revenue from continuous services is recognized based on agreements.

Sales proceeds of system and license deliveries are recognized as revenue when the system or license is transferred to the customer in accordance with the terms of delivery.

The net sales of a long-term construction project are recognized on the basis of the services provided by the reporting date pro rata to the total volume of services provided. Estimates of revenue, expenses and degree of completion are revised as circumstances change and any resulting income or expenses are recognized through profit or loss for the reporting period during which the change is identified.

#### PENSION PLANS

Pension cover is arranged through Varma Mutual Pension Insurance Company and Ilmarinen Mutual Pension Insurance Company. Pension costs are recorded as expenses on accrual basis.

#### DERIVATIVE INSTRUMENTS

The company applies chapter 5, section 2a of the Accounting Act and initially measures derivative instruments (Note 6.2) at fair value.

Please refer to the accounting policy for derivative instruments in note 4.3 of the consolidated financial statements.

#### INCOME TAXES

The income statement includes the accrual-based tax calculated on the basis of Finnish tax regulations as income taxes for the financial year, as well as adjustments to taxes for previous financial years. The parent company does not recognize deferred taxes.

## 6.2 Net sales

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Net sales based on the degree of completion | 1 | 3,367 |
| Other net sales | 83,957 | 62,971 |
| **Total** | **83,958** | **66,338** |

## 6.3 Manufacturing for own use

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Manufacturing for own use | 282 | 1,040 |

Manufacturing for own use mainly includes salary and personnel expenses related to the acquisition of fixed assets, as well as materials and supplies taken from inventories.

## 6.4 Other operating income

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Sales proceeds from asset deals | 3,045 | 82 |
| Gains on disposal of fixed assets | 45 | |
| Damages received | 3 | |
| Other | 25 | 26 |
| **Total** | **3,119** | **108** |

## 6.5 Materials and services

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Raw materials, supplies and goods | | |
| Purchases during the financial period | 11,143 | 4,058 |
| Change in inventories | 633 | 501 |
| External services | 22,664 | 22,743 |
| **Total** | **34,440** | **27,302** |

## 6.6 Personnel expenses

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Salaries and fees | 28,963 | 22,563 |
| Pension costs | 4,830 | 3,836 |
| Other social security costs | 1,004 | 776 |
| **Total** | **34,797** | **27,176** |
| | | |
| Average number of employees | **418** | **366** |

## 6.7 Depreciation and amortization according to plan

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Intangible assets | 2,467 | 2,225 |
| Tangible assets | 4,198 | 3,391 |
| **Total** | **6,665** | **5,616** |

An item-specific breakdown of depreciation is included in Notes 6.13 and 6.14.

## 6.8 Other operating expenses

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Other personnel-related expenses | 2,269 | 2,087 |
| Rents and expenses related to apartments | 1,730 | 1,417 |
| Entertainment and marketing expenses | 748 | 705 |
| IT expenses | 2,207 | 2,995 |
| Other administrative costs | 1,891 | 1,968 |
| **Total** | **8,845** | **9,172** |

## 6.9 Auditor’s fees

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Audit fees | 70 | 34 |
| Other fees | 68 | |
| **Total** | **139** | **34** |

## 6.10 Financial income and expenses

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Other interest and financial income | | |
| From Group companies | 183 | 388 |
| From others | 23 | 8 |
| **Total** | **206** | **395** |
| | | |
| Interest and other financial expenses | | |
| Impairment of investments | | -1 |
| To others | -1,349 | -1,285 |
| **Total** | **-1,349** | **-1,286** |
| | | |
| **Total financial income and costs** | **-1,143** | **-892** |

## 6.11 Appropriations

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Change in depreciation difference | -143 | -52 |
| Group contributions received | | 2,100 |
| Group contributions given | -150 | |
| | **-293** | **2,048** |

## 6.12 Income taxes

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Income taxes for the financial period | -163 | -38 |
| Income taxes for prior financial periods | -10 | -45 |
| **Total** | **-173** | **-83** |

## 6.13 Intangible assets

| EUR thousand | 2023 | 2022 |
|---|---|---|
| **Development expenditure** | | |
| Acquisition cost Jan 1 | 272 | 248 |
| Additions during the financial period | | 24 |
| Disposals during the financial period | -169 | |
| Acquisition cost Dec 31 | 104 | 272 |
| Accumulated depreciation Jan 1 | -193 | -162 |
| Accumulated depreciation for disposals and transfers | 147 | |
| Amortization according to plan | -28 | -30 |
| Accumulated depreciation 31 Dec. | -73 | -193 |
| **Carrying amount 31 Dec.** | **31** | **80** |
| | | |
| **Intangible rights** | | |
| Acquisition cost Jan 1 | 3,879 | 484 |
| Additions during the financial period | 242 | 3,408 |
| Disposals during the financial period | -726 | -14 |
| Acquisition cost Dec 31 | 3,395 | 3,879 |
| Accumulated depreciation Jan 1 | -1,147 | -405 |
| Accumulated depreciation for disposals and transfers | | -487 |
| Amortization according to plan | -933 | -268 |
| Depreciation for disposals and transfers during the financial period | 726 | 14 |
| Accumulated depreciation Dec 31 | -1,354 | -1,147 |
| **Carrying amount Dec 31** | **2,041** | **2,732** |

| EUR thousand | 2023 | 2022 |
|---|---|---|
| **Other long-term expenditure** | | |
| Acquisition cost Jan 1 | 5,713 | 4,068 |
| Additions during the financial period | 1,182 | 1,992 |
| Disposals during the financial period | -856 | -347 |
| Acquisition cost Dec 31 | 6,040 | 5,713 |
| Accumulated depreciation Jan 1 | -2,554 | -2,187 |
| Accumulated depreciation for disposals and transfers | | 317 |
| Amortization according to plan | -1,027 | -684 |
| Depreciation for disposals and transfers during the financial period | 847 | |
| Accumulated depreciation Dec 31 | -2,734 | -2,554 |
| **Carrying amount 31 Dec.** | **3,305** | **3,159** |
| | | |
| **Goodwill** | | |
| Acquisition cost Jan 1 | 4,668 | 4,553 |
| Additions during the financial period | | 115 |
| Acquisition cost Dec 31 | 4,668 | 4,668 |
| Accumulated depreciation 1 Jan. | -902 | -445 |
| Amortization according to plan | -478 | -457 |
| Accumulated depreciation 31 Dec. | -1,381 | -902 |
| **Carrying amount 31 Dec.** | **3,288** | **3,766** |

| EUR thousand | 2023 | 2022 |
|---|---|---|
| **Merger loss** | | |
| Acquisition cost Jan 1 | 21,609 | 14,244 |
| Additions during the financial period | | 7,365 |
| Acquisition cost 31 Dec. | 21,609 | 21,609 |
| Accumulated depreciation 1 Jan. | -2,502 | -1,716 |
| Amortization according to plan | -1,588 | -786 |
| Accumulated depreciation 31 Dec. | -4,090 | -2,502 |
| **Carrying amount 31 Dec.** | **17,519** | **19,107** |
| | | |
| **Property, plant and equipment in progress** | | |
| Intangible assets at the beginning of the financial period | 1,673 | 1,414 |
| Intangible assets at the end of the financial period | 2,045 | 1,673 |
| | | |
| **Total intangible assets** | **28,229** | **30,517** |

## 6.14 Tangible assets

| EUR thousand | 2023 | 2022 |
|---|---|---|
| **Machinery and equipment** | | |
| Acquisition cost 1 Jan. | 65,957 | 59,225 |
| Additions during the financial period | 3,670 | 7,033 |
| Disposals during the financial period | -312 | -302 |
| Acquisition cost Dec 31 | 69,314 | 65,957 |
| Accumulated depreciation Jan 1 | -49,919 | -46,479 |
| Accumulated depreciation for disposals and transfers | 148 | -49 |
| Amortization according to plan | -4,198 | -3,391 |
| Accumulated depreciation 31 Dec. | -53,969 | -49,919 |
| **Carrying amount 31 Dec.** | **15,346** | **16,038** |
| | | |
| **Property, plant and equipment in progress** | | |
| Tangible assets at the beginning of the financial period | 3,552 | 6,165 |
| Tangible assets at the end of the financial period | 1,497 | 3,552 |
| | | |
| **Total tangible assets** | **16,842** | **19,590** |

## 6.15 Investments

| EUR thousand | 2023 | 2022 |
|---|---|---|
| **Holdings in Group undertakings** | | |
| Acquisition cost Jan 1 | 20,775 | 24,715 |
| Additions during the financial period | 5,991 | 1,930 |
| Disposals during the financial period | | -5,871 |
| Acquisition cost Dec 31 | 26,766 | 20,775 |
| | | |
| **Holdings in participating interests** | | |
| Acquisition cost Jan 1 | 333 | |
| Additions during the financial period | 162 | 333 |
| Acquisition cost Dec 31 | 495 | 333 |
| | | |
| **Other shares and holdings** | | |
| Acquisition cost Jan 1 | 1,278 | 682 |
| Additions during the financial period | | 597 |
| Disposals during the financial period | -1,210 | -1 |
| Acquisition cost Dec 31 | 68 | 1,278 |
| | | |
| **Total investments** | **27,329** | **22,386** |

**Holdings in Group undertakings**

See Note 1.4 in the notes to the consolidated financial statements.

**Holdings in participating interests**

See Note 1.4 in the notes to the consolidated financial statements.

## 6.16 Inventories

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Raw materials, supplies and goods Dec 31 | 1,062 | 1,695 |
| Advance payments | 28 | |
| **Total** | **1,090** | **1,695** |

## 6.17 Non-current receivables

| EUR thousand | 2023 | 2022 |
|---|---|---|
| **Receivables from Group undertakings** | | |
| Loan receivables | | 9,250 |
| **Total** | **0** | **9,250** |
| | | |
| **Receivables from participating interests** | | |
| Loan receivables | 377 | 98 |
| **Total** | **377** | **98** |
| | | |
| **Receivables from others** | | |
| Loan receivables | | 2,515 |
| Other receivables | 4,245 | 4,997 |
| Prepaid expenses and accrued income | 682 | |
| **Total** | **4,927** | **7,512** |
| | | |
| **Total non-current receivables** | **5,304** | **16,859** |

Non-current receivables from others mainly include advance payments made for the right to use the transmission network.

## 6.18 Current receivables

| EUR thousand | 2023 | 2022 |
|---|---|---|
| **Receivables from Group undertakings** | | |
| Trade receivables | 47 | 484 |
| Loan receivables | | 1,410 |
| Other receivables | | 2,100 |
| Group account receivables | | 1,745 |
| **Total** | **47** | **5,739** |
| | | |
| **Receivables from participating interests** | | |
| Other receivables | 16 | 1 |
| **Total** | **16** | **1** |
| | | |
| **Receivables from others** | | |
| Trade receivables | 17,619 | 18,058 |
| Other receivables | 34 | 69 |
| Prepaid expenses and accrued income | 2,647 | 6,574 |
| **Total** | **20,300** | **24,701** |
| | | |
| **Total current receivables** | **20,363** | **30,441** |
| | | |
| **Prepaid expenses and accrued income from others, breakdown** | | |
| Tax assets, income taxes | 74 | 185 |
| Other advance payments made | 666 | 760 |
| Derivative receivables | 50 | 1,242 |
| Other prepaid expenses and accrued income for income | 508 | 2,686 |
| Other prepaid expenses and accrued income for expenses | 1,350 | 1,700 |
| **Total** | **2,647** | **6,574** |

Other prepaid expenses and accrued income for income consist of accrued income from projects based on the degree of completion.

## 6.19 Equity

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Share capital Jan 1 | 1,682 | 1,682 |
| **Share capital Dec 31** | **1,682** | **1,682** |
| Legal reserve Jan 1 | 1,673 | 1,673 |
| **Legal reserve Dec 31** | **1,673** | **1,673** |
| Reserve for invested unrestricted equity Jan 1 | 19,000 | 19,000 |
| **Reserve for invested unrestricted equity Dec 31** | **19,000** | **19,000** |
| Fair value reserve Jan 1 | 1,218 | 1,218 |
| Decrease | -536 | |
| **Fair value reserve Dec 31** | **682** | **1,218** |
| | | |
| Retained earnings Jan 1 | 20,001 | 21,222 |
| Distribution of dividends | | -516 |
| **Retained earnings Dec 31** | **20,001** | **20,706** |
| | | |
| **Profit/loss for the financial period** | **-583** | **-705** |
| | | |
| **Total equity** | **42,456** | **43,575** |
| | | |
| **Undepreciated capitalized development expenditure** | **31** | **80** |
| | | |
| **Distributable funds of the equity** | **38,388** | **38,922** |

## 6.20 Company's shareholders and shares

| Number of shares, qty | 2023 | % | 2022 | % |
|---|---|---|---|---|
| Ministry of Transport and Communications | 1,000,000 | 77.53 | 1,000,000 | 77.53 |
| Ilmarinen Mutual Pension Insurance Company | 144,928 | 11.24 | 144,928 | 11.24 |
| Pohjola Insurance Ltd. | 144,928 | 11.24 | 144,928 | 11.24 |

## 6.21 Appropriations

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Accumulated depreciation difference from the difference between planned depreciation and depreciation in taxation | 750 | 607 |
| **Total** | **750** | **607** |

## 6.22 Non-current liabilities

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Loans from financial institutions | 35,518 | 39,035 |
| Advance payments received | 1,216 | 1,460 |
| Other liabilities | 200 | 200 |
| Accrued expenses and deferred income | 795 | |
| **Total** | **37,729** | **40,695** |

The loan from financial institution is interest rate-hedged. The company has no non-current liabilities maturing in more than five years.
Non-current liabilities include loans and advance payments received for the use of the transmission network.

## 6.23 Current liabilities

| EUR thousand | 2023 | 2022 |
|---|---|---|
| **Loans from financial institutions** | | |
| Loans from financial institutions | 3,518 | 18,518 |
| **Total** | **3,518** | **18,518** |
| | | |
| **Advance payments received** | | |
| Other advance payments received | 372 | 741 |
| **Total** | **372** | **741** |
| | | |
| **Liabilities to Group companies** | | |
| Trade payables | 77 | 100 |
| Group account liabilities | 2,825 | 2,409 |
| Other liabilities | 150 | 2,900 |
| **Total** | **3,052** | **5,409** |
| | | |
| **Liabilities to others** | | |
| Trade payables | 5,241 | 6,627 |
| Other liabilities | 3,276 | 5,893 |
| Accrued expenses and deferred income | 15,320 | 7,043 |
| **Total** | **23,837** | **19,563** |

| EUR thousand | 2023 | 2022 |
|---|---|---|
| **Breakdown of accrued expenses and deferred income** | | |
| Accrued investment grants | 7,154 | 214 |
| Current tax liabilities, income taxes | 39 | 3 |
| Salary liabilities | 1,656 | 1,306 |
| Holiday pay liabilities | 4,022 | 3,804 |
| Liabilities according to the degree of completion | 107 | 308 |
| Other accrued expenses and deferred income | 2,343 | 1,622 |
| **Total** | **15,320** | **7,043** |

The majority of the accrued investment grants have been received for the development of the Arctic cable project, and a small part of the grants is related to the development project of quantum-encrypted information network services. In the cable projects, Cinia is the coordinator and the main beneficiary. In a quantum encryption project, Cinia is a partner in a larger project entity.

Other accrued expenses and deferred income includes accrued expenses of projects recognized based on the degree of completion.

## 6.24 Order book for long-term projects

| EUR thousand | 2023 | 2022 |
|---|---|---|
| Projects recognized as income based on the degree of completion | 4,803 | 2,334 |
| Projects recognized as income based on the delivery principle | 1,693 | 1,157 |
| **Order book for projects at the end of the financial period** | **6,496** | **3,491** |

Breakdown according to balance sheet items in Notes 6.18 and 6.23.

## 6.25 Collateral securities and contingent liabilities

| EUR thousand | 2023 | 2022 |
|---|---|---|
| **Lease liabilities** | | |
| Due for payment in the next financial period | 1,163 | 1,454 |
| Due for payment later | 678 | 1,376 |
| | **1,841** | **2,830** |
| **Lease liabilities** | | |
| Due for payment in the next financial period | 507 | 257 |
| Due for payment later | 603 | 246 |
| | **1,110** | **503** |
| **Bank liabilities** | | |
| Overdraft facilities | 17,000 | 17,000 |
| Unused | 17,000 | 2,000 |
| | | |
| **Guarantees** | | |
| Overdraft facilities | 1,000 | 1,000 |
| Used | 319 | 301 |
| | | |
| **Company credit cards** | **26** | **42** |

## 6.26 Derivative instruments

| EUR thousand | 2023 | 2022 |
|---|---|---|
| **Interest rate swap - cash flow hedge** | | |
| Nominal value | 25,000 | 25,000 |
| Fair value | 732 | 1,242 |

# Signatures to the financial statements and the report by the Board of Directors

Helsinki, March 7, 2024

Olli-Pekka Kallasvuo
Chair of the Board

Vesa Aho

Annika Ekman

Elina Piispanen

Anni Vepsäläinen

Ari-Jussi Knaapila
CEO

## Auditor's note

Our auditor's report on the conducted audit has been issued today.

PricewaterhouseCoopers Oy
Authorized Public Accountant Firm
Samuli Perälä, Authorized Public Accountant

# Remuneration report

# Remuneration report

## Principles of remuneration

The aim of the remuneration system for the entire staff is to support the strategy and encourage increasing the company's value. With regard to remuneration, Cinia complies with the remuneration principles in force for state-owned companies. The company's Board of Directors has a Human Resources Committee, tasked with developing the remuneration system and monitoring the implementation of remuneration.

In terms of the remuneration policy, the financial incentives used are fixed monetary salary and a variable salary component for the management and the entire staff. Variable remuneration programs are incentive programs based on long-term objectives and annual, project and sales targets.

Cinia has a bonus fund pursuant to the Act on Personnel Funds as a voluntary and alternative way to receive incentive bonuses. It is possible to pay bonuses from the incentive bonus scheme used by the company at each time to the fund. The funding option applies to the entire staff and the membership of the fund is based on employment.

## Remuneration of the Board of Directors

The remuneration of the Board of Directors is confirmed by the Annual General Meeting. Any travel expenses of the members of the Board are subject to the guidelines issued by the Tax Administration and Cinia's travel policy. The company does not provide loans or guarantees to the members of the Board of Directors. In 2023, there were 11 Board meetings, four Audit Committee meetings and four Human Resources Committee meetings.

## Remuneration of the CEO and other members of the Executive Team

The remuneration of the Group's CEO and permanent deputy under the annual short-term incentive scheme is up to 40% of their annual salaries. For members of the Group's Executive Team, the annual short-term scheme remuneration is up to 30% of their fixed annual salaries. In addition to the short-term incentive scheme, there are other incentive schemes to encourage management and other key personnel to develop the company's long-term strategic and commercial position. The maximum total amount of remuneration to be paid may not exceed 80 percent of the fixed annual salary per year in accordance with the government's resolution (8 April 2020).

### SALARIES AND FEES PAID TO THE BOARD OF DIRECTORS IN 2023

| Member | monthly fees (EUR) | meeting-specific fees (EUR) | Board of Directors meetings (number) | Committee meetings (number) |
|---|---|---|---|---|
| Olli-Pekka Kallasvuo (Chair) | 20,800 | 8,100 | 11 | 5 |
| Esko Aho (until March 29) | 7,600 | 2,100 | 2 | 1 |
| Vesa Aho | 16,800 | 8,100 | 11 | 4 |
| Annika Ekman | 16,800 | 6,900 | 10 | 4 |
| Elina Piispanen (since March 30) | 11,200 | 4,200 | 7 | 2 |
| Anni Vepsäläinen | 16,800 | 6,900 | 11 | 4 |

| Thousand euros | 2023 | 2022 |
|---|---|---|
| Members of the Board of Directors, December 31 | 117 | 123 |
| Previous members of the Board of Directors | 10 | 9 |
| **Total** | **126** | **132** |

## SALARIES AND FEES PAID TO THE CEO

| Thousand euros | 2023 | 2022 |
|---|---|---|
| Salaries and benefits | 317 | 306 |
| Incentive bonuses (excluding personnel fund) | 29 | 92 |
| Personnel fund share | 40 | 47 |
| **Total** | **386** | **444** |

## SALARIES AND FEES PAID TO THE REST OF THE EXECUTIVE TEAM

| Thousand euros | 2023 | 2022 |
|---|---|---|
| Salaries and benefits | 1,030 | 997 |
| Incentive bonuses (excluding personnel fund) | 44 | 165 |
| Personnel fund share | 110 | 129 |
| **Total** | **1,183** | **1,292** |

## SALARIES AND FEES PAID TO THE STAFF AS A WHOLE

| Thousand euros | 2023 | 2022 |
|---|---|---|
| Salaries and benefits | 27,819 | 25,013 |
| Incentive bonuses (excluding personnel fund) | 789 | 1,161 |
| Personnel fund share | 459 | 433 |
| **Total** | **29,067** | **26,607** |

Salaries and fees are reported on an accrual basis and excluding indirect expenses.

Cinia

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