

FINANCIAL
STATEMENTS
BULLETIN 2020



General information about the company

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

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

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

Structure and financial arrangements

In terms of operations and management, business activities were divided into six business lines as a result of an organizational change implemented early in the 2020 financial period. Four business lines operate mainly in the field of telecommunications network solutions, one mainly in cyber security solutions and one purely in the field of software solutions.

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

Key events during the financial year

The Group's total net sales increased compared to 2019 by approximately EUR 10.1 million (+20.5%). There was growth in several services, but a significant share of the growth took place organically in regional fibre network solutions and software services. The objective of the organizational change was to increase the ability to generate new turnover through sales and new business development. This objective was reached reasonably well, even though the worldwide COVID-19 pandemic slowed several projects and customer negotiations.

The international connectivity services business continues to grow and is an important investment area for the company. In the financial period, Cinia deployed a new transmission network connection between Finland and Sweden, which further strengthens Cinia's network connection services in Northern Europe. In the financial period, demand for connections between Europe and Russia and Europe and Asia continued at a strong level.

In cyber security services, the market is growing and the trend is expected to continue for a long time as digitalization extends further and deeper into all functions of society. Cinia decided to strengthen its position in this market by acquiring all shares of OptimeSys Group Oy with an agreement signed on 24 November 2020. The acquisition took effect on 1 January 2021.

In addition to the above-mentioned OptimeSys Group Oy, Cinia Ltd acquired all shares of NDC Networks Oy

on 1 February 2020. NDC Networks Oy delivers and develops wireless data transmission services and IoT solutions for demanding environments, such as transport and logistics, defence and security sectors and heavy industry.

Overall demand for Cinia's software solutions continued at a good level, with organic growth contributing to 21.7% of net sales. At the same time, the profitability of this business improved significantly. As a result of the new projects that were won last year and due to the good project base for established customers, we started the new year with order volumes higher than the volumes early in the previous year.

In 2019, Adola Oy, a company established by Cinia and the fund management company DIF, started its operations in the optic fibre markets in Finland.

Arctic Link Development Oy, a project company, was established together with the Russian MegaFon company in 2020 for the purpose of preparing the construction of the Arctic Connect submarine cable. Cinia's ownership in this project company is implemented through Cinia Alliance Oy, a joint venture. In addition to Cinia Ltd, the partners and parties providing financing for Cinia Alliance Oy include companies and entities from Norway, Japan and Finland.

At the end of the financial year Cinia and Digita signed an agreement to transfer Cinia's tower business to Digita Oy. The transfer took effect 31 January 2021.

Assessment of the financial period and key indicators

The consolidated financial statements include Cinia Ltd (parent), C-Lion1 Oy, Cinia Cloud GmbH, Netplaza Oy, NDC Networks Oy and Cinia Alliance Oy.

Cinia's consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS). The IAS and IFRS standards and IFRIC and SIC interpretations in effect on 31 December 2020 were applied. In the Finnish accounting legislation and statutes enacted under it, International Financial Reporting Standards refer to the standards and their interpretations approved for application in the EU in accordance with the procedures stipulated in the EU regulation (EU) no 1606/2002. The notes to the consolidated financial statements

also comply with the Finnish accounting and company legislation supplementing the IFRS rules. Cinia Group adopted IFRS accounting policies as of 1 January 2019.

In 2020, Cinia Group's IFRS net sales amounted to EUR 59.7 million. Operating profit totalled EUR 6.55 million. Salary expenses were capitalized in the balance sheet as part of fixed procurement and manufacturing costs. The capitalization of salary expenses is presented in the income statement on the 'Manufacturing for own use' row. Gross investments in the financial period amounted to EUR 6.3 million (2019: 6.3). The value of the Group's own employees' work included in investments amounts to EUR 0.4 million.

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

Cinia Group (IFRS) EUR million	2020	2019
Net sales M€	59,70	49,55
Operating profit/loss M€	6,55	3,98
Operating profit % of net sales	11,0 %	8 %
Return on equity % (ROE)	9,6 %	5,6 %
Return on investment % (ROI)	8,2 %	5,1 %
Equity ratio (%)	45,9 %	44,9 %

Parent company Cinia Oy (FAS) EUR million	2020	2019
Sales M€	42,41	40,59
Operating profit/loss M€	3,97	2,12
Operating profit % of net sales	9,4 %	5,2 %
Return on equity % (ROE)	1,2 %	3,7 %
Return on investment % (ROI)	5,3 %	3,7 %
Equity ratio (%)	45,7 %	47,6 %

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

Calculation formulas for key figures:

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

Corporate security and risk management

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

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

Due to the nature of its operations especially in network services, Cinia has high requirements for the operation of systems

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

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

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

Social responsibility

Cinia's objective is to integrate social responsibility as a part of daily operations: management, development and customer solutions. Cinia's greatest positive social influence stems from our data network and software solutions, which improve energy and material efficiency. The consumption of electricity is a key factor when the environmental effects of Cinia's entire industry segment are assessed, and various digitalisation solutions improving the efficiency of operations can also be used to have a significant effect on the material efficiency of the industry segment. Cinia's products and services have enabled our customers to successfully reduce their own environmental footprint.

The mental and physical vitality of our personnel and the development of well-being, which is created through trust and ap-

preciation, are among the key development areas.

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

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

Scope of research and development activities

The income statement includes development-related personnel expenses amounting to EUR 2.4 million (2019:1.3) as investments made in business development during the financial period. These research and development activities included, for example,

the Arctic Connect cable project, cyber security, development of sales operations, new M&A projects and extensions of the domestic telecommunications network.

Personnel

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

and continuous development of employees.

In 2020, the average number of the Group's employees was 301 (2019: 279). In the 2020 financial period, the parent company's average number of employees was 249 (2019: 239).

Salaries and fees recognized during the financial period:

EUR million	2020	2019
Cinia Ltd	15,8	14,3
Cinia Group	18,5	16,2

The company's management and auditors

In the period 1 January–24 March 2020, Cinia Ltd's Board of Directors consisted of Esko Aho as the Chair and Hanna Maria Sievinen, Janne Yli-Äyhö, Annika Ekman and Vesa Aho as members.

In the period 24 March–31 December 2020, the Chair of the Board was Esko Aho, with Janne Yli-Äyhö, Annika Ekman, Vesa Aho and Anni Vepsäläinen being the members of the Board. The Vice-Chair of the Board was Hanna Maria Sievinen in the period 1 January–24 March 2020 and Janne Yli-Äyhö in the period 24 March–31 December 2020.

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

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

C-Lion1 Ltd does not have CEO.

In the period 1 January – 22 March 2020, Netplaza Ltd's

board of directors consisted of Ari-Jussi Knaapila as the Chair and Jorma Hanhimäki, Taneli Vuorinen, Tarja Oinonen-Rouvali and Anna Latvala as members. In the period 23 March – 31 December 2020, the Chair of Board was Ari-Jussi Knaapila with Tarja Oinonen-Rouvali and Anna Latvala as the Members of Board.

In the period 1 January – 30 January 2020, NDC Networks Ltd's Board of Directors consisted of Tapio Vesterinen as the Chair and Markus Ahonen, Jukka Laakso and Juho Rikala as the Members of Board. In the period 31 January – 2 February 2020, the Members of Board were Anttoni Vesterinen, Markus Ahonen, Jukka Laakso and Juho Rikala. In the period 3 February – 31 December 2020, the Chair of Board was Ari-Jussi Knaapila. The Members of Board were Markus Ahonen and Tarja Oinonen-Rouvali.

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

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

Salaries and fees (EUR) thousand	2020	2019
Boards of Directors of the Cinia Ltd	128,1	122,1
Board of Directors of Cinia Group	131,4	129,6
CEO's of Cinia Group	524,5	378,4

The company's shares

Cinia has 1 289 856 (2019: 1 289 856) shares.

All shares provide their holders with equal rights to dividends and the company's assets.

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

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

Netplaza has 115,140 (115 140) shares, of which the company holds 1 000 shares.

NDC Networks has 7 670 000 shares.

Cinia Alliance has 840 000 shares.

Outlook for 2021

In addition to traditional data network and software solutions, Cinia will further strengthen its cyber security solution offering. Fast, safe and reliable data connections with high capacity provide a critically important foundation for Finnish society. Cinia will also increase its value by investing some of its profits in long-range preparations related to the creation of national and international telecommunications infrastructure. The strengthening of the Finnish backbone network and international connections remain Cinia's most significant data network projects, which we are now working on in cooperation with the joint ventures we established.

The continuation of the worldwide pandemic increases the uncertainty in the business environment. Cinia operates in rapidly changing market environ-

ments, where continuous operational development and sensitivity to change are prerequisites for success.

During spring 2021, the company's Board of Directors, the management and separately appointed personnel representatives will together update the company's strategy and short-term business plan.

As a result of acquisitions, the establishment of joint ventures and other growth measures, the company's net sales are in a good position to develop positively in 2021. However, there are exceptionally big uncertainties related to the market development and increased competition due to the pandemic. In 2021, a greater-than-usual share of the operating profit is reserved for the funding of growth through an increase in business and product development and sales activities.

Key events after financial period

A share transaction signed in November 2020, whereby Cinia Ltd acquired all shares of OptimeSys Group Oy, took effect on 1 January 2021. With this acquisition, Cinia significantly strengthens its expertise and offering in cyber security solutions, especially in the domestic market.

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

Statement of comprehensive income – Group

EUR million	1.1.-31.12.2020	1.1.-31.12.2019
NET SALES	59,70	49,55
Increase (+) / decrease (-) in stocks of finished and semifinished goods	0,12	0,12
Manufacturing for own use (+)	0,44	0,59
Other operating income	5,34	0,13
Materials and services	-23,25	-13,74
Personnel expenses	-21,87	-19,41
Depreciation, amortisation and impairment	-5,38	-4,69
Depreciation and impairment of property, plant and equipment	-2,64	-2,45
Other operating expenses	-5,73	-6,07
Share of profits/losses for investments recognised by using the equity method	-0,20	-0,06
OPERATING PROFIT	6,55	3,98
Finance income and costs (+/-)	-1,07	-1,06
EARNINGS BEFORE TAX	5,48	2,92
Income taxes	-1,10	-0,53
PROFIT/LOSS FOR THE FINANCIAL PERIOD	4,38	2,39
Distribution of the profit/loss for the financial period:		
To the owners of the parent company	4,39	2,39
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD	4,38	2,39
Distribution of the comprehensive income for the financial period:		
To the owners of the parent company	4,39	2,39

Assets

Non-current assets EUR million	2020	2019
Goodwill	13,43	8,96
Other intangible assets	9,4	11,72
Tangible assets	64,59	60,60
Property, plant and equipment (IFRS 16)	10,94	11,77
Equity accounted investments	0,50	0
Non-current receivables	1,65	1,25
Other financial assets	0,07	0,07
Deferred tax assets	0	0,12
Total non-current assets	100,58	94,47
Current assets EUR million		
Inventories	0,90	0,77
Current receivables		
Trade receivables	6,54	11,50
Other receivables	3,40	0,57
Other financial assets	0	3,03
Cash in hand and at bank	9,19	4,06
Total current assets	20,03	19,93
TOTAL ASSETS	120,62	114,40

Consolidated cash flow statement

Cash flow from operations EUR million	1.1.-31.12.2020	1.1.-31.12.2019
Earnings before tax	5,48	2,92
Adjustments		
Depreciation according to plan	5,38	4,69
Depreciation and impairment of property, plant and equipment	2,64	2,45
Finance income and costs	1,00	0,99
Interest expenses for leasing liabilities	0,05	0,06
Other adjustments	-6,14	-0,54
Total	8,41	10,57
Change in working capital		
Increase (-) / decrease (+) in non-interest-bearing short-term receivables	1,00	-4,53
Increase (-) / decrease (+) in inventories	-0,13	-0,26
Increase (+) / decrease (-) in non-interest-bearing short-term liabilities	0,57	5,52
Total	1,44	0,73
Interest expenses and other finance costs paid	-1,02	-1,01
Interest paid for leasing liabilities	-0,05	-0,06
Interest income	0,02	0,02
Taxes paid	-0,18	-0,39
Cash flow from operations	8,61	9,85
Cash flow from investing activities		
Investments in shares of subsidiaries, net of cash acquired	-3,29	
Investments to acquire equity accounted investments	-0,50	
Investments in tangible and intangible assets	-7,78	-6,87
Proceeds from equity accounted investments		1,84
Proceeds from the sale of tangible and intangible assets	6,73	
Proceeds from the sale of financial assets recognised at fair value through profit and loss	3,01	
Cash flow from investing activities	-1,84	-5,03

Consolidated cash flow statement

Cash flow from financing activities EUR million	1.1.-31.12.2020	1.1.-31.12.2019
Increase (+) / decrease (-) in interest-bearing liabilities	0,38	-3,22
Decrease in leasing liabilities (-)	-1,56	-1,55
Dividends paid	-0,46	-0,46
Cash flow from financing activities	-1,64	-5,24
Change in cash and cash equivalents	5,14	-0,42
Cash and cash equivalents 1 Jan.	4,06	4,47
Cash and cash equivalents 31 Dec.	9,19	4,06



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