

# **Sentiec Plc**

## **Financial Statements Release January-December 2021**

Sentiec Plc FINANCIAL STATEMENTS RELEASE Q4/2021

Sentiec Plc, the parent company of Citec Group, was established in 2020. In order to carry out the recapitalization and restructuring of ownership of the Citec Group in February 2021, Sentiec Plc acquired 100% of the shares in Citec Group Oy Ab and gained control over Citec Group and became the new parent company of Citec Group. The majority shareholders of Sentiec Plc were also the majority owners of Citec Group Oy Ab and therefore, there was no change in the ultimate control over Citec Group and thus according to IFRS 3 transaction was not classified as acquisition. In this report "Citec Group" or "Citec" refers to the whole Sentiec Plc Group of companies, including the parent company Sentiec Plc.

The Citec's date of transition to IFRS was 1 January 2020. Until 31 December 2020, Citec's consolidated financial statements had been prepared in accordance with Finnish Accounting Standards (FAS).

### **Citec Group October-December 2021 highlights**

- Revenue increased by 20,8 % to 22,6 M€ (18,7 M€) compared to Q4/2020
- Adjusted EBITDA increased to 6,0 M€, or 26,4% of revenue (3,4 M€, or 18,1%) compared to Q4/2020

### **Citec Group January-December 2021 highlights**

- Revenue increased by 9,5 % to 79,7 M€ (72,8 M€) compared to January-December 2020
- Adjusted EBITDA increased to 15,3 M€, or 19,2% of revenue (11,6 M€, or 15,9%) compared to January-December 2020

### **CEO comments**

Citec experienced a solid fourth quarter of 2021. Our sales and orderbook developed positively during the quarter. We performed our project work efficiently utilizing the full strength of the global network. In line with Citec's vision, we want to help our customers to achieve their strategic business and sustainability targets. We feel that our strategy with strong focus on selected key accounts is paying off and encourages us to continue the strategic growth journey together with our customers.

Citec continued to invest in growth and actively developed local organizations working close to our customers. We continued to strengthen certain competence areas overall. The number of our own active employees increased by 16% from 850 (Q4/2020) to 985 (Q4/2021). At the end of the fourth quarter, we also took measures to develop our external supplier network in order to ensure an optimal capacity and Citec's flexibility with respect to our project delivery resourcing.



*Johan Westermarck, CEO*



## **Significant event during the Q4**

Wärtsilä Energy decided to increase its flexibility in close collaboration with Citec. As a result, Wärtsilä transferred certain mechanical & civil project engineering, project quality assurance and module & component change orders and product care activities to Citec as of 1 October, 2021.

Approximately 40 employees, located in Vaasa, Finland, were transferred as so-called old employees to Citec Oy Ab. This was yet another strong proof of the close partnering with Wärtsilä, a close collaboration that started more than 20 years ago.

## **Overview of 2021**

In 2021, Citec invested in growth through strategic recruitments, and in competence development to meet the customer project requirements in terms of capacity, flexibility, quality and time schedules.

2021 was a year that started off with fairly modest project volumes, whereas business picked up with more project activity and higher volumes during the last quarter.

The markets in most European countries were stable in 2021. As of 7 September, 2021, our business operations in France were combined into one company called Citec Group France SAS.

The key offering of Citec in 2021 consisted of plant engineering, product engineering, engineering consultancy, technical documentation and digital solutions. We also started with developing our sustainable solutions in order to be able to assist and drive our customer sustainability related development needs and targets. Citec is committed to improving and maintaining the effectiveness of the Environmental objectives and targets.

Due to the continuous Covid-19 situation, Citec focused much on internal communication, promoting hybrid way of working, and wellness actions to help maintain the health of the personnel. Thanks to the actions taken, Covid-19 situation had limited effect on Citec's performance and Company pulse surveys show a strong engagement level among personnel globally. We also measured the customer satisfaction and the project feedback levels showed a positive development during 2021, thanks to quality related actions conducted in 2020 and 2021.

On February 2021, at the time of restructuring of ownership of Citec, Sentiec Plc issued senior secured bond with an aggregate principal amount of SEK 290,000,000. Sentiec also submitted an application and published Prospectus for the Bonds to be admitted to trading on the corporate bond list of Nasdaq Stockholm Aktiebolag. Trading on the bonds commenced in December, 2021.

Prior to the listing, Citec has prepared its consolidated financial statements in accordance with the Finnish Accounting Standards ("FAS"). As of the financial year ending on 31 December, 2021, Citec prepares its consolidated financial statements in accordance with the International Financial Reporting Standards ("IFRS"), as adopted in the European Union.

## **The business outlook**

The business outlook looks good for 2022. We have a solid customer base and maintaining a high customer satisfaction is crucial for repeat business and continuous partnering opportunities. However, there are still uncertainties that might affect the market negatively on a short notice. Our target is that Citec, despite the market uncertainties, progresses towards to the mid-term target, as a global growth company, with more than 100M€ annual revenue and >15% EBITDA.

The mix of industry areas is vital to manage risks. Our strategically selected industries are predicted to have a good development during next year, making a potentially good basis for our customers' order intakes. Especially within the energy industry, we foresee a good growth potential for Citec, whereas a growth potential remains within other key sectors as well.

The key offering of Citec remains, with a special focus on sustainable solutions and digitalization. In order to accelerate a profitable growth, our target is to succeed very well in key account sales, and simultaneously we see good possibilities with other customers.

## Key Indicators

EUR thousands	10-12/2021	10-12/2020	1-12/2021	1-12/2020
Revenue	22 649	18 748	79 721	72 834
EBITDA	5 958	3 185	14 884	11 017
EBITDA %	26.3%	17.0%	18.7%	15.1%
Adjusted EBITDA	5 969	3 396	15 267	11 608
Adjusted EBITDA-%	26.4%	18.1%	19.2%	15.9%
Operating profit (EBIT)	5 063	2 391	11 354	7 507
Operating profit (EBIT) %	22.4%	12.8%	14.2%	10.3%
Number of Employees at the end of the period	985	850	985	850

## Alternative Performance Measures

Citec presents certain financial performance measures on a non-IFRS basis as alternative performance measures (APMs). The APMs should not be considered as a substitute for performance measures in accordance with IFRS. The APMs are designed to measure profitability and provide insight into the company's underlying operational performance.

APMs used by Citec are listed, defined and reconciled below.

### 1) EBITDA (Earnings Before Interest, Taxes, Depreciations and Amortisations)

EUR thousands	10-12/2021	10-12/2020	1-12/2021	1-12/2020
EBIT	5 063	2 391	11 354	7 507
Depreciation and impairments	894	793	3 530	3 510
EBITDA	5 958	3 185	14 884	11 017

### 2) Adjusted EBITDA:

EUR thousands	10-12/2021	10-12/2020	1-12/2021	1-12/2020
EBIT	5 063	2 391	11 354	7 507
Depreciation and impairments	894	793	3 530	3 510
Adjustments *)	11	211	383	591
Adjusted EBITDA	5 969	3 396	15 267	11 608

\*) Adjustments includes advisory and other transaction costs related to re-financing and restructuring costs

Formulas for key figures (IFRS and Non-IFRS) are presented separately in this release.



### **Definition** of Key Indicators

EBITDA	=	Operating profit (EBIT) + Depreciation + Amortization
EBITDA %	=	EBITDA in relation to Revenue
Adjusted EBITDA	=	EBITDA - EBITDA Adjustments
Adjusted EBITDA %	=	(EBITDA - EBITDA Adjustments) / Revenue
Operating profit (EBIT) %	=	Operating profit in relation to Revenue
Number of employees	=	Own active personnel (no long-term absentees included)
EBITDA adjustments	=	Advisory and other transaction costs related to re-financing and restructuring costs

Sentiec Plc's Annual report will be available on company's website [www.citec.com](http://www.citec.com) latest on week 17.

## CONSOLIDATED INCOME STATEMENT

<b>EUR thousands</b>	<b>10-12/2021</b>	<b>10-12/2020</b>	<b>1-12/2021</b>	<b>1-12/2020</b>
Revenue	22 649	18 748	79 721	72 834
Other operating income	146	-230	436	361
Materials and services	-3 290	-1 971	-11 200	-7 992
Employee benefit expenses	-11 362	-10 616	-44 417	-42 743
Other operating expenses	-2 185	-2 745	-9 656	-11 442
Depreciation, amortisation and impairment losses	-894	-793	-3 530	-3 510
<b>Operating profit (EBIT)</b>	<b>5 063</b>	<b>2 391</b>	<b>11 354</b>	<b>7 507</b>
Financial income	83	205	316	474
Financial expenses	-890	-514	-3 059	-1 153
Net financial income and expenses	-806	-309	-2 743	-679
<b>Profit (Loss) before income taxes</b>	<b>4 257</b>	<b>2 082</b>	<b>8 611</b>	<b>6 829</b>
Current tax expense	-536	-1 052	-1 650	-1 705
Change in deferred taxes	173	-22	-24	-7
Income taxes	-363	-1 074	-1 674	-1 712
<b>Profit (Loss) for the financial year</b>	<b>3 894</b>	<b>1 008</b>	<b>6 937</b>	<b>5 117</b>
<b>Profit (Loss) for the financial year attributable to</b> Owners of the parent company	3 894	1 008	6 937	5 117
<b>CONSOLIDATED COMPREHENSIVE INCOME STATEMENT</b>				
<b>Profit (Loss) for the financial year</b>	<b>3 894</b>	<b>1 008</b>	<b>6 937</b>	<b>5 117</b>
<b>Other comprehensive income</b>				
Items that may be subsequently reclassified to profit or loss				
Change in fair value reserve	15	-8	-369	-24
Taxes	-3	2	74	5
Other comprehensive income, that will not be reclassified to profit or loss				
Change in actuarial assumptions	757	-45	757	-175
Taxes	-229	12	-229	46
<b>Total other comprehensive income for the financial year</b>	<b>540</b>	<b>-40</b>	<b>233</b>	<b>-148</b>
<b>Total comprehensive income for the financial year</b>	<b>4 434</b>	<b>968</b>	<b>7 170</b>	<b>4 969</b>
<b>Total comprehensive income attributable to</b> Owners of the parent company	4 434	968	7 170	4 969

## CONSOLIDATED BALANCE SHEET

EUR thousands	Note	31 Dec 2021	31 Dec 2020	1 Jan 2020
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets		1 184	727	921
Goodwill		19 708	19 708	19 708
Tangible assets		1 444	1 335	1 184
Right-of-use assets		3 959	5 310	6 686
Deferred tax assets		2 356	2 556	1 913
Other non-current assets		47	40	45
<b>Total non-current assets</b>		<b>28 697</b>	<b>29 676</b>	<b>30 457</b>
<b>Current assets</b>				
Trade and other receivables		19 288	13 894	15 238
Cash and cash equivalents		9 066	5 597	3 496
<b>Total current assets</b>		<b>28 354</b>	<b>19 491</b>	<b>18 734</b>
<b>Total assets</b>		<b>57 051</b>	<b>49 167</b>	<b>49 191</b>
<b>EQUITY</b>				
Share capital		80	3	3
Reserve for invested non-restricted equity		23 154	11 389	11 235
Other reserves		-322	-27	-7
Capital loans		0	25 215	25 215
Restructuring reserve		-14 164	0	0
Translation reserve		-612	-1 320	-667
Retained earnings		-3 117	-10 146	-15 498
<b>Total equity</b>		<b>5 019</b>	<b>25 114</b>	<b>20 280</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Bond		25 696	0	0
Lease liabilities		1 717	3 029	4 208
Provisions		2 834	4 260	3 790
Deferred tax liabilities		257	277	298
<b>Total non-current liabilities</b>		<b>30 504</b>	<b>7 566</b>	<b>8 295</b>
<b>Current liabilities</b>				
Bond		1 438	0	0
Loans from financial institutions		0	0	3 800
Lease liabilities		2 323	2 334	2 478
Advances received		817	564	907
Trade and other payables		16 949	13 589	13 430
<b>Total current liabilities</b>		<b>21 527</b>	<b>16 487</b>	<b>20 616</b>
<b>Total liabilities</b>		<b>52 031</b>	<b>24 053</b>	<b>28 911</b>
<b>Total equity and liabilities</b>		<b>57 051</b>	<b>49 167</b>	<b>49 191</b>

## CONSOLIDATED CASH FLOW STATEMENT

EUR thousands	Note	10-12/2021	10-12/2020	1-12/2021	1-12/2020
<b>Cash flows from operating activities</b>					
Profit (Loss) before income taxes for the financial year		4 257	2 082	8 611	6 829
Adjustments:					
Depreciation, amortisation and impairment losses		894	793	3 530	3 510
Finance income and finance expenses		806	309	2 743	679
Other adjustments		-244	-515	-747	723
Cash flows before change in net working capital		5 714	2 669	14 136	11 740
Change in net working capital:					
Change in trade and other receivables (increase (-) / decrease (+))		-2 069	1 042	-4 320	-321
Change in trade and other payables (increase (+) / decrease (-))		1 404	-66	3 257	-722
Cash flows before finance items		5 049	3 645	13 073	10 697
Interest paid		-824	-222	-2 837	-639
Interest received		13	0	48	3
Income taxes paid		-181	-225	-2 071	-897
<b>Net cash from operating activities (A)</b>		<b>4 057</b>	<b>3 199</b>	<b>8 213</b>	<b>9 164</b>
<b>Cash flows from investing activities</b>					
Acquisition of intangible assets		-214	-29	-785	-153
Acquisition of tangible assets		-340	-239	-761	-823
<b>Net cash used in investing activities (B)</b>		<b>-554</b>	<b>-269</b>	<b>-1 545</b>	<b>-977</b>
<b>Cash flows from financing activities</b>					
Issue of new shares				280	154
Restructuring of ownership of Citec Group				-27 814	
Repayment of current loans and borrowings			-3 800		-3 800
Proceeds from non-current loans and borrowings				28 000	
Repayment of non-current loans and borrowings		-360		-1 079	
Repayment of lease liabilities		-574	-641	-2 446	-2 526
<b>Net cash from financing activities (C)</b>		<b>-933</b>	<b>-4 441</b>	<b>-3 059</b>	<b>-6 172</b>
<b>Net cash from (used in) operating, investing and financing activities (A+B+C)</b>		<b>2 569</b>	<b>-1 512</b>	<b>3 608</b>	<b>2 015</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>2 551</b>	<b>-1 512</b>	<b>3 608</b>	<b>2 015</b>
Cash and cash equivalents at 1 January		6 492	7 154	5 597	3 496
Effect of fluctuations in exchange rate on cash held		23	-45	-139	85
<b>Cash and cash equivalents at 31 December</b>		<b>9 066</b>	<b>5 597</b>	<b>9 066</b>	<b>5 597</b>



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

		Equity attributable to owners of the parent company							
		Share capital	Reserve for invested non-restricted equity	Other reserves	Capital loans	Restructuring reserve	Translation differences	Retained earnings	Total
EUR thousands	Note								
<b>Balance at 1 January 2021</b>		<b>3</b>	<b>11 389</b>	<b>-27</b>	<b>25 215</b>	<b>0</b>	<b>-1 320</b>	<b>-10 146</b>	<b>25 114</b>
<b>Comprehensive income</b>									
Profit (Loss) for the financial year								6 937	6 937
Other comprehensive income				-295				528	233
<b>financial year</b>				<b>-295</b>				<b>7 465</b>	<b>7 170</b>
<b>Transactions with owners of the company</b>									
Restructuring of ownership of Citec Group	2	-3	-11 389		-25 215	-14 164		-186	-50 957
Share issue	2	80	23 154						23 234
Translation differences							708	-250	457
<b>company</b>		<b>78</b>	<b>11 765</b>		<b>-25 215</b>	<b>-14 164</b>	<b>708</b>	<b>-436</b>	<b>-27 265</b>
<b>Balance at 31 December 2021</b>		<b>80</b>	<b>23 154</b>	<b>-322</b>	<b>0</b>	<b>-14 164</b>	<b>-612</b>	<b>-3 117</b>	<b>5 019</b>

		Equity attributable to owners of the parent company							
		Share capital	Reserve for invested non-restricted equity	Other reserves	Capital loans	Restructuring reserve	Translation differences	Retained earnings	Total
EUR thousands	Note								
<b>Balance at 31 December 2019, as reported in the consolidated financial statements (FAS)</b>		<b>3</b>	<b>11 235</b>	<b>0</b>	<b>25 215</b>	<b>0</b>	<b>0</b>	<b>-16 489</b>	<b>19 964</b>
Impact of IFRS transition		0	0	-7	0	0	-667	991	317
<b>Restated IFRS balance at 1 January 2020</b>		<b>3</b>	<b>11 235</b>	<b>-7</b>	<b>25 215</b>	<b>0</b>	<b>-667</b>	<b>-15 498</b>	<b>20 280</b>
<b>Total comprehensive income</b>									
Profit (Loss) for the financial year		0	0	0	0	0	-653	5 117	4 464
Other comprehensive income		0	0	-19	0	0	0	-129	-148
<b>financial year</b>		<b>0</b>	<b>0</b>	<b>-19</b>	<b>0</b>	<b>0</b>	<b>-653</b>	<b>4 988</b>	<b>4 316</b>
Transactions with owners of the company		0	154	0	0	0	0	364	518
<b>company</b>		<b>0</b>	<b>154</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>364</b>	<b>518</b>
<b>Balance at 31 December 2020</b>		<b>3</b>	<b>11 389</b>	<b>-27</b>	<b>25 215</b>	<b>0</b>	<b>-1 320</b>	<b>-10 146</b>	<b>25 114</b>

## **1 Basis of preparation**

### **1.1 Company information**

Sentiec Plc, a parent company of Citec Group ("Citec"), is a Finnish public limited liability company domiciled in Vaasa in Finland, and its registered address is Silmukkatie 2, FI-65101 Vaasa, Finland.

Citec is an international multi-discipline engineering services company operating in energy, process plants, oil & gas, and electro fuels as well as machinery and equipment sectors. Citec provides industrial engineering solutions for plants and products, technical documentation, and digital solutions. Citec delivers services through its global high performing expert organization, ensuring superior quality, competences, flexibility, and cost efficiency to its customers. Citec's service offering includes Plant engineering, Product engineering, Engineering Consultancy, Technical documentation and Digital solutions.

On February 2021, Sentiec Plc acquired 100 per cent of the shares in Citec Group Oy Ab. The transaction was made to restructure the ownership and to effectuate a recapitalization of Citec. Disclosures of the transaction and recapitalisation of Citec has been included in the Note 2.

On February 2021, Sentiec Plc issued a senior secured bond amounting to approximately 29 million euro. On December 2, 2021, Sentiec Plc submitted an application for the Bonds to be admitted to trading on the corporate bond list of Nasdaq Stockholm Aktiebolag. Trading on the Bonds was commenced on 8 December 2021.

The information presented in the Financial Statement Release is unaudited.

### **1.2 Basis of accounting**

This Financial Statements Release is prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the IAS and IFRS standards as well as SIC and the IFRIC interpretations in force as at 31 December 2021. The Financial Statements Release has been prepared in accordance with IAS 34 Interim Financial Reporting.

Citec has applied these policies both in the financial years 2021 and 2020 and in preparation of the opening IFRS balance sheet as at 1 January 2020. Citec has not early adopted any standard, amendment or interpretation before their effective dates.

The Citec's date of transition to IFRS was 1 January 2020. Until 31 December 2020, Citec's consolidated financial statements had been prepared in accordance with Finnish Accounting Standards (FAS). In preparing these consolidated financial statements Citec applied IFRS 1 First-time Adoption of International Financial Reporting Standards. Note 20 Transition to IFRS discloses the impacts resulting from the adoption of IFRS.

The Financial Statements Release has been prepared on a going concern basis. The going concern basis presumes that Citec has adequate resources to remain in operation, and that management intends to do so, for at least one year from the date the financial statements are signed.

Following sections addresses the general policies applied that relate to the financial statement release as a whole. Accounting policies that are specific to a section of the financial statements, together with descriptions of management judgements, related estimates and assumptions, are incorporated into the relevant note to the financial statements release.

The financial year of Citec is the calendar year. The figures in the Financial Statements Release are presented in thousands of euro, except when otherwise indicated. All figures presented have been rounded, and consequently the sum of individual figures may deviate from the presented aggregate figure. Key ratios are computed using exact figures.

### **1.3 Critical management judgments and key sources of estimation uncertainty**

The preparation of IFRS financial statements requires management to make judgments, estimates and assumptions. These affect the reported amounts of assets and liabilities, and disclosure of contingent assets and

liabilities at the period-end as well as the reported amounts of income and expenses during the reporting period. The estimates and assumptions are based on historical experience and other justified assumptions, such as future expectations, that Citec group management believes are reasonable under the circumstances at the end of the reporting period and the time when they were made.

Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. Citec reviews the estimates and underlying assumptions on an on-going basis and when preparing financial statements.

#### Estimates and assumptions

Judgements that Citec group management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements, relate to the following areas:

##### Impairment testing

Citec tests goodwill and intangible assets for impairment annually. Recoverable amounts for cash-generating units are based on value-in-use calculations. Estimates are required in making these calculations.

##### Revenue recognition

Revenue recognized over time is based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided. The percentage of completion is measured as the costs of the project realized as a proportion to the total expected costs of the project. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change, and at each reporting date. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that trigger the revision is identified.

##### Provisions

Estimation of the financial impact of a past event requires judgement from Citec group management based on prior similar events and, in certain cases, statements of external experts. The provisions are reviewed regularly and adjusted as necessary to reflect the best estimate.

##### Deferred taxes

Determining to which extent deferred tax assets can be recognized requires management judgement. Citec's management has used judgement when determining if deferred tax asset should be recognized for an unused tax loss carry forward. Recognition is done only to the extent that it is probable that future taxable profits will be available against which the tax loss carry forwards can be utilised.

#### 1.4 Operating profit

Citec considers operating profit to be relevant subtotals in understanding the group's financial performance. Since those concepts are not defined under IFRS, the Citec has defined them as follows: Operating profit is the net amount attained when revenues are added by other operating income, less:

- materials and services
- personnel expenses
- depreciation, amortisation and any impairment losses
- other operating expenses, and
- foreign exchange differences from operations

#### 1.5 Consolidation

The consolidated financial statements incorporate the financial statements of the parent company, Sentiec Plc, and of all those subsidiaries over which the parent company has control at the period-end. Control is achieved when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Consolidation of a subsidiary begins when Citec obtains control over the subsidiary and ceases when Citec loses control of the subsidiary.

In preparation of consolidated financial statements intra-group transactions, balances and unrealised gains, as well as distribution of profits within the Group, are eliminated. The consolidated financial statements have been prepared on the basis of original acquisition cost, unless otherwise stated in the accounting policies.

#### 1.6 Foreign currency transactions and balances

Items included in the financial statements of each subsidiary are measured using the functional currency, which is the currency of the primary economic environment in which the company operates. The consolidated financial statements are presented in Euro, which is the functional and presentation currency of the parent company.

Subsidiaries' foreign currency transactions are translated into local functional currencies using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the balance sheet date closing exchange rates.

Foreign exchange gains and losses relating to the ordinary course of business are presented in respective items in the income statement above operating profit. Foreign exchange gains and losses relating to financial items are presented in financial income and expenses in the income statement.

#### 1.7 Non-current assets held for sale

As of December 31, 2021, any non-current assets were not classified as held for sale.

#### 1.8 Adoption of new and amended standards in future financial years

Citec has not yet adopted the amended standards and interpretations already issued by the IASB. Citec will adopt these standards as of the effective date of each of the standards, or if the effective date is not the first day of the financial year, as of the beginning of the next financial year following the effective date. Currently, Citec believes that the adoption of these standards will not have a significant effect on the future consolidated financial statements. Other amendments and interpretations issued are not expected to have an impact on the consolidated financial statements when adopted.

## 2 Restructuring of ownership of Citec Group

In order to carry out the restructuring of ownership of the Citec Group in February 2021, the Sentiec Plc acquired 100 per cent. of the shares in Citec Group Oy Ab (the "Acquisition") and gained control over Citec Group. The majority shareholders of the Sentiec Plc were also the majority owners of Citec Group Oy Ab and therefore, there was no change in the ultimate control over Citec Group.

#### 2.1 IFRS accounting treatment of the acquisition of Citec Group Oy Ab in Feb 2021

Based on the Sentiec Plc's evaluation and current interpretation on IFRS 3 Business Combinations, the Acquisition is not within the scope of IFRS 3 as there were no changes in control, i.e. it was a common control transaction. As based on evaluation, IFRS 3 shall not be applied, Citec Group's consolidated income statement and balance sheet will be combined together with the Sentiec Plc's income statement and balance sheet in the Sentiec's first consolidated financial statements and, the Acquisition shall be accounted using book value accounting.

In applying book value accounting for the transaction, an adjustment arising from the difference between the consideration paid (total amount paid for the Citec Group Oy Ab's shares and shareholder loans approx. EUR 51 million) and the equity acquired (new share issue approx. EUR 23 million) is recognized in equity. Sentiec Plc's consolidated comprehensive income statement for period the financial year 2021 contains Citec Group consolidated from 1 January 2021 onwards.

On February 2021, at the time of restructuring of ownership of Citec Group, Sentiec Plc issued senior secured bond with an aggregate principal amount of SEK 290,000,000. Disclosures on the bond has been included in Note 14.4.

According to FAS, the Acquisition has been accounted based on the acquisition method. According to the acquisition method, the difference between the consideration paid and the acquired equity has been recognized as goodwill and Citec companies have been included in the consolidated income statement from 1 February 2021 onwards and no comparative figures have been presented for the Sentiec Plc.

### 3 Revenue

#### 3.1 Accounting policy

Citec applies the IFRS 15 Revenue from contracts with customers standard five-step model to recognize revenue. The model involves identifying the contract with the customer and its performance obligations, determining transaction prices, allocating transaction prices to performance obligations and recognizing revenue. Revenue is recognized when the customer obtains control to the promised service or product; either over time or at a point in time. Revenue includes revenue from contracts with customers adjusted for indirect taxes and discounts.

##### Performance obligation

There is normally only one performance obligation in Citec's contracts. In some contracts, Citec can identify more than one performance obligation. In this case, the promised service packages under one contract are distinct, and even the selling prices for distinct items are presented in the contract as stand-alone selling prices. Citec contracts does not contain such warranties which would be separate performance obligations. If there are contracts with more than one performance obligation, Citec considers allocating the transaction price to each performance obligation in proportion to its stand-alone selling price.

##### Transaction price

The 'transaction price' is determined at the contract inception and it is the amount of consideration to which Citec expects to be entitled in exchange for transferring goods or services to a customer.

Citec has hourly price contracts, fixed price contracts and target price contracts. In target price contracts, Citec has agreed that cost overruns or savings are shared with the customer according to a defined percentage in the contract. This is always attributable to the whole target price contract. If Citec performs the contract with less invoiced amount than the agreed target price, Citec has the right to invoice an agreed percentage of the savings to the customer (bonus). If the invoicing exceeds the agreed target price, Citec has to credit an agreed percentage of the overrun. This is a variable consideration, which is not a significant portion of the contract price. Citec assesses whether, and to what extent, it can include an amount of variable consideration in the transaction price at contract inception.

##### Revenue recognition

Citec's customers receive and consume the benefits provided by Citec simultaneously, along with Citec's performance and project progress. According to Citec's contracts, the customer usually approves delivery-based project milestones, after which the milestone-based sales invoicing can be executed. Deliveries in Citec's projects are usually e.g. drawings, calculations or specified reports. Citec's performance does not create an asset with an alternate use and there is a right to payment for performance to date. Hence, revenue is recognised over-time.

For Citec, the input method based on costs incurred (cost-to-cost) is seen as the most appropriate method of measuring progress. There are no unexpected amounts of wasted material, labour or other resources and the method is appropriate to our progress in satisfying the performance obligation. Progress is calculated based on materialised cumulative project costs compared to monthly estimated total project costs at the end of the project.

#### 3.2 Revenue disaggregation

Citec's consolidated revenue is disaggregated by geographical market where client is located.

<b>EUR thousands</b>	<b>10-12/2021</b>	<b>10-12/2020</b>	<b>1-12/2021</b>	<b>1-12/2020</b>
Finland	12 891	11 198	46 396	45 067
Sweden	3 528	2 894	13 370	9 381
Germany	1 736	2 067	6 317	8 333
France	848	654	3 908	3 594
Norway	1 651	730	3 832	3 131
Others	1 994	1 204	5 898	3 328
<b>Total</b>	<b>22 649</b>	<b>18 748</b>	<b>79 721</b>	<b>72 834</b>

### 3.3 Segments

Citec identifies one operating segment, which generates revenues and costs, and from which reliable financial information is available for management. Priority in Citec is group level financial performance and financial information regarding existing geographical or customer-based business areas of Citec is secondary. CODM in Citec is the parent company Sentiec Plc's Board of Directors, who regularly evaluate the financial performance of the group and make decisions regarding allocation of resources to develop the group and to improve the profitability of the group. Customer segments are not separately followed by the management and as they are not separable as segments. The Revenue and profit for the period of Citec's operating segment equals to consolidated income statements.

## 4 Employee benefit expenses

### 4.1 Accounting policy

The line item Employee benefit expenses in the income statement comprises the following: a) short-term employee benefits, b) post-employment benefits, c) other long-term employee benefits, d) termination benefits, and e) share-based payments.

a) Short-term employee benefits comprise wages, salaries, fringe benefits, annual leave and bonuses. They are recognised in the period in which employees perform the work.

b) Post-employment benefits are payable to employees after the completion of employment. These benefits include: retirement benefits, such as pensions; or other post-employment benefits, such as life insurance or medical care. Pensions (and any health care plans) are categorised as either defined contribution plans or defined benefit plans, depending on the principal terms and conditions.

In case of defined benefit ('DB') plans, the measurement of the pension obligation under a DB plan is complex, involving actuarial assumptions and valuation methods to measure the balance sheet obligation and the expense. Therefore, actuarial calculations are required. A liability (or an asset) is recognised in the balance sheet for each plan. The expense recognised generally differs from the contributions made in the period.

In case of defined contribution ('DC') plans, expenses are recognised in the period in which the contribution is payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. Any shortfall / excess of contributions payable over amounts paid is recognised as liability / asset.

c) Other long-term employee benefits are all employee benefits other than short-term employee benefits (a)), post-employment benefits (b)) and termination benefits (d)). These benefits are recognised and measured in the same way as post-employment benefits under a DB plan. However, unlike DB plans, remeasurements are recognised immediately in the income statement (and not in other comprehensive income (OCI)). The net interest cost and service cost are recognised in profit or loss. The net liability is recognised in the balance sheet.

d) Termination benefits are not based on work performance but on the termination of employment. These benefits consist of severance payments. Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits.

### 4.2 Expenses recognised in profit and loss

<b>EUR thousands</b>	<b>1-12/2021</b>	<b>1-12/2020</b>
Wages and salaries	-36 879	-35 241
Contributions to defined contribution post-employment plans	-4 531	-4 153
Other social security expenses	-3 007	-2 986
Share-based payment plans	0	-364
<b>Total</b>	<b>-44 417</b>	<b>-42 743</b>

## 5 Other operating income and expenses

Other operating income includes income other than that associated with the sale of goods or services based on customer agreements, such as realised and unrealised gains on derivatives used for hedging foreign currency risks associated with commercial transactions, and government grants. Government grants are recognized when it is reasonably certain that the terms related to funding are met and that funding will be received.

Citec's other operating expenses include expenses other than the cost of goods sold, such as cost of premises, cost of bought services, IT expenses, sales and marketing expenses, and travel expenses.

## **6 Finance income and expenses**

### 6.1 Accounting policy

Citec recognises interest income and interest expenses using the effective interest method. Citec recognises exchange rate differences as follows: realized exchange rate differences are recognized at the time of payment. Realized exchange rate differences related to purchases and sales are included in gross profit and realized exchange rate differences relating to loans or other financial are included in financial items. Unrealized exchange rate differences, gains and losses relating to revaluation of loans or other financial balance sheet items are included in financial items. For derivatives under cash flow hedge accounting exchange rate differences are recorded in other comprehensive income (OCI).

## **7 Income taxes**

### 7.1 Accounting policy

The income tax expense for the period comprises current tax and change in deferred tax assets and deferred tax liabilities. The current income tax charge is calculated on the basis of the taxable income. It is determined in accordance with the tax rates and laws enacted (or substantively enacted) in the countries where the Citec operates and generates taxable income. Income taxes are adjusted with any taxes relating to previous financial years.

Tax charge is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill or from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available to utilise those temporary differences. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to the same taxation authority.

## **8 Intangible assets and goodwill**

### 8.1 Accounting policy

#### Goodwill

Goodwill arises from the acquisition of subsidiaries and represents the excess of the consideration transferred over the fair value of the acquired net assets. Goodwill is recognised in intangible assets at cost less any accumulated impairment losses incurred. Goodwill is not amortised but tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Impairment losses on goodwill are recorded in the income statement. As of December 31, 2021, Citec's goodwill amounted to approx. MEUR 19,7.

#### Intangible assets

Citec's intangible assets primarily encompass licenses and IT expenditures. Intangible rights and other intangible assets are recognised in the balance sheet at the cost less accumulated amortisation and impairment losses.

Development costs that are directly attributable to the design, testing and implementation of identifiable and unique assets controlled by the Group are recognised as intangible assets in the balance sheet where the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use
- the Group intends to complete the intangible
- the Group is able to use or sell the intangible asset
- the Group can demonstrate how the intangible asset will generate probable future economic benefits
- the Group has adequate technical, financial and other resources available to complete the development and use or sell the intangible asset, and
- the Group is able to measure the expenditure attributable to the development of the intangible asset reliably.

Capitalised development costs include direct employee costs, an appropriate portion of relevant overheads, and direct purchases. Capitalised development costs are recognised as at cost less accumulated amortisation and impairment losses. Amortisation is commenced when the asset is ready for use.

Estimated useful lives of intangible assets are as follows:

- Development costs 5 years
- Software and intangible rights 5 years
- Other intangible assets 5 years

#### Cloud computing arrangements

The accounting for cloud computing arrangements depends on whether the cloud-based software classifies as a software intangible asset or a service contract. Those arrangements where Citec does not have control over the underlying software are accounted for as service contracts providing Citec with the right to access the cloud provider's application software over the contract period. The ongoing fees to obtain access to the application software, together with related configuration or customisation costs incurred, are recognised under other operating expenses when the services are received. Prepayments paid to the cloud vendor for customizing services which are not distinct are recognized over the contract period.

## 8.2 Impairment testing of goodwill

### Accounting policy

Citec identifies one cash-generating unit (CGU) where goodwill is allocated for the purposes of impairment testing. A CGU is impaired when the carrying amount exceeds its recoverable amount.

The impairment test is done in the fourth quarter after budgets for the next year are prepared. The impairment test is based on calculations in which the recoverable amount of a cash-generating unit (CGU) is determined. The recoverable amount is the higher of CGU's fair value less costs of disposal and value in use. The value-in-use model is based on discounted cash flows which are expected to recover from the asset.

Key estimates and judgement used in value-in use calculations are:

- forecasting of future cash flows based on the latest five years forecasts approved by the management and reflect expectations of revenue growth, EBITDA margin, capital expenditure and cash
- flows, based on past experience and management's expectation of future market changes
- discount rates applied to those cash flows
- the expected long-term growth rates and cash flows beyond the five-year period are extrapolated using estimated growth rates.



An impairment is recognised in the income statement, if the carrying amount of a CGU exceeds its recoverable amount. An impairment loss recognised for goodwill is not reversed in a subsequent period loss recognised for goodwill is not reversed in a subsequent period. No impairment loss has been booked during the financial year or the comparison year.

Estimates and judgements are subject to change as a result of changing economic and operational conditions. Actual cash flows may therefore differ from forecasts and could result in changes in the recognition of impairment charges in future periods.

## **9 Property, Plant and Equipment**

### 9.1 Accounting policy

Property, Plant and Equipment of Citec mainly comprise machinery and equipment. The cost comprises directly attributable incremental costs incurred in acquisition and installation, as applicable. Subsequently tangible assets are carried at cost, less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated by charging equal annual instalments to the income statement, over the estimated useful lives of the assets or by reducing-balance method or straight-line method. Recognition of depreciation is discontinued when a tangible asset is classified as held for sale. The estimated useful lives of property, plant and equipment are:

- Machinery and equipment 20-25% from the residual value, 3-4 years straight-line
- Other tangible assets 20-25% from the residual value, 3-4 years straight-line

The residual values and useful lives of assets are reviewed at the end of each reporting period and adjusted if required. If an asset's carrying amount is greater than its estimated recoverable amount, the carrying amount it is written down immediately to its recoverable amount. Gains and losses on disposal are determined by comparing sales proceeds with carrying amount and recognised in the income statement.

## **10 Leases**

### 10.1 Accounting policy

Citec operates as a lessee leasing primarily premises. Citec recognises a leased asset (right-of-use asset) and a lease liability for all leases, excluding for short-term leases and leases of low-value items. Citec evaluates at contract inception whether a contract is, or contains, a lease at inception of a contract, whether the contract carries the right to control the use of an identified asset for a period of time in exchange for consideration.

#### Right-of-use assets

Right-of-use asset is initially measured at cost comprising the amount of lease liability, any prepayments made, less any incentives received, any initial direct costs incurred and an estimate of restoration costs. Citec recognises a right-of use asset and a corresponding lease liability at contract commencement for leases where it is a lessor. The contract commencement date is the date on which the asset is available for use by the lessee.

Subsequently the right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for certain remeasurements of the lease liability. Citec depreciates right-of-use assets on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

#### Lease liabilities

Lease liability is initially measured at the present value of lease payments not paid at the commencement date discounted by the interest rate implicit in the contract or incremental borrowing rate. Lease payments include fixed payments, variable lease payments that depend on index or rate, amounts expected to be payable under residual guarantees and exercise price of purchase option and termination penalties if termination option is exercised.

Citec discounts lease payments using the interest rate implicit in the lease. If that rate cannot be readily determined, Citec uses the incremental borrowing rate, i.e. the rate that Citec would have to pay to borrow over

a similar term, and with a similar security to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

After the lease commencement, lease liability is measured at amortised cost using the effective interest method. Lease liability is remeasured, when the lease payments change due to, for example, index change, exercising of option included in the lease are reassessed or to reflect other lease modifications. Corresponding adjustment is made to the carrying amount of the right-of-use asset.

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

Citec does not recognise right-of-use assets and lease liabilities for:

- short-term leases (that have a lease term of 12 months or less). Citec applies the practical expedient to some of the classes of underlying assets.
- leases of low-value assets (each asset with a value of approximately EUR 5,000 or less when new).

Citec recognises the lease payments associated with above-mentioned leases as an expense on a straight-line basis over the lease term.

#### Carrying amounts

<b>EUR thousands</b>	<b>2021</b>	<b>2020</b>
Right of use assets 1.1.	5 310	6 686
Additions/disposals	1 123	1 203
Depreciations	-2 474	-2 579
Right of use assets 31.12.	3 959	5 310
Lease liabilities non-current 31.12.	-1 717	-3 029
Lease liabilities current 31.12.	-2 323	-2 334
Lease liabilities total 31.12.	-4 040	-5 363

## **11 Financial assets**

### 11.1 Accounting policy

#### Classification, recognition and derecognition

Citec classifies financial assets of the Group either as financial assets measured at amortised cost, or financial assets measured at fair value through profit or loss (FVTPL). Classification of financial assets is made based on their purpose of use upon initial recognition. Classification relies on the objectives of Citec's business model and the contractual cash flows from financial assets, or by applying the fair value option upon initial recognition.

All purchases and sales of financial assets are recognised at the trade date. For financial assets not carried at fair value through profit or loss, transaction costs are included in the initial carrying amount. Financial assets are derecognised when Citec loses the rights to receive the contractual cash flows on the financial asset or it has transferred substantially all the risks and rewards of ownership outside the Group.

## Financial assets measured at amortised cost

At Citec, financial assets measured at amortised cost mainly comprise trade receivables. Assets classified in this category are measured at amortised cost using the effective interest (EIR) method. In Citec, trade receivables are held within a business model whose objective is to collect the contractual cash flows, and those cash flows that are solely payments of principal and interest. Trade receivables are current assets that Citec has the intention to hold for less than 12 months from the end of reporting period. The carrying amounts of current trade receivables are expected to substantially equal their fair values.

## **12 Capital and reserves**

### 12.1 Accounting policy

Citec classifies the instruments it has issued either as financial liabilities or equity instruments, based on their nature.

- A financial liability is an instrument that obligates Citec to deliver cash or another financial asset, or the holder has a right to demand cash or another financial asset.
- An equity instrument is any contract that evidences a residual interest in the assets of Citec after deducting all of its liabilities.

### 12.2 Share capital and share classes

Sentiec Plc's share capital amounts to total of 2,323,401,839 shares that are divided to five (5) share classes. Sentiec Plc has 2,323,000,001 Series A shares, 100,320 Series B shares, 100,252 Series C shares, 100,129 Series D shares and 101,137 Series E shares. According to the Sentiec Plc's Articles of Association, each Series A share carries ten (10) votes and each Series B, C, D and E share carries one (1) vote in the Sentiec Plc's General Meeting. In addition, Series A, B, C, D and E shares carry different rights for distribution of funds as described in Section 7 of the Articles of Association of Sentiec Plc. Sentiec Plc's registered share capital of EUR 80.000,00 which is fully paid.

## Movements in share numbers and Group's equity

On 10 February 2021, the sole shareholder of Sentiec Plc, Sentica Buyout III Ky, decided to issue a total of 2,295,400,000 new shares in Sentiec Plc's in a directed share issue. The directed share issue included issuance of 2,295,000,000 new Series A shares and 100,000 new shares of each Series B, C, D and E shares. In addition to the subscription price paid in cash, part of the shares were issued against payment in kind in connection with the transaction. The shares were subscribed for on 10 February 2021 and the total subscription price of EUR 22,954,000 was recorded into the Sentiec Plc's invested non-restricted equity fund.

Based on shareholder resolution made on 15 June 2021, the shareholders of the Sentiec Plc resolved to carry out a directed share issue of 28,001,838 new shares to the key employees of the Sentiec Plc. The directed share issue included issuance of 28,000,000 new Series A shares, 320 new Series B shares, 252 new Series C shares, 129 new Series D shares and 1,137 new Series E shares. The total subscription price of EUR 280.018,38 was recorded into the Sentiec Plc's invested non-restricted equity fund.

### 12.3 Reserves

#### Reserve for invested non-restricted equity

The reserve for invested non-restricted equity comprises other equity investments and that part of the share subscription price that has not specifically been allocated to share capital.

#### Other reserves

Other reserves include the fair value reserve, which consists of fair value adjustments of investments at fair value through other comprehensive income.

### Capital loans

As of 31 December 2020, principal amount of capital loans in Citec Group Oy (the group's former parent company) were EUR 25.214.828,00 in total. During the recapitalization of the Citec in February 2021, capital loans were acquired by Sentiec Plc in connection with transaction.

### Restructuring reserves

During the recapitalization of the Citec in February 2021, book value accounting was applied for the transaction, as it was concluded that transaction was not within the scope of IFRS 3 Business Combinations as there were no changes in control, i.e. it was a common control transaction. In applying book value accounting for the transaction, the difference between the paid amount of Citec Group Oy's shares and equity acquired is recognized in restructuring reserve.

### Translation differences

Translation differences contains translation differences arising from the conversion of financial statements of foreign units.

### Retained earnings

Retained earnings are earnings accrued over the previous financial years that have not been transferred to equity reserves or issued as dividends to owners.

## **13 Financial liabilities**

### 13.1 Accounting policy

#### Classification, recognition and derecognition

Citec classifies financial liabilities in measurement categories as follows:

- financial liabilities measured at fair value through profit or loss (FVTPL), and
- financial liabilities measured at amortised cost (comprising loans and borrowings).

The categorisation determines whether and where any remeasurement to fair value is recognised.

A financial liability is classified as current if Citec does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. In respect of loans and borrowings current financial liabilities comprise the portion falling due within less than 12 months.

Financial liabilities may be interest-bearing or non-interest-bearing. A financial liability (or part of the liability) is not derecognised until the liability has ceased to exist, that is, when the obligation identified in a contract has been fulfilled, cancelled or is no longer effective.

#### Financial liabilities at fair value through profit or loss (FVTPL)

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses are recognised in the income statement.

Citec uses derivative instruments for hedging purposes. The derivative instruments are recognised at fair value through profit or loss, and for cash flow hedge accounting changes in fair value through other comprehensive income.

#### Financial liabilities at amortised cost (other financial liabilities)

Other financial liabilities are initially recognised at fair value. Transaction costs are included in the original carrying amount. Subsequently these financial liabilities are measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by considering any discount or premium on acquisition and fees or

costs that are an integral part of the EIR. Interest expenses, EIR amortisation, foreign exchange gains and losses as well as any gain or loss on derecognition are recognised in profit or loss.

### 13.2 Changes in loans and borrowings

On February 2021, Sentiec Plc issued senior secured bonds with an aggregate principal amount of SEK 290,000,000 (the "Bonds"). The Bonds were issued in denominations of SEK 1,250,000. The Bonds bear interest at the rate of STIBOR 3 months plus a margin of 8.00 per cent per annum at minimum. Quarterly partial amortization of the bond is 1.25%. The maturity of the Bonds is on 2 February 2025, unless Sentiec prepays the Bonds in accordance with the terms and conditions of the Bonds. The Bonds are secured by certain assets according to terms and conditions of the Bonds.

On 2 December 2021, Sentiec Plc submitted an application for the Bonds to be admitted to trading on the corporate bond list of Nasdaq Stockholm Aktiebolag. Trading on the Bonds commenced on 8 December, 2021.

### 13.3 Financial covenants

Sentiec Plc has financial covenants related to the bond. Covenants are tested periodically or on specific event. Based on testing results, no event of default has been identified.

## 14 Fair values of financial assets and financial liabilities

### 14.1 Accounting policy

Currently Citec's assets and liabilities measured at fair value mainly comprise derivative assets and derivative liabilities. Expected credit losses are estimated for all accounts receivables. Transactions costs are currently capitalised and amortised. Derivatives partly valued at fair value. All derivatives are accounted for at fair value. Hedge accounting recorded in fair value reserve in OCI and other in profit or loss. They are measured at follows:

#### Sale of accounts receivable

A financial asset is derecognised only when the contractual rights to the cash flows from the financial asset expire or when the financial assets transferred, and the transfer meets certain conditions. An entity derecognises a transferred a financial asset if it has: transferred substantially all of the risks and rewards of ownership; or neither retained nor transferred substantially all of the risks and rewards of ownership and has not retained control of the financial asset. Citec has transferred substantially all of the risks and rewards of ownership to the sold receivables and they would be derecognized under IFRS. Citec has agreements for sale of accounts receivables. The receivables are derecognized from the balance sheet when sold.

#### Capital loans

According to IAS 32 a financial instrument is a financial liability if it contains a contractual obligation to transfer cash or another financial asset. Citec has no obligation to pay interest or principal, accordingly the instrument are classified as equity under IFRS. As at 31 December, 2020, Citec Group Oy had capital loans amounting to EUR 25.2 million, which were acquired by Sentiec Plc in connection with transaction in February 2021.

#### Credit losses

An entity shall measure expected credit losses (ECL) of a financial instrument in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; the time value of money; and reasonable and supportable information that is available without undue cost or effort at the reporting date about the past events, current conditions and forecasts of future economic conditions. Simplified approach available for accounts receivables. Actual credit losses have historically been low.

#### Transactions costs

Transactions costs are incremental costs that would not have been incurred if the instrument had not been issued and are taken into account when calculating the effective interest rate. The 'effective interest rate' is a method of calculating the amortised cost of a financial asset or financial liability and allocating the interest income or expense over the relevant period. It differs from the straight-line method in that the amortisation under the effective interest method reflects a constant periodic return on the carrying amount of the asset or liability. The

effective interest rate is calculated on initial recognition. Effective interest rate has been applied with the the SEK 290 million bonds.

## 15 Derivative instruments and cash flow hedge accounting

### 15.1 Accounting policy

Citec uses derivative instruments for hedging purposes. All derivatives are recognised on the balance sheet and measured at fair value. Changes in fair values are recognised in profit or loss unless the entity has elected to apply hedge accounting by designating the derivative as a hedging instrument in an eligible hedging relationship. Citec has elected to apply hedge accounting for the interest rate and currency risk for the SEK 290 million bond and for the EUR/INR purchases with a maturity over 3 months. Derivative instrument for the interest rate and currency risk corresponds maturity of the bond.

Changes in a fair value of the bond are recognised in OCI, changes in EUR/SEK exchange rate is recycled to profit or loss. The bond is translated to EUR based of SEK rate at the balance sheet date.

Changes in a fair value of the foreign currency derivatives are recognized in OCI until the purchase occur. Derivatives with the maturity less than 3 months are considered hedging accounts payables and are recognised in profit or loss.

Citec considers foreign currency hedges relating to forecast transactions as cash flow hedges. Consequently, any gains or losses derived from measuring the hedging instrument at fair value, which correspond to the effective portion of the hedge, are recognised in other comprehensive income and presented under Other reserves in equity. The ineffective portion is allocated to finance expenses or credited to finance income.

Amounts recognised in equity are transferred to profit or loss once the forecast transaction takes place with a charge or credit to the income statement in which it was recognised. In addition, gains or losses recognised in equity are reclassified to finance income or finance expenses when the forecast transaction is no longer expected to arise. The fair value of the hedges is recognised, contingent on whether it is positive or negative, under Other non-current assets (non-current) / Trade and other receivables (current) or Other financial and other non-current financial liabilities (non-current) / Trade and other payables (current) in the consolidated balance sheet.

Whether to qualify these financial instruments for hedge accounting, they are initially designated as hedging instruments and the hedging relationship is documented. In addition, Sentic Group validates, both at inception and periodically over the term of the hedge, using 'effectiveness tests', that the hedging relationship is effective, i.e. that it is prospectively probable that the changes in the fair value or cash flows of the hedged item (attributable to the hedged risk) will be almost fully offset by those of the hedging instrument. Also, the ineffective portion of the hedging instrument is recognised instantly in profit or loss.

### 15.2 Fair value measurement

A number of Citec's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are categorised into hierarchy levels that are representative of the inputs used in the valuation techniques as follows:

- |         |   |
|---------|---|
| Level 1 | Fair value is calculated on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities that Citec can access at the measurement date.  |
| Level 2 | Fair value is calculated on the basis of inputs other than quoted prices included in Level 1 that are observable for the asset or liability; either directly (i.e. as prices) or indirectly (i.e. derived from prices). |
| Level 3 | Fair value is calculated on the basis of inputs for the asset or liability that are not based on observable market data (unobservable inputs).  |

When measuring the fair value of an asset or a liability, the Citec uses observable market data as far as possible.

### 15.3 Hedge accounting

EUR thousands	31 Dec 2021			Fair value, net
	Notional amount	Positive fair value	Negative fair value	
<b>Derivatives in hedge accounting</b>				
Forward exchange contracts, cash flow hedges	5 400	98	0	98
Interest rate derivatives	26 905	0	-750	-750
<b>Derivatives not in hedge accounting</b>				
Forward exchange contracts	0	82	0	82
<b>Total</b>	<b>32 305</b>	<b>181</b>	<b>-750</b>	<b>-569</b>

EUR thousands	31 Dec 2020			Fair value, net
	Notional amount	Positive fair value	Negative fair value	
<b>Derivatives in hedge accounting</b>				
Forward exchange contracts, cash flow hedges	4 200	0	-34	-34
Interest rate derivatives	0	0	0	0
<b>Derivatives not in hedge accounting</b>				
Forward exchange contracts		0	-60	-60
<b>Total</b>	<b>4 200</b>	<b>0</b>	<b>-94</b>	<b>-94</b>

At 31 December 2021		Carrying amount	Fair value			Total
EUR thousands	Note		Level 1	Level 2	Level 3	
<b>Financial liabilities measured at fair value</b>						
Foreign currency derivatives in hedge accounting		98	0	98	0	<b>98</b>
Foreign currency derivatives not in hedge accounting		82	0	82	0	<b>82</b>
Interest rate swaps		-750	0	-750	0	<b>-750</b>
<b>Total</b>		<b>-569</b>	<b>0</b>	<b>-569</b>	<b>0</b>	<b>-569</b>
<b>Financial liabilities not measured at fair value</b>						
Capital loans		0	0	0	0	<b>0</b>
Lease liabilities		-4 040	0	0	-4 040	<b>-4 040</b>
Bond		-27 135			-27 135	<b>-27 135</b>
<b>Total</b>		<b>-31 175</b>	<b>0</b>	<b>0</b>	<b>-31 175</b>	<b>-31 175</b>

At 31 December 2020		Carrying amount	Fair value			Total
EUR thousands	Note		Level 1	Level 2	Level 3	
<b>Financial liabilities measured at fair value</b>						
Foreign currency derivatives in hedge accounting		-34	0	-34	0	<b>-34</b>
Foreign currency derivatives not in hedge accounting		-60	0	-60	0	<b>-60</b>
<b>Total</b>		<b>-94</b>	<b>0</b>	<b>-94</b>	<b>0</b>	<b>-94</b>
<b>Financial liabilities not measured at fair value</b>						
Lease liabilities		-5 363	0	0	-5 363	<b>-5 363</b>
Capital loans		-25 215	0	0	-25 215	<b>-25 215</b>
<b>Total</b>		<b>-30 578</b>	<b>0</b>	<b>0</b>	<b>-30 578</b>	<b>-30 578</b>

## 16 Financial risk management

### 16.1 Principles of financial risk management

Citec is exposed to various financial risks:

- market risk that consist of foreign currency risk and interest rate risk as well as from
- other risks that comprise credit risk, liquidity risk and country risk.

The focus of the company's financial risk management is on the uncertainty of financial markets. In addition, the management aims to minimise the potential contrary effects on the profitability of its business.

Citec has identified that the financial risks are the followings: liquidity risk, interest rate risk, foreign exchange transaction risk, foreign exchange translation risk, credit risk and counterparty risk.

The Group controls financial risks centrally. The objective is that financial risk management is aligned with company's strategy and that Sentec Plc has access to debt financing. Major financial risks are condensed below:

Foreign currency risk	Citec is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of Citec group companies. The functional currencies of Group companies are primarily the euro (EUR), Swedish krona (SEK), Norwegian krone (NOK) and Indian rupee (INR).
Credit risk	Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Citec's receivables from customers and investments in debt securities.
Liquidity risk	Liquidity risk is the risk that Citec will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Citec's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to company's reputation.

## 17 Provisions, contingencies and commitments

### 17.1 Accounting policy — Provisions

Provisions comprise liabilities of uncertain timing or amount. A provision is recognised when:

- Citec has a present obligation (legal or constructive) as a result of a past event
- an outflow of resources is probable, and
- the amount of the obligation can be estimated reliably.

The amount recognised is the best estimate of the settlement amount at the end of the reporting period, being the present value of the expenditures after taking account of the risks and uncertainties surrounding the obligation, unless the impact of discounting is immaterial.

Citec recognises a provision of onerous contracts, when the estimated total expenses, including material and labour expenses and external services, exceed the total income expected from the contract. A probable loss is recognised as an expense immediately when it has been identified. The amount of loss provision is assessed on a contract by contract basis at each reporting date.



## 17.2 Accounting policy – Contingent liabilities and contingent assets

Contingent assets and contingent liabilities are possible rights and obligations. They arise from past events and their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not fully within the control of Citec.

## 18 Related party disclosures

### 18.1 Accounting policy

Citec's related parties include its management (the Board of Directors, CEO and the Group Management Team members) and the companies controlled by them, their family members and companies controlled by the family members, the Group's subsidiaries, and joint ventures.

The related party transactions disclosed consist of such transactions carried out with related parties that are not eliminated in the consolidated financial statements. During the financial reporting period there were no related party transactions.

### 18.2 Group structure

At 31 December 2021 Citec Group comprised the following subsidiaries:

<b>Entity</b>	<b>Domicile</b>	<b>Ownership interest, %</b>
Citec Group Oy Ab	Vaasa, Finland	100%
Citec Oy Ab	Vaasa, Finland	100%
Citec AB	Stockholm, Sweden	100%
Citec Norway AS	Oslo, Norway	100%
Citec Engineering & Information GmbH,	München, Germany	100%
Citec Group France SAS	Rueil Malmaison, France	100%
Citec Engineering France SARL	Rueil Malmaison, France	100%
Citec Engineering India Pvt Ltd	Mumbai, India	100%
Akilea Overseas Ltd	Cardiff, United Kingdom	100%
Citec Oy Ab Saudi & Partner Consulting Engineering CO	Dammam, Saudi Arabia	60%

## 19 Events after the end of the financial year

No significant events after the balance sheet date 31 December 2021.

## 20 First-time adoption of IFRS

The tables below set forth the impacts of the adoption of the IFRS on the consolidated income statement prepared in accordance with the FAS for the financial year 2020 and Q4 2020, as well as the consolidated balance sheet as at 31 December 2019 and 31 December 2020.

During financial year 2021 Sentiec Plc has presented quarterly consolidated financial reports according to Finnish Accounting Standards (FAS).

**CONSOLIDATED OPENING IFRS BALANCE SHEET - RECONCILIATION**

01-01-2020	FAS	1	2	3	4	5	IFRS	IFRS
1 000 eur	31-12-2019	Lease agreements	Pension obligations	Reversal of goodwill amortization	Deferred taxes	Other adjustments	IFRS adj. total	01-01-2020
<b>ASSETS</b>								
<b>Non Current assets</b>								
Right of use assets	0	6 686	0	0	0	0	6 686	6 686
Intangible assets	20 629	0	0	0	0	0	0	20 629
Tangible assets	1 184	0	0	0	0	0	0	1 184
Investments	5	0	0	0	0	0	0	5
Long-term receivables	40	0	0	0	0	0	0	40
Deferred tax receivable	0	0	370	0	1 544	0	1 913	1 913
<b>Non Current asset total</b>	<b>21 858</b>	<b>6 686</b>	<b>370</b>	<b>0</b>	<b>1 544</b>	<b>0</b>	<b>8 599</b>	<b>30 457</b>
<b>Current assets</b>								
<b>Accounts receivable and other receivables</b>								
Accounts receivable	10 887	0	0	0	0	-67	-67	10 820
Other receivables	2 719	0	0	0	0	-108	-108	2 611
Accrued income and deferred expenses	1 807	0	0	0	0	0	0	1 807
<b>Cash and cash equivalents</b>								
Cash at bank	3 496	0	0	0	0	0	0	3 496
<b>Current assets total</b>	<b>18 910</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-176</b>	<b>-176</b>	<b>18 734</b>
<b>Assets total</b>	<b>40 767</b>	<b>6 686</b>	<b>370</b>	<b>0</b>	<b>1 544</b>	<b>-176</b>	<b>8 424</b>	<b>49 191</b>
<b>Equity</b>								
Share capital	3	0	0	0	0	0	0	3
Unrestricted equity fund	11 235	0	0	0	0	0	0	11 235
Other reserves	0	0	0	0	0	-7	-7	-7
Capital loans	25 215	0	0	0	0	0	0	25 215
Restructuring reserve	0	0	0	0	0	0	0	0
Translation reserve	0	0	0	0	0	-667	-667	-667
Retained earnings	-16 489	0	-862	0	1 246	607	991	-15 498
<b>Equity total</b>	<b>19 964</b>	<b>0</b>	<b>-862</b>	<b>0</b>	<b>1 246</b>	<b>-67</b>	<b>317</b>	<b>20 280</b>
<b>Non current liabilities</b>								
Lease liabilities	0	4 208	0	0	0	0	4 208	4 208
Provisions	2 791	0	1 232	0	0	-233	998	3 790
Deferred tax liabilities	0	0	0	0	298	0	298	298
<b>Non current liabilities total</b>	<b>2 791</b>	<b>4 208</b>	<b>1 232</b>	<b>0</b>	<b>298</b>	<b>-233</b>	<b>5 504</b>	<b>8 295</b>
<b>Current liabilities</b>								
Loans from financial institutes	3 800	0	0	0	0	0	0	3 800
Lease liabilities	0	2 478	0	0	0	0	2 478	2 478
<b>Accounts payable and other current liabilities</b>								
Advances received	907	0	0	0	0	0	0	907
Accounts payable	2 500	0	0	0	0	0	0	2 500
Accruals and deferred income	7 481	0	0	0	0	125	125	7 606
Other current liabilities	3 325	0	0	0	0	0	0	3 325
<b>Current liabilities total</b>	<b>18 013</b>	<b>2 478</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>125</b>	<b>2 603</b>	<b>20 616</b>
<b>Liabilities total</b>	<b>20 804</b>	<b>6 686</b>	<b>1 232</b>	<b>0</b>	<b>298</b>	<b>-108</b>	<b>8 107</b>	<b>28 911</b>
<b>Equity and liabilities total</b>	<b>40 767</b>	<b>6 686</b>	<b>370</b>	<b>0</b>	<b>1 544</b>	<b>-176</b>	<b>8 424</b>	<b>49 191</b>

**CONSOLIDATED CLOSING IFRS BALANCE SHEET – RECONCILIATION**

31-12-2020	FAS	1	2	3	4	5	IFRS	IFRS
1 000 eur	31-12-2020	Lease agreements	Pension obligations	Reversal of goodwill amortization	Deferred taxes	Other adjustments	IFRS adj. total	31-12-2020
<b>ASSETS</b>								
<b>Non Current assets</b>								
Right of use assets	0	5 310	0	0	0	0	5 310	5 310
Intangible assets	18 219	0	0	2 529	0	-314	2 216	20 435
Tangible assets	1 156	0	0	0	0	179	179	1 335
Long-term receivables	40	0	0	0	0	0	0	40
Deferred tax receivable	0	0	507	0	2 049	0	2 556	2 556
<b>Non Current asset total</b>	<b>19 415</b>	<b>5 310</b>	<b>507</b>	<b>2 529</b>	<b>2 049</b>	<b>-134</b>	<b>10 261</b>	<b>29 676</b>
<b>Current assets</b>								
<b>Accounts receivable and other receivables</b>								
Accounts receivable	11 054	0	0	0	0	-46	-46	11 008
Other receivables	1 547	0	0	0	0	-95	-95	1 452
Accrued income and deferred expenses	1 433	0	0	0	0	0	0	1 433
<b>Cash and cash equivalents</b>								
Cash at bank	5 597	0	0	0	0	0	0	5 597
<b>Current assets total</b>	<b>19 631</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-141</b>	<b>-141</b>	<b>19 490</b>
<b>Assets total</b>	<b>39 046</b>	<b>5 310</b>	<b>507</b>	<b>2 529</b>	<b>2 049</b>	<b>-275</b>	<b>10 120</b>	<b>49 167</b>
<b>EQUITY</b>								
Share capital	3	0	0	0	0	0	0	3
Unrestricted equity fund	11 389	0	0	0	0	0	0	11 389
Other reserves	0	0	0	0	0	-27	-27	-27
Capital loans	25 215	0	0	0	0	0	0	25 215
Translation reserve	0	0	0	0	0	-1 320	-1 320	-1 320
Retained earnings	-15 633	-53	-1 028	2 529	1 773	2 266	5 487	-10 146
<b>Equity total</b>	<b>20 974</b>	<b>-53</b>	<b>-1 028</b>	<b>2 529</b>	<b>1 773</b>	<b>920</b>	<b>4 141</b>	<b>25 114</b>
<b>LIABILITIES</b>								
<b>Non current liabilities</b>								
Lease liabilities	0	3 029	0	0	0	0	3 029	3 029
Provisions	4 523	0	1 535	0	0	-1 798	-263	4 260
Deferred tax liabilities	0	0	0	0	277	0	277	277
<b>Non current liabilities total</b>	<b>4 523</b>	<b>3 029</b>	<b>1 535</b>	<b>0</b>	<b>277</b>	<b>-1 798</b>	<b>3 042</b>	<b>7 565</b>
<b>Current liabilities</b>								
Lease liabilities	0	2 334	0	0	0	0	2 334	2 334
<b>Accounts payable and other current liabilities</b>								
Advances received	564	0	0	0	0	0	0	564
Accounts payable	1 984	0	0	0	0	0	0	1 984
Accruals and deferred income	8 686	0	0	0	0	604	604	9 289
Other current liabilities	2 316	0	0	0	0	0	0	2 316
<b>Current liabilities total</b>	<b>13 550</b>	<b>2 334</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>604</b>	<b>2 937</b>	<b>16 487</b>
<b>Liabilities total</b>	<b>18 073</b>	<b>5 363</b>	<b>1 535</b>	<b>0</b>	<b>277</b>	<b>-1 195</b>	<b>5 980</b>	<b>24 053</b>
<b>Equity and liabilities total</b>	<b>39 046</b>	<b>5 310</b>	<b>507</b>	<b>2 529</b>	<b>2 049</b>	<b>-275</b>	<b>10 120</b>	<b>49 167</b>

**CONSOLIDATED IFRS COMPREHENSIVE INCOME STATEMENT – RECONCILIATION**

	FAS	1	2	3	4	5	IFRS	IFRS
1 000 eur	31-12-2020	Lease agreements	Pension obligations	Reversal of goodwill amortization	Deferred taxes	Other adjustments	IFRS adj. total	31-12-2020
<b>Revenue</b>	72 834	0	0	0	0	0	0	72 834
Other operating income	361	0	0	0	0	0	0	361
Materials and services	-7 992	0	0	0	0	0	0	-7 992
Staff costs	-43 160	0	4	0	0	413	417	-42 743
Other operating expenses	-14 440	2 763	0	0	0	235	2 997	-11 442
<b>EBITDA</b>	<b>7 603</b>	<b>2 763</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>647</b>	<b>3 414</b>	<b>11 017</b>
Depreciation and amortization	-3 460	-2 579	0	2 529	0	0	-50	-3 510
<b>Operating profit (EBIT)</b>	<b>4 143</b>	<b>184</b>	<b>4</b>	<b>2 529</b>	<b>0</b>	<b>647</b>	<b>3 365</b>	<b>7 507</b>
Financial income	474	0	0	0	0	0	0	474
Financial expenses	-783	-237	-133	0	0	0	-370	-1 153
<b>Profit before taxes</b>	<b>3 834</b>	<b>-53</b>	<b>-129</b>	<b>2 529</b>	<b>0</b>	<b>647</b>	<b>2 995</b>	<b>6 829</b>
Income taxes	-1 700	0	0	0	0	-5	-5	-1 705
Change in deferred taxes	-625	0	91	0	527	0	618	-7
<b>Profit for the financial year</b>	<b>1 509</b>	<b>-53</b>	<b>-38</b>	<b>2 529</b>	<b>527</b>	<b>643</b>	<b>3 608</b>	<b>5 117</b>
<b>Other comprehensive income, that may be reclassified to profit or loss</b>								
Change in fair value reserve	0	0	0	0	0	-24	-24	-24
Taxes	0	0	0	0	0	5	5	5
<b>Other comprehensive income, that will not be reclassified to profit or loss</b>								
Change in actuarial assumptions	0	0	-175	0	0	0	-175	-175
Taxes	0	0	46	0	0	0	46	46
<b>Other comprehensive income for the year</b>	<b>0</b>	<b>0</b>	<b>-129</b>	<b>0</b>	<b>0</b>	<b>-19</b>	<b>-148</b>	<b>-148</b>
<b>Total comprehensive income for the year</b>	<b>1 509</b>	<b>-53</b>	<b>-166</b>	<b>2 529</b>	<b>527</b>	<b>623</b>	<b>3 460</b>	<b>4 969</b>

	FAS	1	2	3	4	5	IFRS	IFRS
1 000 eur	Q4 2020	Lease agreements	Pension obligations	Reversal of goodwill amortization	Deferred taxes	Other adjustments	IFRS adj. total	Q4 2020
<b>Revenue</b>	18 748	0	0	0	0	0	0	18 748
Other operating income	-230	0	0	0	0	0	0	-230
Materials and services	-1 971	0	0	0	0	0	0	-1 971
Staff costs	-11 396	0	3	0	0	777	780	-10 616
Other operating expenses	-3 264	697	0	0	0	-178	519	-2 745
<b>EBITDA</b>	<b>1 886</b>	<b>697</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>599</b>	<b>1 298</b>	<b>3 185</b>
Depreciation and amortization	-788	-638	0	632	0	0	-5	-793
<b>Operating profit (EBIT)</b>	<b>1 098</b>	<b>59</b>	<b>3</b>	<b>632</b>	<b>0</b>	<b>599</b>	<b>1 293</b>	<b>2 391</b>
Financial income	205	0	0	0	0	0	0	205
Financial expenses	-425	-55	-33	0	0	0	-89	-514
<b>Profit before taxes</b>	<b>878</b>	<b>4</b>	<b>-30</b>	<b>632</b>	<b>0</b>	<b>599</b>	<b>1 205</b>	<b>2 082</b>
Income taxes	-1 050	0	0	0	0	-2	-2	-1 052
Change in deferred taxes	-625	0	23	0	579	0	602	-22
<b>Profit for the financial year</b>	<b>-797</b>	<b>4</b>	<b>-8</b>	<b>632</b>	<b>579</b>	<b>597</b>	<b>1 805</b>	<b>1 008</b>
<b>Other comprehensive income, that may be reclassified to profit or loss</b>								
Change in translation reserve	0	0	0	0	0	0	0	0
Change in fair value reserve	0	0	0	0	0	-8	-8	-8
Taxes	0	0	0	0	0	2	2	2
<b>Other comprehensive income, that will not be reclassified to profit or loss</b>								
Change in actuarial assumptions	0	0	-45	0	0	0	-45	-45
Taxes	0	0	12	0	0	0	12	12
<b>Other comprehensive income for the year</b>	<b>0</b>	<b>0</b>	<b>-33</b>	<b>0</b>	<b>0</b>	<b>-7</b>	<b>-40</b>	<b>-40</b>
<b>Total comprehensive income for the year</b>	<b>-797</b>	<b>4</b>	<b>-41</b>	<b>632</b>	<b>579</b>	<b>590</b>	<b>1 765</b>	<b>968</b>

**Notes to reconciliations**

The following section presents a summary of the impacts of the adoption of the IFRS on Citec's consolidated statement of comprehensive income and consolidated balance sheet. Previously, the Citec's consolidated financial statements were prepared in accordance with FAS. The IFRS adjustments identified in the transition are described below. The most significant impacts relate to the following: leases, pension obligations, goodwill and deferred taxes. The numbers in topics (1-5) refer to the columns in the reconciliation tables.

**(1) Lease agreements as a lessee (IFRS 16 Leases)**

Citec has mainly leased offices, cars, and IT machinery. Under FAS, lease expenses have been recognized as other operating expenses in the income statement. The lease commitments have been disclosed in the notes to the financial statements as off-balance sheet items.

The right-of-use asset and the lease liability are calculated by discounting the future lease payments. The lease liabilities are measured at the present value of the remaining lease payments as of 1 January 2020 and right-of-use assets are recognised at an amount equal to the lease liability on 1 January 2020. The lease payments are discounted using the lessee's incremental borrowing rate. The lease expenses presented in FAS are replaced with the depreciation of the right-of-use assets. In addition, the interest costs of the lease liabilities are recognised as finance costs in profit or loss.

Citec applies the recognition exemption for both short-term leases (a lease that, at the commencement date, has a lease term of 12 months or less) and for leases for which the underlying asset is of low value (each asset with a value of approximately EUR 5,000 or less when new). Citec has decided to apply this practical expedient to some of the leases.

The impact recognised as a result of the adoption of IFRS 16 on the Citec's opening balance sheet amounts to EUR 6,686 thousand, under the right-of-use assets and lease liabilities (non-current and current portions) as at 1 January 2020 and the amount recognised in the balance sheet as at 31 December 2020 equals EUR 5,310 thousand in right-of-use assets and EUR 5,363 thousand in lease liabilities.

## (2) Pension obligations (IAS 19 Employee Benefits)

Under FAS costs for employee benefits provided are generally recorded when they are paid. Under IFRS, pensions are categorised as either defined contribution plans or defined benefit plans, depending on the principal terms and conditions. Citec has both defined contribution plans and defined benefit plans.

The liability or asset recognised in the balance sheet in respect of a defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of any plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in profit or loss. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income.

The impact is shown in the column Pension obligations in the reconciliations presented above. The amount recognised in the opening balance sheet as of 1 January 2020 amounts to EUR 1,232 thousand relating to provisions, net effect in equity equals EUR -862 thousand and deferred tax receivables equals EUR 370 thousand.

The amount recognised in the balance sheet as of 31 December 2020 totals EUR 1,535 thousand relating to provisions, net effect in equity equals EUR -1,028 thousand and deferred tax receivables amount to EUR 507 thousand.

The amount recognised in other comprehensive income as a result of change in actuarial assumptions amounts to EUR -129 thousand for the year ended 31 December 2020.

## (3) Reversal of goodwill amortization (IFRS 3 Business Combinations, IFRS 1 First-time Adoption of International Financial Reporting Standards)

Under FAS all intangible assets are amortised. Under IFRS goodwill is not amortised but is subject to impairment testing at least annually and whenever triggering events arise.

Following the transition exemption of IFRS 1, the businesses acquired prior to the IFRS transition date 1 January 2020 are recognised in Issuer's IFRS financial statements by using the carrying amount of goodwill as of 1 January 2020 as recognised in the FAS financial statements. Citec will reverse the FAS amortisation in the conversion period by adjusting the goodwill amortisations recorded against the goodwill recognised in the balance sheet. In accordance with IFRS, goodwill shall no longer be amortized over its useful life, but it is tested for impairment annually or whenever there are indications of impairment.

The impact recognised is presented in the column Reversal of goodwill amortisation in the reconciliations presented above. The amount of IFRS adjustment relating to reversal of goodwill amortisation recognised amounts to EUR 2,529 thousand as of 31 December 2020.

#### (4) Deferred taxes (IAS 12 Income Taxes)

Under FAS the Citec has not recognised deferred taxes on temporary differences between the FAS carrying amounts and the tax base, nor on tax losses carried forward. In the opening IFRS balance sheet as of 1 January 2020, Citec shall recognise deferred taxes on temporary differences between the tax bases of assets and liabilities and their IFRS carrying amounts. The deferred tax impact is shown in the column Deferred taxes in the reconciliations presented above.

#### Tax impact on tax loss carry-forwards and other IFRS adjustments

The amount of the deferred tax assets recognised in the opening IFRS balance sheet equals EUR 1,544 thousand, deferred tax liabilities equal EUR 298 thousand and the net effect in equity equals EUR 1,246 thousand. The amount of the deferred tax assets recognised as of 31 December 2020 totalled EUR 2,049 thousand, deferred tax liabilities equal EUR 277 thousand and the net effect in equity equals EUR 1,773 thousand.

#### (5) Other adjustments (IAS 37 Provisions, Contingent Liabilities and Contingent Assets, IFRS 9 Financial Instruments, IFRS 1 First-time Adoption of International Financial Reporting Standards)

In connection with the IFRS Project, Citec has assessed IFRS impacts on certain accounting principles of the Group covering provisions, hedge accounting and cumulative translation differences. This assessment has led to reversal of some restructuring provisions recorded according to FAS as some items do not meet the related recognition criteria under IAS 37, and consequently will be reclassified as accruals or as write-off of assets. Citec is planning to apply hedge accounting to certain forward contracts after the transition date. Changes in fair value of the derivatives under hedge accounting are recorded under the other reserves in equity. Changes in fair value of other derivatives are recorded in profit or loss. The impact of these adjustments is shown in the column Other adjustments in the reconciliations presented above.

Citec has presented the cumulative translation differences resulting from ownership of foreign subsidiaries under retained earnings. The cumulative translation difference as of 1 January 2020 is transferred from retained earnings to a separate line item (Translation reserve).

The amount of other adjustments recognised in the opening balance sheet as of 1 January 2020 relating to receivables equals EUR -176 thousand, provisions EUR -233 thousand, accruals and deferred income EUR 125 thousand and a net effect in equity of EUR -67 thousand.

The amount of adjustment relating to employee benefit expenses and other operating expenses recognised in profit or loss as of 31 December 2020 equals EUR 647 thousand.

The amount of adjustment recognised in the balance sheet as of 31 December 2020 relating to intangible and tangible assets amounts to EUR -134 thousand, receivables EUR -141 thousand, provisions EUR -1,798 thousand, accruals and deferred income EUR 604 thousand and a net effect in equity of EUR 920 thousand.