

Sentiec Oyj

Interim report January-March 2022

Sentiec Oyj INTERIM REPORT Q1/2022

Sentiec Oyj, 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 Oyj 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 Oyj 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 Oyj Group of companies, including the parent company Sentiec Oyj.

Citec Group January-March 2022 highlights

- Revenue increased by 26,5 % to 25,1 M€ (19,9 M€) compared to Q1/2021
- Adjusted EBITDA increased to 4,9 M€, or 19,3% of revenue (3,1 M€, or 15,5%) compared to Q1/2021

CEO comments

The first three months were very strong months for Citec despite the geopolitical uncertainties, giving a good start of the year. Compared to the corresponding quarter of 2021, revenue increased by 26,5% and the adjusted EBITDA-% increased from 15,5 % to 19,3%. We are very satisfied with how the growth strategy, and our operational efficiency and profitability developed well.

The business demand for our engineering and technical documentation services was very good during the quarter.

The development of the COVID-19 pandemic had limited impact on Citec's business in the first quarter and our operational performance was stable. Furthermore, Russia's attack on Ukraine had also limited impact as ongoing or potential projects with exposure in Russia either have been cancelled or put on hold. Citec has not initiated any new projects on the Russian market and we strictly obey all sanctions accordingly.

After the Q1 review period, on 25 April, Cyient, a leading global technology solutions company with more than more than 14,000 associates across 19 countries, announced that it is set to acquire Citec. This is of course an important and major step in Citec's history.

The acquisition and partnership with Citec will enhance Cyient's position as a leader in the plant and product engineering services sector, strengthen its presence in the energy industry with a focus on clean energy, and expand its European footprint especially in the Nordic region, Germany and France.



Johan Westermarck, CEO

Sentiec Oyj INTERIM REPORT Q1/2022

Significant event after the Q1

As mentioned above, on the 25th of April it was announced that Cyient, a leading technology solutions company with more than 14,000 associates across 19 countries, and the owners of Sentiec Oyj have signed a definitive share sale and purchase agreement under which Cyient acquires all the outstanding shares of Sentiec. The acquisition and partnership with Citec will enhance Cyient's position as a leader in the plant and product engineering services sector, strengthen its presence in the energy industry with a focus on clean energy, and expand its European footprint especially in the Nordic region, Germany and France.

The Citec and Cyient partnership will enable customers to leverage a comprehensive set of services such as plant and product engineering, digital solutions, consulting, and technical documentation.

The business outlook

The war in Ukraine and the geopolitical issues have increased the uncertainty in the markets and thus the business outlook is difficult to predict currently.

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.

The key offering of Citec remains, with a special focus on sustainable solutions and digitalization. In order to accelerate continue the 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	1-3/2022	1-3/2021	1-12/2021
Revenue	25 132	19 870	79 721
EBITDA	4 851	2 856	14 884
EBITDA %	19.3%	14.4%	18.7%
Adjusted EBITDA	4 851	3 077	15 267
Adjusted EBITDA-%	19.3%	15.5%	19.2%
Operating profit (EBIT)	3 949	1 995	11 354
Operating profit (EBIT) %	15.7%	10.0%	14.2%
Equity ratio %	13.6%	-3.8%	8.9%
Return on equity %	79.7%	61.3%	46.0%
Number of Employees at the end of the period	993	869	985

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.

Sentiec Oyj INTERIM REPORT Q1/2022

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

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

EUR thousands	1-3/2022	1-3/2021	1-12/2021
EBIT	3 949	1 995	11 354
Depreciation and impairments	902	861	3 530
EBITDA	4 851	2 856	14 884

2) Adjusted EBITDA:

EUR thousands	1-3/2022	1-3/2021	1-12/2021
EBIT	3 949	1 995	11 354
Depreciation and impairments	902	861	3 530
Adjustments *)	0	222	383
Adjusted EBITDA	4 851	3 077	15 267

*) 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 + Amortisation
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 refinancing and costs related to restructuring
Equity Ratio	=	Equity in relation to balance sheet in total - advances received
Return on equity %	=	Profit (Loss) for the financial year in relation to average equity during the review period

CONSOLIDATED INCOME STATEMENT

EUR thousands	Note	1-3/2022	1-3/2021	1-12/2021
Revenue	1	25 132	19 870	79 721
Other operating income		14	112	436
Materials and services		-3 755	-2 560	-11 200
Employee benefit expenses	3	-13 278	-11 976	-44 417
Other operating expenses		-3 263	-2 591	-9 656
Depreciation, amortisation and impairment losses		-902	-861	-3 530
Operating profit (EBIT)		3 949	1 995	11 354
Financial income		22	77	316
Financial expenses		-834	-728	-3 059
Net financial income and expenses		-812	-651	-2 743
Profit (Loss) before income taxes		3 137	1 344	8 611
Current tax expense		-371	-389	-1 650
Change in deferred taxes		-310	-13	-24
Income taxes		-682	-402	-1 674
Profit (Loss) for the financial year		2 455	942	6 937

Profit (Loss) for the financial year attributable to

Owners of the parent company	2 455	942	6 937
------------------------------	-------	-----	-------

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

Profit (Loss) for the financial year	2 455	942	6 937
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Translation differences	58	336	457
Gain & losses on fair value through OCI debt instruments	718	-418	-369
Taxes	-144	84	74
Other comprehensive income, that will not be reclassified to profit or loss			
Remeasurement of defined benefit plan	0	0	757
Taxes	0	0	-229
Total other comprehensive income for the financial year	632	1	690
Total comprehensive income for the financial year	3 087	944	7 627
Total comprehensive income attributable to			
Owners of the parent company	3 087	944	7 627

CONSOLIDATED BALANCE SHEET

EUR thousands	Note	31 Mar 2022	31 Mar 2021	31 Dec 2021
ASSETS				
Non-current assets				
Intangible assets		1 189	1 052	1 184
Goodwill		19 708	19 708	19 708
Tangible assets		1 437	948	1 444
Right-of-use assets	4	3 586	4 727	3 959
Deferred tax assets		1 956	2 618	2 356
Other non-current assets		52	25	47
Total non-current assets		27 928	29 079	28 697
Current assets				
Trade and other receivables		23 300	17 429	19 288
Cash and cash equivalents		9 172	5 212	9 066
Total current assets		32 472	22 641	28 354
Total assets		60 400	51 720	57 051
EQUITY				
Share capital		80	80	80
Reserve for invested non-restricted equity		23 154	22 874	23 154
Other reserves		252	-359	-322
Restructuring reserve		-14 164	-14 164	-14 164
Translation differences		-633	-610	-612
Retained earnings		-584	-9 763	-3 117
Total equity		8 105	-1 944	5 019
LIABILITIES				
Non-current liabilities				
Bond	5	24 828	25 825	25 696
Lease liabilities	4	1 485	2 453	1 717
Provisions		3 124	4 387	2 834
Deferred tax liabilities		308	279	257
Total non-current liabilities		29 745	32 943	30 504
Current liabilities				
Bond	5	1 438	1 438	1 438
Lease liabilities	4	2 213	2 309	2 323
Advances received		848	356	817
Trade and other payables		18 050	16 617	16 949
Total current liabilities		22 550	20 720	21 527
Total liabilities		52 295	53 664	52 031
Total equity and liabilities		60 400	51 720	57 051

Sentec Oyj INTERIM REPORT Q1/2022

CONSOLIDATED CASH FLOW STATEMENT

EUR thousands	Note	1-3/2022	1-3/2021	1-12/2021
Cash flows from operating activities				
Profit (Loss) before income taxes for the financial year		3 137	1 343	8 611
Adjustments:				
Depreciation, amortisation and impairment losses		902	861	3 530
Finance income and finance expenses		812	651	2 743
Other adjustments		325	-6	-747
Cash flows before change in net working capital		5 176	2 849	14 136
Change in net working capital:				
Change in trade and other receivables (increase (-) / decrease (+))		-4 062	-3 579	-4 320
Change in trade and other payables (increase (+) / decrease (-))		1 049	1 454	3 257
Cash flows before finance items		2 163	725	13 073
Interest paid		-627	-261	-2 837
Interest received		16	77	48
Income taxes paid		-166	-328	-2 071
Net cash from operating activities (A)		1 386	212	8 213
Cash flows from investing activities				
Acquisition of intangible assets		-95	-155	-785
Acquisition of tangible assets		-193	0	-761
Net cash used in investing activities (B)		-288	-155	-1 545
Cash flows from financing activities				
Issue of new shares		0	0	280
Restructuring of ownership		0	-27 814	-27 814
Repayment of current loans and borrowings		0	0	0
Proceeds from non-current loans and borrowings		0	28 000	28 000
Repayment of non-current loans and borrowings		-365	0	-1 079
Repayment of lease liabilities		-627	-694	-2 446
Net cash from financing activities (C)		-992	-508	-3 059
Net cash from (used in) operating, investing and financing activities (A+B+C)		106	-451	3 608
Net increase (decrease) in cash and cash equivalents		106	-451	3 608
Cash and cash equivalents at the beginning of the period		9 066	5 597	5 597
Effect of fluctuations in exchange rate		0	66	-139
Cash and cash equivalents at the end of the period		9 172	5 212	9 066

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Equity attributable to owners of the parent company *)

EUR thousands	Note	A	B	C	D	E	F	G	Total
Balance at 1 January 2022		80	23 154	-322	0	-14 164	-612	-3 117	5 019
Comprehensive income									
Profit (Loss) for the financial year		0	0	0	0	0	0	2 455	2 455
Other comprehensive income		0	0	574	0	0	0	0	574
Translation differences		0	0	0	0	0	-21	78	58
Total comprehensive income for the financial year		0	0	574	0	0	-21	2 533	3 087
Balance at 31 March 2022		80	23 154	252	0	-14 164	-633	-584	8 105

Equity attributable to owners of the parent company

EUR thousands	Note	A	B	C	D	E	F	G	Total
Balance at 1 January 2021		3	11 389	-27	25 215	0	-1 320	-10 146	25 114
Comprehensive income									
Profit (Loss) for the financial year		0	0	0	0	0	0	942	942
Other comprehensive income		0	0	-334	0	0	0	0	-334
Translation differences		0	0	0	0	0	709	-374	336
Total comprehensive income for the financial year		0	0	-334	0	0	709	569	944
Transactions with owners of the company									
Restructuring of ownership of Citec Group		-3	-11 389	0	-25 215	-14 164	0	-186	-50 957
Share issue		80	22 874	0	0	0	0	0	22 954
Total transactions with owners of the company		78	11 485	0	-25 215	-14 164	0	-186	-28 003
Balance at 31 March 2021		80	22 874	-359	0	-14 164	-610	-9 763	-1 944

Equity attributable to owners of the parent company

EUR thousands	Note	A	B	C	D	E	F	G	Total
Balance at 1 January 2021		3	11 389	-27	25 215	0	-1 320	-10 146	25 114
Comprehensive income									
Profit (Loss) for the financial year		0	0	0	0	0	0	6 937	6 937
Other comprehensive income		0	0	-295	0	0	457	528	690
Total comprehensive income for the financial year		0	0	-295	0	0	457	7 465	7 627
Transactions with owners of the company									
Restructuring of ownership of Citec Group		-3	-11 389	0	-25 215	-14 164	0	-186	-50 957
Share issue		80	23 154	0	0	0	0	0	23 234
Total transactions with owners of the company		78	11 765	0	-25 215	-14 164	0	-186	-27 723
Balance at 31 December 2021		80	23 154	-322	0	-14 164	-612	-3 117	5 019

- A = Share capital
- B = Reserve for invested non-restricted equity
- C = Other reserves
- D = Capital loans
- E = Restructuring reserve
- F = Translation differences
- G = Retained earnings

1 Basis of preparation

1.1 Company information

Sentiec Oyj, 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. In these financial statements release "Citec Group" or "Citec" refers to the whole Sentiec Oyj Group of companies, including the parent company Sentiec Oyj.

Citec Group is an international multi-discipline engineering and technical documentation group, originally founded in 1984 with headquarters in Vaasa, Finland. Citec Group operates in the energy, process, oil & gas & electrofuels and machinery & equipment customer sectors. Citec's service offering includes plant engineering, product engineering, engineering consultancy, technical documentation and digital solutions.

On February 2021, Sentiec Oyj 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.

On February 2021, Sentiec Oyj issued a senior secured bond amounting to approximately 29 million euro. On December 2, 2021, Sentiec Oyj 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 7 December 2021.

The Board of Directors of Sentiec Oyj has approved this Interim Report for disclosure in its meeting on 23 May, 2022. The information presented in the Interim Report is unaudited.

1.2 Basis of accounting

This interim report has been prepared in compliance with the IAS 34 Interim Financial Reporting standard. Interim information does not contain all the notes presented in the Consolidated Financial Statements for 2021 and should therefore be read in conjunction with the Consolidated Financial Statements for 2021 prepared in accordance with IFRS. The same accounting principles have been applied to the interim information as to the consolidated financial statements. The annual improvements to the IFRS standards, which came into force on January 1, 2022 do not have a significant impact on the figures presented.

On the 25th of April it was announced that Cyient, a leading technology solutions company with more than 14,000 associates across 19 countries, and the owners of Sentiec Oyj have signed a definitive share sale and purchase agreement under which Cyient acquires all the outstanding shares of Sentiec ("Acquisition"). Sentiec issued on 25 April 2022 conditional call notice of early redemption of the Bonds with note that the early redemption is conditional upon closing of the Acquisition. Because the closing of the Acquisition is taking longer than anticipated, notice of withdrawal and cancellation of early redemption of the Bonds was issued on 11 May 2022. According to the withdrawal and cancellation of early redemption, the intention is still to redeem the Bonds in full upon completion of the Acquisition. The liability has been recognised in the interim report without taking into account the possible additional liabilities resulting from early redemption according to Terms & Conditions.

Deferred tax assets from the tax losses carried-forward have been recognized in the interim report as in consolidated financial statements 2021. The impact of Cyient acquisition and ownership change to the deferred taxes will be evaluated after the closing has been finalised.

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 interim financial information. The management judgements and accounting estimates concerning key uncertainty factors in connection with the preparation of this interim financial information are identical to those applied in the Consolidated Financial Statements for 2021.

2 Revenue

2.1 Revenue disaggregation

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

EUR thousands	1-3/2022	1-3/2021	1-12/2021
Finland	14 231	11 929	46 396
Sweden	3 466	3 193	13 370
Germany	2 227	1 976	6 317
France	875	716	3 908
Norway	1 369	521	3 832
Others	2 965	1 535	5 898
Total	25 132	19 870	79 721

Timing of revenue recognition

Citec's consolidated revenue is transferred over time.

3 Employee benefit expenses

EUR thousands	1-3/2022	1-3/2021	1-12/2021
Wages and salaries	-11 066	-10 027	-36 879
Pension costs	-1 349	-1 169	-4 531
Other social security expenses	-863	-780	-3 007
Total	-13 278	-11 976	-44 417

Number of employees at the end of the period was 993 (869) and number of average own active employees was 989 (866).

4 Leases

Carrying amounts

EUR thousands	31.3.2022	31.3.2021	31.12.2021
Right of use assets in the beginning of reporting period	3 959	5 310	5 310
Additions/disposals	240	32	1 123
Depreciations	-613	-615	-2 474
Right of use assets at the end of reporting period	3 586	4 727	3 959
Lease liabilities non-current at the end of reporting period	-1 485	-2 453	-1 717
Lease liabilities current at the end of reporting period	-2 213	-2 309	-2 323
Lease liabilities total at the end of reporting period	-3 698	-4 761	-4 040

5 Derivative instruments and cash flow hedge accounting

EUR thousands	31 March 2022			
	Notional amount	Positive fair value	Negative fair value	Fair value, net
Derivatives in hedge accounting				
Forward exchange contracts, cash flow hedges	3 600	51	0	51
Interest rate derivatives	26 545	0	-394	-394
Derivatives not in hedge accounting				
Forward exchange contracts	1 800	100	0	100
Total	31 945	151	-394	-243

EUR thousands	31 March 2021			
	Notional amount	Positive fair value	Negative fair value	Fair value, net
Derivatives in hedge accounting				
Forward exchange contracts, cash flow hedges	2 325	0	-8	-8
Interest rate derivatives	27 985	0	-908	-908
Derivatives not in hedge accounting				
Forward exchange contracts	2 100	83	0	83
Total	32 410	83	-915	-833

EUR thousands	31 Dec 2021			
	Notional amount	Positive fair value	Negative fair value	Fair value, net
Derivatives in hedge accounting				
Forward exchange contracts, cash flow hedges	3 600	98	0	98
Interest rate derivatives	26 905	0	-750	-750
Derivatives not in hedge accounting				
Forward exchange contracts	1 800	82	0	82
Total	32 305	181	-750	-569

Sentec Oyj INTERIM REPORT Q1/2022

At 31 March 2022		Carrying amount			
		Fair value			
EUR thousands		Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value					
Foreign currency derivatives in hedge accounting	51	0	51	0	51
Foreign currency derivatives not in hedge accounting	100	0	100	0	100
Interest rate swaps	-394	0	-394	0	-394
Total	-243	0	-243	0	-243
Financial liabilities not measured at fair value					
Lease liabilities	-3 698	0	0	-3 698	-3 698
Bond	-26 267	0	0	-26 267	-26 267
Total	-29 965	0	0	-29 965	-29 965

At 31 March 2021		Carrying amount			
		Fair value			
EUR thousands		Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value					
Foreign currency derivatives in hedge accounting	-8	0	-8	0	-8
Foreign currency derivatives not in hedge accounting	83	0	83	0	83
Interest rate swaps	-908	0	-908	0	-908
Total	-833	0	-833	0	-833
Financial liabilities not measured at fair value					
Lease liabilities	-4 761	0	0	-4 761	-4 761
Bond	-27 264	0	0	-27 264	-27 264
Total	-32 025	0	0	-32 025	-32 025

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

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.

6 Events after the balance sheet date

On the 25th of April it was announced that Cyient, a leading technology solutions company with more than 14,000 associates across 19 countries, and the owners of Sentiec Oyj have signed a definitive share sale and purchase agreement under which Cyient acquires all the outstanding shares of Sentiec ("Acquisition"). Sentiec issued on 25 April 2022 conditional call notice of early redemption of the Bonds with note that the early redemption is conditional upon closing of the Acquisition. Because the closing of the Acquisition is taking longer than anticipated, notice of withdrawal and cancellation of early redemption of the Bonds was issued on 11 May 2022. According to the withdrawal and cancellation of early redemption, the intention is still to redeem the Bonds in full upon completion of the Acquisition.