ARCTIA

2021
Financial statements

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Annual report

The annual report of the Arctia Group consists of the annual review, the corporate governance and remuneration statement, the report on corporate responsibility, and the financial statements. The reports are published at www.arctia.fi/en

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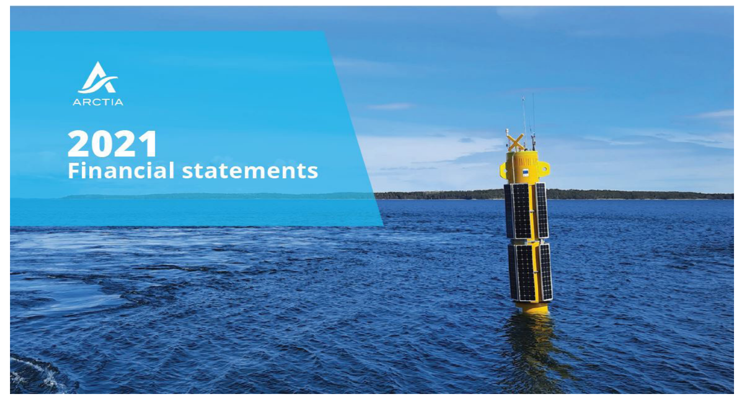

Pictures: Patrik Barck, Arctia Ltd, Tommy Berg, Arctia Ltd

Reliable services in challenging conditions

Arctia enables safe, smooth and environmentally friendly water transport. We produce added value for our customers by combining different services into comprehensive service concepts in an innovative way.

The Group has three business areas: icebreaking, fairway maintenance, and hydrographic surveying. The business areas include a huge amount of experience and expertise, e.g. in oil spill preparedness and response, hydraulic engineering, pipe and cable laying, towing tasks, and the manufacture of plastic spar buoys and other buoys.

Arctia Ltd is a limited company wholly owned by the State.

Picture: Jaakko Jaskari

Report on operations for the period 1 Jan. – 31 Dec. 2021

OPERATING ENVIRONMENT

The Arctia Group produces services in icebreaking, fairway maintenance and hydrographic surveying.

The number of icebreaking assistances in the Baltic Sea area is estimated to increase in the medium term as a result of the growing volume of maritime transport, bigger vessel sizes, and especially the vessels' diminished performance in ice. The maintenance of sufficient icebreaking capacity safeguards winter navigation that serves the needs of trade and industry. Arctia's icebreaking fleet is subject to pressure for renewal in the form of either life span extensions or new builds due to the ageing of current fleet and the changing operational needs.

The operating environment of fairway maintenance is transforming along with the change of tendering models. In addition, the utilisation of digitalisation is increasing in the maintenance of safety devices. The extension of remote control and management of safety devices to new fairways continues. Further development of smart safety devices and systems is carried on actively. Developing and comprehensive service solutions ensure safe and smooth water transport.

In hydrographic surveying, the volume of international work is estimated to grow as the plans for and use of sea areas increases. There is also plenty to survey in the Finnish sea areas for several years to come. More extensive utilisation of data will play a bigger role in the future.

GROUP'S FINANCIAL DEVELOPMENT

The Arctia Group's turnover for the period under review fell short of the previous year's level, standing at EUR 71.2 million (EUR 80.8 million in 2020). In 2020, the oil spill recovery projects implemented in fairway maintenance contributed to the increase in turnover. The Group's operating profit stood at EUR 0.2 million (EUR 2.4 million) and the result for the financial year was EUR -0.5 million (EUR 0.9 million). The ending of projects in the above-mentioned oil spill recovery projects led to a substantial deterioration of financial results. The results did not include significant one-off items.

The Group's balance sheet total stood at EUR 265.1 million (EUR 283.7 million). The equity ratio was 53.5 per cent (50.2 per cent). The Group's interest-bearing debt at the end of the year amounted to EUR 102.8 million (EUR 119.3 million). The Group's loans were rearranged in December 2021. The interest rates of the loans are linked to market rates. Of the loans, EUR 39.0 million is hedged.

The Group's finances are mainly taken care of by the parent company, and the parent company has given loans to Group undertakings. The total amount of loans given by the parent company is EUR 92.3 million. The maximum loan period is 10 years. The repayment and interest payment of the loans are determined in the loan agreements. The loans are unsecured.

Cash flow from operating activities fell compared with the previous years, standing at EUR 13.6 million (EUR 23.7 million). Cash flow from

FINANCIAL KEY FIGURES DESCRIBING THE OPERATIONS OF THE ARCTIA GROUP

	2021	2020	2019	2018	2017
Turnover, MEUR	71.2	80.8	79.1	50.9	48.9
Operating profit/loss, MEUR	0.2	2.4	0.0	2.2	0.1
% of turnover	0.3	3.0	0.0	4.4	0.3
Profit/loss for the fiscal period, MEUR	-0.5	0.9	-2.0	1.4	-1.4
% of turnover	-0.7	1.1	-2.5	2.7	-2.1
Equity, MEUR	141.6	142.1	141.2	147.3	137.2
Equity ratio, %	53.5	50.2	49.1	49.2	50.1
Net gearing, %	53.1	60.2	72.6	70.4	70.4
Interest-bearing liabilities, MEUR	102.8	119.3	125.3	130.0	121.4
Return on capital invested, %	0.1	0.9	0.1	0.8	0.1
Return on equity (ROE), %	-0.4	0.6	-1.4	1.0	-1.0
Investments, MEUR	4.3	6.8	9.5	12.7	5.7
% of turnover	6.0	8.5	12.0	25.9	11.6
Balance sheet total, MEUR	265.1	283.7	288.0	300.1	274.5

The figures for 2017–2018 are not comparable with years 2019 and 2021 due to the merger of Meritaito with the Group on 13 December 2018.

investments amounted to EUR -3.2 million (EUR -6.8 million). Key investments were related to the docking of icebreakers and system upgrades. Cash flow from financing activities stood at EUR -16.5 million (EUR -6.1 million). The Group's cash assets at the end of the year totalled EUR 27.5 million (EUR 33.5 million). The majority of cash assets were invested in low-risk bond funds. Cash assets are reserved for the maintenance of ageing fleet and for refurbishment investments.

BUSINESS UNITS

The Group has three business areas: icebreaking, fairway maintenance, and hydrographic surveying.

In the **icebreaking business**, services are provided with eight icebreakers, as well as with smaller harbour icebreakers and tugs used in harbour icebreaking operations. The number of operating days in icebreaking increased considerably on the previous winter, standing at 567 (322). The number of offhire days of the vessels during the review period was 4 (0).

Harbour icebreaking services in the Group are produced by Arctia Karhu Oy. In harbour icebreaking, the winter was an average one in the operating area of the Bay of Bothnia in the ports of Tornio and Kemi. Harbour assistance and escort tug operations were carried out during the open water season.

In addition to **fairway maintenance** tasks, the services of the fairway maintenance business unit include, e.g. the operation and maintenance of canals, hydraulic engineering services, oil spill recovery services, and the manufacture of spars and buoys. Arctia's service provision includes overall solutions for the use and maintenance of water areas, tailored to the customer need. These solutions can be used by the customers to develop the operations of their water areas to be even more efficient and safe.

During the year, the business unit focused on the development of operations according to the service contract model especially in the port and water area sector. At the end of 2021, Arctia had service contracts with several ports and companies operating in port areas.

In 2021, Arctia managed the fairway maintenance contract areas that were put out to tender by the Finnish Transport Infrastructure Agency in the Bay of Bothnia, the Vaasa and Kokkola areas, the Archipelago Sea, the Bothnian Sea, the Åland Sea, and partly in the Gulf of Finland. In addition, the company is responsible for fairway maintenance of the government of Åland. In the inland waterways, the company managed the Lappeenranta, Kuopio and Keitele fairway maintenance areas.

The expansion of the remote monitoring and management of maritime safety devices and the development of digitalisation continued in 2021. For example, the Kokkola and Vuosaari fairways were added to remote monitoring in 2021. A total of 1,883 buoys were manufactured at Viittatehdas in Joensuu.

The services of the **hydrographic surveying** unit include hydrographic survey, research, planning and information services. A key project implemented in 2021 was the Mareano hydrographic surveying project for the Norwegian Hydrographic Service. International cable and pipeline measurements were carried out, for example, in the post-measurement of the Baltic Connector gas pipeline project. A hydrographic surveying project of the Kokkola area was carried out for the Finnish hydrographic surveying authorities, and the laser measurements in the Archipelago Sea and the Gulf of Finland (LiDAR2019) were completed. Several seabed studies related to hydraulic engineering to support urban development were also carried out in 2021.

INVESTMENTS

In 2021, the Group's investments totalled EUR 4.3 million (EUR 6.8 million). The five-year docking of icebreaker Voima was carried out in 2021. In addition, the company organised a tender competition for the first five-year docking of icebreaker Polaris, with the costs of the investment being met by the Finnish Transport Infrastructure Agency according to agreement. Other investments mainly consisted of vessel maintenance and life-span extension investments.

Investments in the icebreaking fleet are based on the life-span plan, statutory requirements, and investments agreed with the customer. The purpose of life-span planning of icebreakers is to carry out the investments at financially optimal times. Other major investments are typically related to the renewal of smaller fleet, life-span extensions, and the development of new business operations.

EMPLOYEES

The average number of employees in the Group during the year was 439 (439). The winter season increased the need for fixed-term seasonal workers in comparison to the previous winter season. During the year, employees were recruited to ensure professional competence and to prepare for future retirements. Competence was maintained with refresher training required for qualifications and other professional requirements. Training days for employees totalled 897 (471) in 2021.

The Group's salaries, wages and bonuses paid totalled EUR 25.9 million (EUR 26.1 million).

The employee job satisfaction survey was implemented in spring 2021 in partnership with Ilmarinen Mutual Pension Insurance Company. The result of the job satisfaction survey was 3.5 (3.7) on a scale of 1–5, showing a good result. Based on the results, the company launched, e.g. management training in the Group's business units.

The collective agreements of the Group's offshore personnel were negotiated and renewed during early 2021.

In accordance with the strategy, the efficiency of the Group's administration in Arctia Management Services Oy was improved by reorganising the business units in a co-operation procedure in spring 2021. In the same context, the company implemented a reorganisation of the fairway maintenance business to comply with the new national operating model, and the operation of the hydrographic surveying organisation was also intensified. In December 2021, the co-operation procedure concerning the canals was launched due to the seasonal nature of the work.

Further information related to the employees is available in the annual report.

IMPLEMENTATION OF THE STRATEGY

During 2021, the strategy that was completed in late 2020 was put into practice. The strategy is based on four cornerstones: profitability to a sustainable level, managed growth, added value to the customer, and working together in a responsible way.

The main focus of the strategy is on the improvement of profitability in all business operations. In addition, growth in turnover is sought with more systematic product development, expansion of the service concept and the overall management of customer relationships. Another strategic target is the development of corporate responsibility and putting it into practice as part of the everyday tasks. Spearhead projects with their targets have been defined in order to implement the strategy.

SAFETY

Safety includes the internal safety management system, its compliance, auditing, reporting and the improvements carried out on their basis. In the Group, safety is divided into ship, occupational and corporate safety.

Ship safety is monitored by the Group through regular internal and external audits. The Finnish Transport and Communications Agency Traficom inspects the vessels each year. Action and repair plans have been drawn up on the basis of the observations made during the audits and inspections, and the plans have been carried through. No serious non-conformities were identified in the audits or inspections during the fiscal period.

During 2021, there were a total of nine occupational accidents resulting in absence from work in the Group. The lost time incident frequency rate in the Group was 13.8 (12.7). Significant investments are made in the prevention of occupational accidents. The Group aims for zero serious occupational accidents, zero occupational diseases, and a reduction in the lost time incident frequency rate towards zero.

The Group takes account of occupational, ship and corporate safety in all its operations and complies with the regulations of the International Maritime Organisation's (IMO) International Safety Management Code (ISM Code) and the International Convention for the Prevention of Pollution from Ships (MARPOL Convention), along with the national guidelines and regulations. In addition, the fairway maintenance and hydrographic surveying business units use the certified ISO 9001 quality management system, the ISO 14001 environmental management system and the ISO 45001 occupational health and safety management system. Hydrographic surveying also complies with the regulations of the Katakri auditing guidelines of the Finnish Defence Forces.

DEVELOPMENT WORK AND RESEARCH

The Intelligent Sea project coordinated by Arctia continued in 2021. The Intelligent Sea is a three-year project looking into the future of maritime fairways from the viewpoint of sustainable development by creating smart digital solutions for the sea, ports and the users of fairways. The project develops a digital network of smart buoys and maritime safety devices, and tests alternative energy sources for buoys and new solutions for monitoring sulphur emissions from ships. The European Commission has granted CEF funding of about EUR 1.5 million for the project.

In 2021, Arctia was also involved in the EU projects EMMA Extension and INFUTURE focusing on the development of the Saimaa Canal and the Saimaa deep-water channel.

ENVIRONMENTAL IMPACTS

In 2021, environmental work continued in accordance with the environmental programme published in 2020. In autumn 2021, the CO_2 roadmap for reducing the Group's carbon dioxide emissions was published. In accordance with the roadmap, the Group has, e.g. started using electricity produced with renewable energy and made technical investments in icebreakers in order to reduce CO_2 emissions. It has also invested in oil spill remediation equipment, recycling of spar buoys and navigational aids and the prevention of environmental damage.

Other services, such as the oil spill remediation services and buoys for the monitoring of environmental emissions, contribute to reducing the environmental impacts of maritime transport.

The use of fuels and lubricants is the most significant environmental impact of icebreaking. In addition to consumption by vessels, the most significant environmental load of fairway maintenance comes from the batteries and accumulators required by the safety devices. Work on the development of improved spar buoy batteries continues.

Arctia did not cause any environmental damage in 2021.

Further information about environmental issues is available in the Group's annual report.

CORPORATE RESPONSIBILITY

Arctia's corporate responsibility work is directed by the company strategy and the Government Resolution on State Ownership Policy published on 8 April 2020.

During 2021, the development of corporate responsibility continued on a broad front. Reforms of good governance were concluded and the environmental programme was promoted actively. Social responsibility at Arctia means competent, committed employees and successful allocation of human resources. In addition, guidelines were issued for and more attention was paid to suppliers and subcontractors as a whole in addition to responsible procurement. In accordance with the targets of corporate responsibility, the company was successful in managing the strategic interests given to the company.

Further information about corporate responsibility issues is available in the Group's annual report.

COMPANY ORGANISATION, MANAGEMENT AND AUDITORS

Arctia Ltd is the Group's parent company. The subsidiary Arctia Management Services Ltd produces services related to financial and human resources management, communications, safety, technology, and manning.

The Group's operational activities are divided between the three subsidiaries. Arctia Meritaito Ltd produces fairway maintenance and hydrographic surveying services, Arctia Icebreaking Ltd provides icebreaking services, and Arctia Karhu Ltd offers harbour icebreaking services. The Group also includes associated companies, the operation of which has not been significant.

The Annual General Meeting of Arctia Ltd on 15 March 2021 appointed Pertti Saarela as Chairman of the Board of Directors, and Pirjo Kiiski, Hanna Masala, Sinikka Mustakari, Mats Rosin and Kari Savolainen as members of the Board of Directors. Mats Rosin was elected as Deputy Chairman. The Board of Directors convened 11 times during the year. The remuneration of the Board of Directors remained unchanged. The activities of the Board of Directors are supported by the Human Resources Committee, as well as by the Audit Committee, which was established in spring 2021.

In the Annual General Meeting, certified public accountants KPMG Oy was appointed as auditor of the Arctia Group, with Ari Eskelinen, KHT auditor, as the key audit partner.

The President and CEO of Arctia Ltd was Maunu Visuri. In addition to the President and CEO, the members of the Group's Management Team were Hannu Ylärinne, Chief Operating Officer; Sari Kankkunen, Chief Financial Officer; Janne Laitinen, Senior Vice President, Human Resources and Legal Affairs and, as from 1 June 2021, Tero Hänninen, Technical Director.

SHARES

The entire share capital of Arctia Ltd is owned by the state of Finland. The company's share capital consists of 748,000 equal shares. The amount of share capital is EUR 18.7 million.

BUSINESS-RELATED RISKS

Arctia's risk management is part of Arctia's management system and the daily activities and decision-making of the business units, vessels and support functions. A risk assessment is always carried out in terms of key projects, business reorganisations or operational changes.

Risks are divided into strategic, operational and financial risks. The strategic risks of the business operations are related especially to solving the challenge of structural profitability and to the implementation of measures to increase the efficiency of business operations. Changes taking place in the operating environment which may have a negative impact on business opportunities constitute a key strategic risk. Changes in the operating environment include, for example, changes in the tendering models in the markets. Strategic risks are responded to with overall operational planning and systematic implementation of changes. Risk is also managed by predicting the impacts of changes in the operating environment.

The ageing of the fleet is a key operational risk. Technical reliability of the fleet plays a significant role when operating in challenging conditions. The ageing of the fleet increases the risk of technical problems and it also means increasing maintenance costs and the need to replace systems due to diminished availability of spare parts. Arctia seeks to manage risk and the increasing maintenance costs through life span planning for the fleet, long-term maintenance programmes and annual maintenance plans.

The management and profitability of client projects, especially in international projects, involve a significant operational risk. In the management of risk, key factors include risk assessments, efficient processes and a competent project personnel.

The Arctia COVID-19 coordination team, which was established in spring 2020 for the management of risk related to the Covid pandemic and which convenes regularly, continued its operation. Operating guidelines concerning the entire personnel and the subcontractors are in use and they are updated according to the coronavirus situation.

The Arctia Group will experience a large turnover in personnel in the next few years due to retirement among the offshore personnel. This turnover increases the risk of a fall in the level of professional competence. Arctia seeks to mitigate this risk through pre-emptive staff planning and training. The sector is also traditionally prone to labour disputes and strike action. We aim to diminish this risk through active cooperation and by tackling any problem areas promptly.

The Group's financial risks are managed, e.g. with clear financial processes, insurance policies, action in compliance with the financing policy, and key financial reporting, the reliability of which is ensured with control methods.

OUTLOOK FOR 2022

The company continues the measures in accordance with the strategy update carried out in 2020.

In the icebreaking season of 2022, the operating days in icebreaking are forecast to be higher than in the previous icebreaking season. This would have a positive impact on the turnover of icebreaking in 2022. According to forecasts, the level of turnover in fairway maintenance and hydrographic surveying will not change significantly from 2021.

As a result of the Russian attack on Ukraine, which started in February, the company's operating environment may be subject to change and the significance of security of supply and safety-critical operations may increase further.

EVENTS AFTER THE FINANCIAL YEAR

After the financial year, there have been no major events that would have had an impact on the company's results or financial position.

BOARD OF DIRECTORS' PROPOSAL FOR THE USE OF RETAINED EARNINGS

The parent company's distributable assets on 31 December 2021 totalled EUR 99,550,466.10, of which loss for the financial year 2021 amounted to EUR 17,345.11. The Board of Directors proposes to the annual general meeting that no dividend be distributed and the loss for the financial year, EUR 17,345.11 will remain as shareholder's equity.

PROFIT AND LOSS ACCOUNT
(1000 EUR)

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
TURNOVER	71,215	80,773	1,186	1,677
Stocks of finished and unfinished goods, increase (-) or decrease (+)	-48	177	0	0
OTHER OPERATING INCOME	1,217	1,450	0	0
Materials and services				
Raw materials, consumables and supplies				
Purchases	-6,116	-7,220	0	0
Inventories, increase (-) or decrease (+)	27	-1,570	0	0
External services	-6,465	-11,011	0	0
Materials and services, total	-12,554	-19,801	0	0
Personnel expenses				
Wages and salaries	-25,898	-26,072	-344	-437
Social security expenses				
Pension costs	-3,834	-3,359	45	-74
Other indirect employee costs	-990	-1,287	-8	-9
Personnel expenses, total	-30,722	-30,718	-307	-521
Depreciation and reduction in value				
Depreciation according to plan	-16,829	-16,676	-280	-301
Reduction in value of non-current assets	0	-1,192	0	0
Depreciation and reduction in value, total	-16,829	-17,868	-280	-301
Other operating expenses	-12,040	-11,602	-506	-901

PROFIT AND LOSS ACCOUNT
(1000 EUR)

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
OPERATING PROFIT (LOSS)	238	2,410	93	-46
Financial income and expenses				
Other interest and financial income				
From group companies	0	0	1,365	1,254
Short-term, from other sources	37	35	33	30
Interest and other financial expenses				
To others	-1,692	-1,589	-1,382	-1,238
Financial income and expenses, total	-1,655	-1,554	16	46
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	-1,417	856	109	0
Appropriations				
Group contribution	0	0	-100	0
Appropriations, total	0	0	-100	0
Income tax				
Taxes during the fiscal period	-29	0	-26	0
Deferred taxes	931	0	0	0
Income taxes, total	902	0	-26	0
Minority interest	-1	0	0	0
PROFIT (LOSS) FOR THE FINANCIAL PERIOD	-515	856	-17	0

BALANCE SHEET (1000 EUR)

	GROUP		PARENT COMPANY	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
ASSETS				
NON-CURRENT ASSETS				
Intangible assets				
Development expenses	0	83	0	0
Intangible rights	414	413	0	0
Other capitalised long-term expenditure	159	224	0	0
Intangible assets, total	573	719	0	0
Tangible assets				
Land and waters	1,105	1,304	169	169
Buildings	5,027	5 ,723	2,957	3,167
Vessels	210,152	221,836	0	0
Other plants and machinery	3,808	4,168	123	193
Other tangible assets	86	86	86	86
Advance payments and construction in progress	537	415	0	0
Total tangible assets	220,716	233,533	3,336	3,616
Investments				
Shares in group companies	0	0	92,299	92,299
Other unquoted shares	4	156	0	0
Shares in associated companies	100	100	0	0
Total investments	104	256	92,299	92,299
TOTAL NON-CURRENT ASSETS	221,393	234,509	95,636	95,916

BALANCE SHEET (1000 EUR)

	GROUP		PARENT COMPANY	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
CURRENT ASSETS				
Stocks				
Raw materials and consumables	2,394	2,612	0	0
Unfinished products and services	1	16	0	0
Finished products / goods	311	100	0	0
Inventories, total	2,706	2,727	0	0
Long-term receivables				
Receivables from group companies	0	0	89,052	102,302
Other receivables	81	117	0	0
Prepayments and accrued income	0	0	0	0
Long-term receivables, total	81	117	89,052	102,302
Short-term receivables				
Sales receivables	10,397	9,242	1	1
Receivables from group companies	0	0	19,710	2,920
Other receivables	283	112	0	70
Prepayments and accrued income	2,790	3,421	696	612
Short-term receivables, total	13,469	12,775	20,406	3,603
Financial securities				
Other securities	20,000	20,000	20,000	20,000
Short-term receivables, total	20,000	20,000	20,000	20,000
Cash in hand and at banks	7,455	13,533	7,441	13,504
TOTAL CURRENT ASSETS	43,711	49,153	136,899	139,409
TOTAL ASSETS	265,104	283,661	232,535	235,325

BALANCE SHEET (1000 EUR)

	GROUP		PARENT COMPANY	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
EQUITY AND LIABILITIES				
CAPITAL AND RESERVES				
Share capital	18,700	18,700	18,700	18,700
Other reserves	77,014	77,014	77,014	77,014
Retained earnings from previous years	46,371	45,515	22,553	22,554
Profit (loss) for the fiscal period	-515	856	-17	0
TOTAL CAPITAL AND RESERVES	141,570	142,085	118,250	118,268
MINORITY INTEREST	224	223	0	0
LIABILITIES				
Long-term liabilities				
Loans from financial institutions	96,500	115,869	86,750	100,000
Deferred tax liabilities	9,486	10,417	0	0
Other liabilities	3	5	0	0
Long-term liabilities, total	105,989	126,290	86,750	100,000
Short-term liabilities				
Loans from financial institutions	6,275	3,400	3,250	2,500
Advance payments received	15	12	0	0
Payables	2,912	2,348	19	53
Liabilities to group companies	0	0	24,124	14,344
Other liabilities	1,709	1,959	49	42
Accruals	6,410	7,344	92	118
Short-term liabilities, total	17,321	15,063	27,534	17,057
TOTAL LIABILITIES	123,310	141,353	114,284	117,057
TOTAL EQUITY AND LIABILITIES	265,104	283,661	232,535	235,325

CASH FLOW STATEMENT (1000 EUR)

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES				
Profit/loss for the fiscal period	-515	856	-17	0
Adjustments				
Depreciation according to plan	16,829	17,868	280	301
Capital gains (-) and losses (+) on fixed assets	-538	-40	0	0
Other items not involving payments	74	14	0	1
Financial income and expenses	1,655	1,554	-16	-46
Group contributions	0	0	100	0
Income tax	-902	0	26	0
Minority share	1	0	0	0
Cash flow before change in working capital	16,602	20,252	373	257
Change in working capital				
Increase (-) / decrease (+) in inventories	22	1,394	0	0
Increase (-) / decrease (+) in non-interest-bearing receivables	-732	2,705	-16,044	5,527
Increase (+) / decrease (-) in non-interest-bearing loans	-654	933	-390	137
Operational cash flow before financial items and taxes	15,238	25,283	-16,061	5,920
Interest paid and payments for other financial expenses	-1,660	-1,565	-1,373	-1,242
Interest received	9	7	1,166	1,256
Other financial income	5	4	223	32
Direct taxes paid	-3	-26	0	0
Repayments of loan receivables	0	0	12,500	2,600
CASH FLOW FROM OPERATING ACTIVITIES	13,590	23,703	-3,545	8,566

CASH FLOW STATEMENT (1000 EUR)

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
Cash flow from investments				
Investments in material and immaterial goods	-4,291	-6,827	0	0
Proceeds from sale of tangible and intangib-le assets	965	40	0	0
Shares in associated companies sold	152	0	0	0
CASH FLOW FROM INVESTMENTS	-3,175	-6,787	0	0
Cash flow from financing activities				
Repayments of short - term loans	0	-2,457	0	0
Increase (+) / decrease (-) in short-term loans	0	0	9,981	5,468
Repayments of long-term loans	-13,400	-3,400	-12,500	-2,500
Repayments of long-term loans, bank account limit	-3,094	-218	0	-5
CASH FLOW FROM FINANCING ACTIVITIES	-16,494	-6,075	-2,519	2,963
CHANGE IN CASH AND CASH EQUIVALENTS	-6,079	10,841	-6,064	11,529
	0	0	0	0
Available assets at the beginning of the fiscal period	33,533	22,692	33,504	21,972
Cash funds transferred from corporate transaction, change	0	0	0	4
Available assets at end of the fiscal period	27,455	33,533	27,441	33,504

Accounting principles

1. ACCOUNTING PRINCIPLES

1.1 VALUATION PRINCIPLES

Items in foreign currencies

Receivables and debts in foreign currencies have been converted into euros using the currency rate on the date of the drawing up of the financial statements.

Inventories

Inventories are valued at the acquisition cost or in accordance with the probable selling value, if lower. Arctia Group's inventories include the fuel and lubricant stocks of vessels. The inventories of Arctia Meritaito Ltd include materials, supplies and finished products. The acquisition cost of materials and supplies includes the direct costs incurred by the acquisition. The acquisition cost of finished products includes the share of fixed costs of acquisition and manufacturing in addition to variable costs.

Non-current assets

Intangible and tangible assets are marked as acquisition expenses on the balance sheet with depreciation according to plan. Depreciations according to plan are calculated as straight line depreciations based on the target's economic duration. Depreciations are calculated from the month of the asset's application. Development costs consist of developing a marine data model to meet customer needs. All development costs are presented in development costs included in intangible assets in the balance sheet.

Depreciation times:	Years
Intangible assets	3 - 10
Development expenses	3 - 5
Buildings	10 - 30
Vessel stock	
Icebreakers	30 - 50
Other vessels	5 - 30
Docking of vessels	5
Communications and navigation equipment	3 - 5
Computers and related devices	3
Other plants and machinery	5 - 15

Expenses from repair and maintenance during vessel docking are capitalised and entered as expenses according to the economic working life of the docking (5 years). Residual value has been taken into account in the fleet depreciation plan. In Arctia Meritaito Ltd, repair and maintenance expenses with effect of less than three years and up to EUR 25,000 are entered as annual expenses, and in Arctia Icebreaking Ltd, repair and maintenance expenses of less than three years and up to EUR 50,000 are entered.

Recognition principles and methods

Arctia Meritaito Ltd recognised revenue from contracts with a long production or construction period on the basis of the percentage of completion. Projects whose anticipated duration is at least a year or whose effect on the turnover of the fiscal period was remarkable were considered contracts with a long production or construction period. The percentage of completion of long-term projects was determined as the ratio of expenditure incurred to the projects' estimated total expenditure, or, if separately agreed upon in the project contract, it was determined based on the completed parts of the project entity.

1.2 DEFERRED TAXES

The imputed tax liability and receivable have beencalculated for the temporary differences between taxation and the financial statements, using the tax rate valid at the time of drawing up the financial statements. The entire imputed tax liability and receivable are included in the balance. Deferred tax liabilities are related to the depreciation differences recorded for subsidiaries. These differences have been divided into equity and imputed tax liability in the consolidated financial statements.

1.3 PENSIONS

The statutory pension schemes for personnel are managed by external insurance companies. Pension costs are entered as expenses for the year during which they were incurred.

1.4 ASSETS

Cash assets invested in low-risk bond funds have been included in the assets. The bond fund investments can be realised at short notice.

1.5 ACCOUNTING POLICIES OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been drawn up using the acquisition cost method. The subsidiaries have been founded independently with the exception of Meritaito Oy. Business transactions within the Group and internal receivables and debts have been eliminated.

Minority shares have been separated from group equity and the profit for the fiscal period, and are presented as their own item. The Group has a consolidated account system in place. Changes to the consolidated account are presented in the financing cash flow items of the individual companies' cash flow statements.

Arctia Icebreaking Ltd owns 40% of the share capital of Ice Advisors Ltd. In 2021, the financial statements of Ice Advisors Ltd were not merged with Arctia Icebreaking Ltd's consolidated financial statements as they did not have a material impact.

Arctia Meritaito Ltd owns 50% of New Port Imatra Ltd's share capital and 40% of Insta Airhow Ltd's share capital. In 2021, the share capital of Saariston Merikuljetus Oy Meripojat was sold. Arctia Meritaito Ltd owned 24% of the company's share capital. In 2021, the financial statements of these companies were not merged with the Arctia Icebreaking Ltd's consolidated financial statements as they did not have a material impact.

1.6 MEASUREMENT OF FINANCIAL INSTRUMENTS AND DERIVATIVES

Measurement in accordance with Chapter 5, Section 2 of the Accounting Act shall be applied in the accounting of financial instruments.

Securities held as financial assets and other similar financing reserves are valued at the acquisition expense or, if their probable fair market price is lower on the balance sheet date, at that value.

The company has protected itself against loanrelated interest risks with interest rate derivatives, with which variable interest cash flows are converted into fixed interest rate cash flows using derivatives. Information concerning the interest rate derivatives is presented in the notes to the financial statements based on their protectiveness and the consistency of the loan and the derivative. The current values of the interest rate derivatives are presented in Section 6 of the notes to the financial statements.

2. NOTES ON THE PROFIT AND LOSS ACCOUNT (1000 EUR)

2.1 TURNOVER BY MARKET AREA AND LINE OF BUSINESS	GROUP 2021	GROUP 2020	PARENT COMPANY 2021	PARENT COMPANY 2020
BY MARKET AREA				
Finland	68,907	78,259	1,186	1,677
EU countries	611	2,451	0	0
Countries outside the EU	1,697	62	0	0
	71,215	80,773	1,186	1,677
BY LINE OF BUSINESS				
Icebreaking	47,065	45,931	0	0
Fairway maintenance and Marine surveys services	24,150	34,842	0	0
Internal administration services	0	0	1,186	1,677
	71,215	80,773	1,186	1,677
The share of turnover subject to partial revenue recognition in the Group's total turnover	2,230	2,937	0	0
In terms of long-term projects that have been recognised as income according to the stage of completion, but that have not yet been delivered to the customers, the amount recognised as income in the financial period and in previous financial periods	384	1,206		
Amount not recognised as income concerning long-term projects				
Projects recognised as income according to the stage of completion	674	407		
Backlog of orders, total	674	407		

2. NOTES ON THE PROFIT AND LOSS ACCOUNT (1000 EUR)

2.2 OTHER INCOME FROM BUSINESS OPERATIONS	GROUP 2021	GROUP 2020	PARENT COMPANY 2021	PARENT COMPANY 2020
Sales profit on stocks	0	953	0	0
Profit from sale of fixed assets	542	40	0	0
Grants received	259	438	0	0
Insurance indemnities	407	7	0	0
Other	9	12	0	0
Total	1,217	1,450	0	0
2.3 NOTES ON PERSONNEL				
Average number of personnel during fiscal period				
Clerical employees	210	210	1	1
Offshore personnel	229	229	0	0
Total	439	439	1	1
MANAGEMENT SALARIES AND REMUNERATIONS				
President and CEO	284	240	284	240
Board members	116	116	116	116
Rest of the Group management team	479	402	0	0
	879	757	400	355

The salaries of the President and CEO and members of the Group's Management Team represent total remuneration including company car and telephone benefits. In 2021, the President and CEO and the members of the Group's Management Team were paid a total of EUR 121,864.52 (EUR 0.00 in 2020) in performance bonuses.

Management's pension commitments
The President and CEO's retirement age is in compliance with the Employees' Pensions Act TyEL. The pension benefit is provided by the statutory TyEL pension insurance. The company's President and CEO and members of the Management Team and the Board of Directors do not have supplementary pension benefits paid by the company.

Other pension commitments
A supplementary pension with OP Life Assurance Company Ltd is provided for a certain group of people. The pension benefit according to the VaEL (State Employees' Pensions Act) service is taken into account in the supplementary pension.

2.4 OTHER OPERATING COSTS (1000 EUR)	GROUP 2021	GROUP 2020	PARENT COMPANY 2021	PARENT COMPANY 2020
Rents	664	726	1	0
Costs for vessels	3,617	3,385	0	0
Administrative expenses	5,449	5,364	417	758
Other operating costs, intra-group	0	0	0	87
Other operating costs	2,311	2,128	88	56
Other operating costs, total	12,040	11,602	506	901
AUDITORS' FEES				
Audit	41	75	44	42
Taxation advice	3	26	3	17
Other services	11	48	9	37
2.5 FINANCIAL INCOME AND EXPENSES				
Interest income				
From companies in the same group	0	0	1,170	1,254
From other sources	9	7	5	3
Interest income, total	9	7	1,175	1,257
Other financial income				
From companies in the same group	0	0	195	0
From other sources	28	28	28	27
Other financial income, total	28	28	223	27
Financial income, total	37	35	1,398	1,284

	GROUP 2021	GROUP 2020	PARENT COMPANY 2021	PARENT COMPANY 2020
Interest expenses				
To others	1,450	1,565	1,187	1,242
Interest expenses, total	1,450	1,565	1,187	1,242
Other financial expenses				
To others	242	24	195	-4
Other financial expenses, total	242	24	195	-4
Financial expenses, total	1,692	1,589	1,382	1,238
Financial income and expenses, total	-1,655	-1,554	16	46

3. NOTES ON BALANCE SHEET ASSETS (1000 EUR)

3.1 FIXED ASSET, GROUP

INTANGIBLE ASSETS 2021	Product development expenses	Intellectual property rights	Other intangible assets	Total
Acquisition costs 1 Jan	696	1,276	756	2,728
Increases	0	113	39	152
Decrease	0	0	0	0
Acquisition costs 31 Dec.	696	1,389	796	2,880
Accumulated depreciations 1 Jan.	-613	-863	-533	-2,009
Accumulated depreciation on decreases	0	0	0	0
Depreciations for the fiscal period	-83	-112	-104	-299
Accumulated depreciations 31 Dec	-696	-975	-637	-2,308
	0	0	0	0
Book value 31 Dec.	0	414	159	573

TANGIBLE ASSETS 2021	Land and water areas	Buildings and structures	Vessels	Other plants and machinery	Other tangible assets	Advance payments and acquisitions in progress	Total
Acquisition costs 1 Jan.	1,304	12,493	405,884	15,700	86	415	435,883
Increases	0	0	3,376	640	0	122	4,139
Transfers between item	0	0	0	0	0	0	0
Decreases	-199	-129	-98	0	0	0	-427
Acquisition costs 31 Dec.	1,105	12,364	409,162	16,341	86	537	439,595
Accumulated depreciations 1 Jan	0	-6,770	-184,048	-11,532	0	0	-202,350
Accumulated depreciation on decreases	0	0	0	0	0	0	0
Depreciations for the fiscal period	0	-567	-14,962	-1,000	0	0	-16,530
Reductions in value	0	0	0	0	0	0	0
Accumulated depreciations 31 Dec.	0	-7,337	-199,009	-12,533	0	0	-218,880
Book value 31 Dec.	1,105	5,027	210,152	3,808	86	537	220,716

3.1 FIXED ASSETS, GROUP (1000 EUR)

INTANGIBLE ASSETS 2020	Product development expenses	Intellectual property rights	Other intangible assets	Total
Acquisition costs 1 Jan.	696	991	684	2,371
Increases	0	285	72	357
Decreases	0	0	0	0
Acquisition costs 31 Dec	696	1,276	756	2,728
Accumulated depreciations 1 Jan.	-513	-779	-407	-1,699
Depreciations for the fiscal period	0	0	0	0
Depreciation for the financial year	-100	-84	-126	-310
Accumulated depreciations 31 Dec.	-613	-863	-533	-2,009
Book value 31 Dec.	83	413	224	719

TANGIBLE ASSETS 2020	Land and water areas	Buildings and structures	Vessels	Other plants and machinery	Other tangible assets	Advance payments and acquisitions in progress	Total
Acquisition costs 1 Jan.	1,096	12,493	394,990	15,220	86	5,528	429,413
Increases	208	0	10,894	481	0	11	11,594
Transfers between items	0	0	0	0	0	0	0
Decreases	0	0	0	0	0	-5,124	-5,124
Acquisition costs 31 Dec.	1,304	12,493	405,884	15,700	86	415	435,883
Accumulated depreciations 1 Jan.	0	-6,190	-168,115	-10,486	0	0	-184,792
Depreciations for the fiscal period	0	0	0	0	0	0	0
Depreciation for the financial year	0	-580	-14,740	-1,046	0	0	-16,366
Reductions in value	0	0	-1,192	0	0	0	-1,192
Accumulated depreciations 31 Dec	0	-6,770	-184,048	-11,532	0	0	-202,350
Book value 31 Dec	1,304	5,723	221,836	4,168	86	415	233,533

3.1 FIXED ASSETS, ARCTIA LTD (1000 EUR)

TANGIBLE ASSETS 2021	Land and water areas	Buildings and structures	Other plants and machinery	Other tangible assets	Advance payments and acquisitions in progress	Total
Acquisition costs 1 Jan.	169	4,659	934	86	0	5,848
Increases	0	0	0	0	0	0
Decreases	0	0	0	0	0	0
Acquisition costs 31 Dec.	169	4,659	934	86	0	5,848
Accumulated depreciations 1 Jan.	0	-1,492	-740	0	0	-2,232
Depreciations for the fiscal period	0	-210	-70	0	0	-280
Accumulated depreciations 31 Dec	0	-1,701	-810	0	0	-2,512
Book value 31 Dec	169	2,957	123	86	0	3,336

INVESTMENTS 2021	Shares in group companies	Total
Acquisition costs 1 Jan	92,299	92,299
Increases	0	0
Decreases	0	0
Acquisition costs 31 Dec.	92,299	92,299
Book value 31 Dec.	92,299	92,299

3.1 FIXED ASSETS, ARCTIA LTD (1000 EUR)

INTANGIBLE ASSETS 2020	Intellectual property rights	Total
Acquisition costs 1 Jan.	506	506
Increases	0	0
Acquisition costs 31 Dec.	506	506
Accumulated depreciations 1 Jan.	-485	-485
Depreciations for the fiscal period	-21	-21
Accumulated depreciations 31 Dec	-506	-506
Book value 31 Dec.	0	0

TANGIBLE ASSETS 2020	Land and water areas	Buildings and structures	Other plants and machinery	Other tangible assets	Advance payments and acquisitions in progress	Total
Acquisition costs 1 Jan	169	4,659	934	86	0	5,848
Increases	0	0	0	0	0	0
Decreases	0	0	0	0	0	0
Acquisition costs 31 Dec.	169	4,659	934	86	0	5,848
Accumulated depreciations 1 Jan	0	-1,282	-670	0	0	-1,952
Depreciations for the fiscal period	0	-210	-70	0	0	-280
Accumulated depreciations 31 Dec.	0	-1,492	-740	0	0	-2,232
Book value 31 Dec.	169	3,167	193	86	0	3,616

INVESTMENTS 2020	Shares in group companies	Total
Acquisition costs 1 Jan.	92,304	92,304
Increases	0	0
Decreases	-5	-5
Revaluation (net)	0	0
Acquisition costs 31 Dec.	92,299	92,299
Book value 31 Dec.	92,299	92,299

3. NOTES ON BALANCE SHEET ASSETS

	GROUP		PARENT COMPANY	
	2021	2020 Share of ownership	2021	2020 Share of ownership
3.1.1 GROUP SUBSIDIARIES				
Arctia Icebreaking Ltd	100 %	100 %	100 %	100 %
Arctia Karhu Ltd	90 %	90 %	90 %	90 %
Arctia Management Services Ltd	100 %	100 %	100 %	100 %
Arctia Meritaito Ltd	100 %	100 %	100 %	100 %
3.1.2 ASSOCIATED COMPANIES				
Ice Advisors Ltd, Helsinki				
Share of ownership	40 %	40 %		
Equity 31.12.2020 (31.12.2019)	23	28		
Profit for the fiscal period 31.12.2020 (31.12.2019)	-5	-6		
Saariston Merikuljetus Ltd Meripojat, Raisio				
Share of ownership	0 %	24 %		
New Port Imatra Ltd, Helsinki				
Share of ownership	50 %	50 %		
Insta Airhow Ltd, Tampere				
Share of ownership	40 %	40 %		

	GROUP	
	2021	2020
3.2 INVENTORIES (1000 EUR)		
Raw materials and consumables		
Opening balance 1.1	2,612	4,033
Variation in stocks	-218	-1,422
Closing balance 31.12	2,394	2,612
Unfinished products		
Opening balance 1.1.	16	9
Variation in stocks	-15	7
Closing balance 31.12.	1	16
Finished products		
Opening balance 1.1	100	79
Variation in stocks	211	21
Closing balance 31.12	311	100
Advance payments	0	0
Current assets 31.12.	2,706	2,727

3. NOTES ON BALANCE SHEET ASSETS (1000 EUR)

	GROUP		PARENT COMPANY	
3.3 SHORT-TERM RECEIVABLES	2021	2020	2021	2020
3.3.1 RECEIVABLES FROM GROUP COMPANIES				
Accounts Receivable			11,746	30
Interest receivables			9	0
Loan receivables			3,250	2,500
Group account receivables			4,704	390
			19,710	2,920
3.3.2 RELEVANT ITEMS IN DEFERRED RECEIVABLES				
Personnel expenditure	817	692	676	587
Other deferred receivables, from sales	523	1,531	0	0
Other deferred receivables, from expenses	1,449	1,198	20	25
	2,790	3,421	696	612
3.4 FINANCIAL SECURITIES				
Book value	20,000	20,000	20,000	20,000
Market value	20,396	20,270	20,396	20,270

4. NOTES ON BALANCE SHEET LIABILITIES (1000 EUR)

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
4.1 EQUITY INCREASE AND DECREASE				
Restricted equity				
Share capital 1 Jan.	18,700	18,700	18,700	18,700
Share capital 31 Dec	18,700	18,700	18,700	18,700
Unrestricted equity				
Reserve for invested unrestricted equity				
Reserve for invested unrestricted equity 1 Jan	77,014	77,014	77,014	77,014
Reserve for invested unrestricted equity 31 Dec.	77,014	77,014	77,014	77,014
Profit from previous fiscal periods 1 Jan.	46,371	45,467	22,553	22,313
Adjustment to the result of the previous financial year	0	48	0	241
Profit from previous fiscal periods 31 Dec	46,371	45,515	22,553	22,554
Profit for fiscal period	-515	856	-17	0
Unrestricted equity, total	122,870	123,385	99,550	99,568
Equity, total	141,570	142,085	118,250	118,268
Distributable assets				
Total unlimited equity	122,870	123,385	99,550	99,568
Unrecognized part of product development costs	0	-83	0	0
Distributable assets, total	122,870	123,302	99,550	99,568

The capital and reserves of the opening balance sheet of Arctia Ltd have been adjusted in 2020 by releasing the depreciation difference of EUR 240,966.30, which was recorded incorrectly in the previous financial period.

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
4.2 IMPUTED TAX LIABILITIES AND RECEIVABLES				
Imputed tax liabilities				
For depreciation differences	6,082	7,013	0	0
For correction entry	3,403	3,403	0	0

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
4.3 LONG-TERM LIABILITIES (1000 EUR)				
Loans from financial institutions	96,500	115,869	86,750	100,000
Loans become due after more than 5 years	48,750	200	48,750	0
4.4 SHORT-TERM LIABILITIES				
Loans from financial institutions	6,275	3,400	3,250	2,500
	6,275	3,400	3,250	2,500
4.4.1 LIABILITIES TO GROUP COMPANIES				
Accounts payable			0	301
Group grant liabilities			100	0
Group account liabilities			24,024	14,042
			24,124	14,344
4.4.2 RELEVANT ITEMS INCLUDED IN DEFERRED LIABILITIES				
Personnel expenditure	5,810	6,490	57	111
Interest liabilities	131	44	0	0
Other deferred liabilities	470	809	36	8
	6,410	7,344	92	118

5. NOTES ON SECURITIES AND CONTINGENT LIABILITIES (1000 EUR)

	GROUP		PARENT COMPANY	
RENT/LEASING AGREEMENTS	2021	2020	2021	2020
To be paid during subsequent fiscal period				
Leasing agreements	409	451	6	8
Rent liabilities	758	753	0	0
	1,167	1,204	6	8
Due at a later date				
Leasingsopimukset	289	518	0	6
Rent liabilities	1,194	1,676	0	0
	1,484	2,194	0	6
Total	2,651	3,383	6	15

VAT isn't included in the amounts

	GROUP 2021	GROUP 2020	PARENT COMPANY 2021	PARENT COMPANY 2020
CONTINGENT LIABILITIES				
GUARANTEES				
For group companies	9,180	10,350	9,180	10,350

Together with Port of Kemi Ltd, the parent company has issued an absolute joint and several guarantee of EUR 10,200,000.00 for the bank loan of Arctia Karhu Oy. On 31 December 2021, the loan amount totalled EUR 10,050,000. the credit agreement of Arctia Karhu Ltd includes a specific condition on the permanence of ownership: the ownership of Arctia Ltd must be at least 90% of the shares and voting rights of the borrower.

The parent company's all loans from financial institutions include a specific condition on the permanence of ownership: The ownership of the Finnish State must be 50.1% of the shares and voting rights of the borrower.

Arctia Meritaito Ltd has a guarantee limit of EUR 5,000,000.00 granted by a bank. Of this sum, EUR 3 218 489,05 was used on 31 December 2021 (EUR 2 697 307,15 on 31 December 2020).

OTHER CONTINGENT LIABILITIES

The shareholders of Insta Airhow Oy shall undertake to grant to the company the maximum sum of two hundred thousand (200,000) euros in total as extra funding in relation to the shareholding if the company's Board of Directors so proposes in order to finance the growth stage of the business operations. The extra funding is either equity or debt financing, or both, as the company's Board of Directors defines the required financial instruments in the way it considers most appropriate in terms of the company's interests. The share of Arctia Meritaito Ltd of this is EUR 80,000, of which EUR 40,000 had not been taken up on 31 December 2021.

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
Current account facilities				
Total amount of the facility	14,000	14,000	0	0
In use	125	3,219	0	0
Responsibilities for corporate cards	10	11	0	0

VAT refund liabilities

The VAT refund liability on real estates in 2021 totalled EUR 173 648,21 (EUR 314 772,72 in 2020).

6. DERIVATIVES (1000 EUR)

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
Interest rate swaps				
Total loan capital	30,000	47,850	30,000	37,500
Value of underlying commodities	9,000	42,675	9,000	37,500
Market value of agreements	-448	-675	-448	-618

The interest rate swaps have been made to hedge a long-term parent company and subsidiary loan.

SIGNATURES TO THE FINANCIAL STATEMENTS AND ANNUAL REPORT

Helsinki, 10 March 2022

Pertti Saarela
Chairman of the Board of Directors

Hanna Masala

Mats Rosin
Vice Chairman

Pirjo Kiiski

Sinikka Mustakari

Kari Savolainen

Maunu Visuri
President and CEO

AUDITORS' REPORT
A report on the audit of accounts has been issued today.

Helsinki, 10 March 2022

KPMG Oy Ab

Ari Eskelinen
KHT

LIST OF ACCOUNTING BOOKS,
RECORD TYPES AND STORAGE MEDIA

- Balance sheet book
- Daybook and general ledger
- Purchase invoices
- Payment receipts
- Sales invoices
- Transaction receipts
- Bank receipts
- Memo receipts
- Payroll accounting receipts
- Intangible asset transactions
- Cash vouchers
- Travel expense receipts
- Notes vouchers

Auditor's Report

TO THE ANNUAL GENERAL MEETING OF ARCTIA LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Arctia Oy (business identity code 2302573-7) for the year ended 31 December, 2021. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

In our opinion, the financial statements give a true and fair view of the group's and the company's financial performance and financial position in accordance with the laws and regulations governing the prepration of financial statements in Finland and comply withnstatutory requirements.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Auditor's Report Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE FINANCIAL STATEMENTS

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw

attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER REPORTING REQUIREMENTS

OTHER INFORMATION

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations. If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

OTHER OPINIONS

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the profit shown in the balance sheet (and the distribution of other unrestricted equity) is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors of the parent company and the Managing Director should be discharged from liability for the financial period audited by us.

Helsinki, 10 March, 2022

KPMG OY AB

Ari Eskelinen
KHT

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