

FINANCIAL  
STATEMENTS  
BULLETIN  
2018

**Cinia**



# General information about the company

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Cinia is a Finnish data communications and IT conglomerate that offers network, software and cloud services. Cinia acts as a telecommunications operator and produces diverse IT expert and connection services, as well as development services for IT-intensive systems and software. Cinia operates its own communications networks or those owned by its customers.

The group consists of the parent company Cinia Oy and three subsidiaries owned by

the parent company: C-Lion1 Oy, Cinia Cloud GmbH and Netplaza Oy. On 4 June 2018, Cinia acquired ownership of Netplaza Oy.

The parent company, Cinia Group Oy, changed its name to Cinia Oy on 1 January 2018.

Cinia operates in the Finnish and international connectivity and telecommunications operator markets, as well as in the software and software solution services markets.

## Structure and financial arrangements

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From the points of view of business and management, Cinia's operations are divided into two business lines: Network Services, which provides data network services, and Solution Development, which provides software services and solution services.

The purpose of Cinia Cloud GmbH, a subsidiary of Cinia Cloud Ltd established in Germany on 16 April 2015, is to carry out administrative tasks to ensure compliance with the German legislation in carrying out the Cinia Group's business operations. For example, the company owns or leases ICT rooms for Cinia's data transmission network in Germany.

# Main events during the financial year

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Net sales of the Cinia conglomerate increased from 2017 by approximately EUR 5,0 million (+12,4%). Net sales increased in nearly all services, particularly in international connectivity services.

On 4 June 2018, Cinia acquired ownership of Netplaza Oy, an Oulu-based company providing data network services. Netplaza has been providing business and municipal data network services for over 20 years, especially in Northern Ostrobothnia. In recent years, the company has also been a successful provider of regional fibre-optic network design and operation services and is one of the leaders in this market in Finland.

Cinia continued to focus on expanding its business operations in international connectivity services. An important part of Cinia's international connectivity service operations was its investment in the 2015–2018 period in the C-Lion1 subsea cable system. Cinia extended the C-Lion1 subsea cable system by building a branching unit in the Hanko area, in southwest Finland. The second landing of a subsea cable to Finland at this branching unit will help to secure the connection and shorten the connectivity route from continental Europe to western Finland and to other Nordic countries.

During the financial year, Cinia expanded its international network and opened new routes to Stockholm,

Amsterdam and some other locations. As Europe and Russia grow, and as the connectivity needs between them continue to increase, the new connections will strengthen Cinia's position as a company operating between east and west and between the Nordic countries and Central Europe.

At the end of December, Cinia sold its cloud service Lioncloud to Leijonaverkot Oy, a subsidiary of State Security Networks Group Finland. The cloud service is based on the Lioncloud service platform, developed by Cinia, and provides a high-security private cloud service. The arrangement will speed up the development of the Lioncloud service and platform. In line with its strategy, Cinia will from now on provide Lioncloud service in partnership with State Security Networks Group Finland.

Cinia made headway with service platform solutions, for example in the KEKO project and in the Viljapassi solution developed using our ValueNet concept. Viljapassi is a business ecosystem that enables individual farmers and agricultural organisations to make the most of the industry's rich data flows for the first time without any system-specific constraints.

# Assessment of the financial position and key indicators

The companies whose operations are covered by the financial statements are Cinia Ltd (the parent company), C-Lion1 Ltd, Cinia Cloud GmbH, Netplaza Ltd, and Cinia Ltd's non-operating subsidiaries acquired in December 2018.

Cinia Group's turnover in 2018 was EUR 45.68 million. Operating profit was positive at EUR 2.21 million. Sal-

ary costs were activated on the balance sheet as part of the fixed costs of procurement and manufacturing. The activation of the salary costs is presented in the income statement on the line indicating production for the group's own use. Gross investments during the financial year were EUR 10.9 million (2017: EUR 7.0 million). Investments include EUR 0.4 million in work of the group's own personnel.

## Key figures representing the Group's financial position and results:

Cinia Group (EUR million)	2018	2017	2016
Netsales	45,68	40,64	36,33
Operating profit/loss	+2,21	+1,76	+1,39
Operating profit, % of net sales	4,8 %	4,3 %	3,8 %
Return on equity % (ROE)	2,2 %	0,7 %	1,3 %
Return on investment % (ROI)	2,8 %	2,1 %	1,7 %
Equity ratio (%)	45,2 %	45,4 %	41,5 %

Parent company Cinia Ltd (EUR million)	2018	2017	2016
Net sales	41,20	4,49	4,43
Operating profit/loss	2,47	-0,93	-0,84
Operating profit, % of net sales	6,0 %	-20,8 %	-18,9%
Return on Equity % (ROE)	6,0 %	-3,1 %	-2,9%
Return on investment % (ROI)	4,4 %	0,1 %	0,0%
Equity ratio (%)	44,6 %	38,0 %	43,5%

ROE, ROI and operating profit, % of net sales have been calculated in accordance with the general instructions of the Accounting Board.

## Calculation formulas for key figures

Operating profit % =	100x	$\frac{\text{operaring profit}}{\text{net sales}}$
ROE =	100x	$\frac{\text{income before extraordinary items - taxes}}{\text{equity + minority interests (average)}}$
ROI =	100x	$\frac{\text{income before extraordinary items + interest and other financial costs}}{\text{balance sheet on 31 December - interest-bearing liabilities (average)}}$
Equity ratio =	100x	$\frac{100 \times \text{equity + minority interests}}{\text{balance sheet on 31 December - advances received}}$

# Corporate security and risk management

Risk management comprises part of Cinia's strategy process and governance. It is carried out in accordance with the annual calendar defined in the company's security policy. On the basis of risk reports, action plans are prepared to control the most significant risks. The fulfilment of these plans is monitored by the executive team and the Board of Directors. The security and risk management team acts as a preparatory body for the Cinia's executive team.

Carefully prepared technology selections, skills in rapidly developing new service products and the ability to recruit and maintain competent and motivated employees are Cinia's key success factors.

Due to the nature of its operations, particularly in network services, Cinia has set high operational requirements for systems and the network infrastruc-

ture. Cinia continuously maintains and improves its network infrastructure. Reliability and availability are improved by means of process development, continuous system updates and redundant connection routes.

Cinia has no significant interest or foreign currency risk. To control credit risks associated with customers, Cinia checks the credit rating of its new customers at the tendering stage and negotiates full or partial advance payments for long-term network leases.

The Board of Directors is responsible for the organisation of internal control, internal auditing and risk management. The internal auditing of Cinia companies is carried out under the supervision of Cinia Oy's Board of Directors and CEO.

## Social responsibility

Cinia's goal is to integrate social responsibility as a part of its day-to-day business operations, in its management, development and customer solutions. Cinia find it important to operate in an environmentally sustainable way, and continuously pay attention to its own energy consumption and the material efficiency.

Electricity consumption is a key factor when assessing the environmental impact caused by Cinia's industry. Different digitalisation solutions that improve operational efficiency can also have a significant impact on material efficiency within the industry.

Customers have already achieved significant results in reducing their environmental footprint with Cinia's products and services.

Cinia's sustainable development programme has chosen themes in which the company can most effectively make progress through its own expertise, services and products. Within the scope of these themes, Cinia has set operational targets to increase

the positive impact of its entire business operations in cooperation with its customers.

The focus areas of Cinia's approach to corporate responsibility are cybersecurity, safe-guarding the reliable functioning of society, responsibility as an employer, financial responsibility and responsible communications.

Another important focus area for developing operations in the coming years is the psychological and physical wellbeing of personnel. This entails demonstrating trust and appreciation.

Key factors in Cinia's tax management are identifying and avoiding tax risks. The tax effects of business decisions are identified, but decisions are made on grounds of expediency. Taxes are paid to the applicable country based on the business operations in question.

# Scope of research and development activities

During the financial period, EUR 0.5 (0.7) million were recognised in the profit as personnel costs associated with investments in business development activities. These R&D projects included the Northeast

Passage cable project, other expansions to the national and international network, SOC activities, new service platforms for software services, and expansions to the national and international network.

## Personnel

The goal of Cinia's human resources strategy is to make continued progress towards achieving the company's business goals. For a company that provides services and specialist consultation, employees are our most important asset. The main goals of the HR strategy are to ensure the availability of personnel and their commitment to the company, motivation and continuous development.

In 2018, the company employed an average of 261 people (2016: 225 people). As a result of subsidiary mergers, business activities and personnel transferred to the parent company from the beginning of 2018.

### Salaries and fees recognised during the financial period:

EUR million	2018	2017
Cinia Ltd	14,7	2,2
Cinia Group	15,5	13,4

# The company's management and auditors

Between 1 January and 31 December 2018, members of Cinia Ltd's Board of Directors were Esko Aho (chairman), Karri Alameri, Hanna Maria Sievinen, Heidi Koskinen and Janne Yli-Äyhö. Hanna-Maria Sievinen was the vice-chairman.

Ari-Jussi Knaapila was the president and CEO of Cinia Ltd.

Between 1 January and 26 May 2018, members of C-Lion1 Ltd Board of Directors were Hanna Maria Sievinen (chairman), Ari-Jussi Knaapila, Anna Latvala and Tarja Oinonen-Rouvali.

Between 27 May and 31 December 2018, members of C-Lion1 Ltd Board of Directors were Ari-Jussi Knaapila (chairman), Anna Latvala, Tarja Oinonen-Rouvali and Taneli Vuorinen.

C-Lion1 Ltd does not have any managing director.

Between 4 June and 31 December 2018, members of Netplaza Ltd's Board of Directors were Ari-Jussi Knaapila (chairman), Jorma Hanhimäki, Taneli Vuorinen, Tarja Oinonen-Rouvali, Anna Latvala ja Tommi Linna.

Tommi Linna was the CEO of Netplaza Ltd.

Salaries and fees (EUR) thousand	2018	2017
Boards of Directors of the Cinia Ltd	94.9	148.5
Board of Directors of Cinia Group	95.8	148.5
CEO's of Cinia Group	360.1	450.4

Cinia Ltd's auditor was Oy BDO Ltd, with Ari Lehto, Authorised public Accountant, being responsible for auditing.

## The company's shares

Cinia has 1,289,856 (2017: 1,289, 856) shares.

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

Shareholders and holdings of Cinia: The Finnish State (through the Ministry of Transport and Communications, 77.528%), Ilmarinen Mutual Pension Insurance Company (11.236%), OP Insurance (5.618%), and OP Bank Group Pension Fund (5.618%).

C-Lion1 has two series of shares: A and B series. The company has one A share and 200,000 B shares. Both series of shares provide their holders with equal voting rights. On 1 February 2018, Cinia's shareholders decided to change partnership agreements and

articles of association so that C-Lion1 returned an equity investment of EUR 9,000,000.00 (invested unrestricted equity fund) to the holder of the A share (Finnish State, the Ministry of Transport and Communications) which invested the same equity (invested unrestricted equity fund) in Cinia. At the same time, it was agreed that the pre-emptive right to dividends associated with C-Lion1's A share be eliminated. The A share maintained its right to the control of two fibre pairs. In addition, C-Lion1's share capital remained unchanged, as did Cinia's holdings and voting rights.

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

# Outlook for 2019

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Cinia will focus on its key functions in data network and software development services and invest part of its profit in preparing the construction of the socially significant national and international data infrastructure. Fast, secure and reliable high-capacity data connections will provide Finnish companies with an effective base for global real-time business activities. Strengthening Finland's trunk network remains one of Cinia's most significant data network projects.

We will focus to a more limited number of service areas in accordance with our revised strategy. We will expand our range by using our partners' products and services and, therefore, by launching comprehensive solutions that are easier to acquire and produce more added value. Furthermore, we will develop our ability to act as a solution integrator.

The longer reach of digitalisation to different parts of society will form a solid base for Cinia's digital infrastructure and digital solution development. Cinia has a strong position in the solution areas of healthcare, agriculture, industrial IoT and digital transport, and Cinia has excellent opportunities to expand its solution development activities in these segments.

As a result of actions taken in previous years, the company's turnover in 2019 is expected to continue its positive development. We will improve our profitability by focusing more on services and operating methods in line with our strategy and by keeping our cost levels well under control. We will use part of our operating profit to finance growth by developing our services and by increasing our sales and marketing activities.

Cinia's network expansions will offer more opportunities in international network leasing and connection services. Active sales in international markets will also increase demand for national network services. Transit traffic via Finland between Central Europe, Russia and Asia will continue to be an important source of business growth in Cinia's connection services.

The integration of Netplaza into Cinia will help us to implement our growth strategy and enable new digital success stories.

## Key events after financial period

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There have been no significant changes in the Cinia's financial position after the financial period.

# Consolidated income statement

EUR million	1.1.-31.12.2018	1.1.-31.12.2017
<b>NET SALES</b>	<b>45,68</b>	<b>40,64</b>
Increase (+) / decrease (-) in finished and unfinished product stocks	-0,25	-0,35
Production for own use	0,44	0,27
Other operating income	0,96	0,05
Materials and services	-14,00	-12,57
Personnel expenses	-18,80	-16,02
Depreciation and amortisation	-5,33	-4,82
Other operating expenses	-6,48	-5,44
<b>OPERATING PROFIT (LOSS)</b>	<b>2,21</b>	<b>1,76</b>
Financial income and expenses	-1,02	-1,41
<b>PROFIT (LOSS) BEFORE TAXES</b>	<b>1,19</b>	<b>0,35</b>
Income tax	-0,21	-0,02
Changes in deferred taxes	-0,05	-0,06
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>0,93</b>	<b>0,27</b>

# Consolidated balance sheet

EUR million		
<b>NON-CURRENT ASSETS</b>		
	<b>31.12.2018</b>	<b>31.12.2017</b>
<b>INTANGIBLE ASSETS</b>		
Intangible assets	18,96	14,73
Tangible assets	68,22	67,50
Investments	0,07	0,00
<b>TOTAL NON-CURRENT ASSETS</b>	<b>87,25</b>	<b>82,23</b>
<b>CURRENT ASSETS</b>		
Inventories	0,51	0,80
Non-current receivables		
Other receivables	4,84	4,94
Current receivables		
Trade receivables	6,29	6,92
Other receivables	2,72	3,15
Cash in hand and at bank	7,48	10,35
<b>TOTAL CURRENT ASSETS</b>	<b>21,84</b>	<b>26,16</b>
<b>Total assets</b>	<b>109,09</b>	<b>108,38</b>

# Consolidated balance sheet

EUR million		31.12.2018	31.12.2017
<b>Equity and liabilities</b>			
<b>EQUITY</b>			
Share capital		1,68	1,68
Other reserves			
Reserve fund		1,67	1,67
Reserve for invested unrestricted equity		19,00	10,00
profit (loss) from previous periods		17,26	17,13
profit (loss) for the period		0,93	0,27
<b>TOTAL EQUITY</b>		<b>40,54</b>	<b>30,75</b>
<b>MINORITY INTERESTS</b>			
		<b>1,00</b>	<b>10,00</b>
<b>OBLIGATORY PROVISIONS</b>			
		<b>0,20</b>	<b>0,12</b>
<b>LIABILITIES</b>			
Non-current			
Loans from shareholders		10,00	10,00
Loans from financial institutions		23,97	26,90
Advances received		15,37	16,37
Other liabilities		2,43	0,81
Current			
Loans from financial institutions, current loans		3,16	3,10
Advances received		1,87	2,19
Trade payables		2,78	2,80
Deferred tax liabilities		0,17	0,12
Other liabilities		7,59	5,22
<b>TOTAL LIABILITIES</b>		<b>67,35</b>	<b>67,51</b>
<b>Total equity and liabilities</b>		<b>109,09</b>	<b>108,38</b>

# Consolidated cash flow statement

EUR million		
Cash flow from operating activities:	1.1.-31.12.2018	1.1.-31.12.2017
Operating profit (loss)	2,21	1,76
Adjustments to operating profit		
Depreciation according to plan	5,33	4,82
Other adjustments	0,06	-0,13
Cash flow before change in working capital	7,61	6,44
Change in working capital:		
Change in current non-interest-bearing receivables, increase (-) / decrease (+)	1,19	1,72
Change in inventories, increase (-) / decrease (+)	0,29	0,30
Advances received, increase/decrease	-1,00	4,93
Change in current non-interest-bearing liabilities, increase (+) / decrease (-)	-0,57	-0,83
Cash flow from operating activities before financial items and taxes	7,50	12,56
Interest and fees paid on other financial expenses	-0,64	-1,03
Interest received on business operations	0,02	0,02
Direct taxes paid (-)	0,10	0,01
<b>Cash flow from operating activities (A)</b>	<b>6,99</b>	<b>11,57</b>
<b>Cash flow from investment activities:</b>		
Investments in tangible and intangible assets (-)	-4,32	-6,91
Capital gains from tangible and intangible assets (-)	-2,27	0,00
<b>Cash flow from investment activities (B)</b>	<b>-6,58</b>	<b>-6,91</b>
<b>Cash flow from financing:</b>		
Change in current loans	-0,02	0,60
Change in non-current loans	-3,13	-8,10
Dividends paid and other profit distribution (-)	-0,13	-0,26
<b>Cash flow from financing (C)</b>	<b>-3,28</b>	<b>-7,76</b>
<b>R Change in cash and cash equivalents (A + B + C), increase (+) / decrease (-)</b>	<b>-2,87</b>	<b>-3,10</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>10,35</b>	<b>13,46</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>7,48</b>	<b>10,35</b>



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